



**Report to:** Cabinet

**Subject:** Localising support for Council Tax in England

**Date:** 1 September 2011

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## **1. PURPOSE OF THE REPORT**

- 1.1 To inform Members of the Government's consultation paper on the proposals for Localising support for Council Tax in England which form part of its wider policy of decentralisation, giving councils increased financial autonomy and a greater stake in the economic future of their local area. The consultation sets out and seeks views on the principles that should underpin the reform and the design of the new localised scheme that will replace Council Tax Benefit from April 2013. The consultation closes on 14 October 2011.
- 1.2 The consultation paper has been placed in the Members' room and can also be found by visiting the following:-  
<http://www.communities.gov.uk/publications/localgovernment/localisingcounciltaxconsult>

## **2. BACKGROUND**

- 2.1 At present lower income, including pensioner, households pay a reduced, or in some cases zero, amount of Council Tax through a system of relief called Council Tax Benefit. In last year's spending review the Government announced proposals to localise Council Tax Benefit and reduce spending by 10 per cent. The Government have now announced details of their plans for abolishing Council Tax Benefit and replacing it with a new system of local support for Council Tax from 2013-14.
- 2.2 The consultation paper confirms the announcement in the spending review that help with Council Tax will not become part of Universal Credit, the new benefit that amalgamates tax credits, out-of-work benefits and Housing Benefit, but will instead remain a local authority responsibility. It also confirms the need for local authorities to save 10% of current expenditure but, importantly, makes clear that pensioners will be excluded from the effect of these cuts.

2.3 The Government states a number of reasons why they have decided to transfer council tax support to local authorities:-

- To give local authorities a greater stake in the economic future of their local area.
- Provide local authorities with the opportunity to reform the system of support for working age claimants.
- Give local authorities a financial stake in the provision of support for council tax.
- Give local authorities a significant degree of control over how a 10 per cent reduction in expenditure on the current council tax bill is achieved, allowing councils to balance local priorities and their own financial circumstances.

2.4 The consultation sets out proposals on key elements of a framework for local support for council tax. The framework will be established in a local government finance bill to be introduced in this parliamentary session, and in regulations.

3.

### **PRINCIPLES OF THE SCHEME**

3.1 The following principles are proposed to underpin local schemes:

- Local authorities will have a duty to run a scheme to provide support for council tax in their area.
- For pensioners there should be no change in the current level of awards as a result of this reform.
- Local authorities should also consider ensuring support for other vulnerable groups.
- Local schemes should support work incentives and, in particular, avoid disincentives to move into work.

3.2 It is proposed that the Government will prescribe the criteria and awards for council tax support to pensioners which local authorities will need to provide for in their local schemes.

4.

### **AREAS FOR CONSIDERATION**

4.1 Local authorities will need to establish the parameters of the scheme taking into account the funding the local authority intends to dedicate to the scheme. The parameters are likely to be informed by the framework set by central government; in particular to requirements relating to support for pensioners and ensuring work incentives are supported.

- 4.2 The Government expects local authorities to collaborate on the new arrangements to reduce costs and duplication. Examples of how this may be achieved could include a co-ordinated approach between billing authorities in designing schemes and developing schemes that support priorities that are shared by a number of neighbouring authorities.
- 4.3 Local authorities are encouraged to consider how the process of establishing liability for working age claimants can be simplified. The Government will work with local government to understand how data sharing can help further reduce administrative costs and complexity.
- 4.4 Local authorities will seek to integrate arrangements for providing support within the council tax system, and will continue to provide support to households as a reduction in the amount of council tax payable rather than a cash payment. This should be delivered as a new form of council tax discount, which reduces council tax liability once other discounts have been taken into account.
- 4.5 Local authorities will no longer be responsible for investigating and prosecuting fraud in relation to the housing benefit caseload once the Single Fraud Investigation Service begins, (stated as from October 2013), however it is likely that the responsibility for fraud investigation under a system of localised support for council tax will rest with the local authority. The paper is consulting on what local authorities will need to be able to successfully investigate fraud, and in particular how data sharing can support their work.

## 5. **WHAT DOES THIS MEAN FOR GEDLING BOROUGH COUNCIL?**

- 5.1 We will receive a fixed unringfenced grant and will need to design schemes around it. We will have to consider what contingency measures will need to be in place to take account of unplanned increases in demand or take-up. If we experience lower than expected demand we will be able to use any surplus to hold down council tax support or support services.
- 5.2 When the new system of local support for Council Tax is introduced in April 2013 the amount provided to local authorities will be reduced by 10% relative to current expenditure on council tax benefit, saving around £480 million a year for all Councils. However, as pensioners will in effect be excluded from the new system, working age claimants will be the only taxpayers affected by the new rules thereby creating a larger than 10% cut for them. Currently, Gedling Borough Council pays £7.8m in council tax benefit to 9,000 households, with £4m paid to pensioners and £3.8m to working age. An overall 10% reduction would therefore equate to £780,000. However, as pensioners are to be protected from this, all the reduction would have to be found from working age households representing a 20.5% reduction to that group.

- 5.3 A separate detailed technical consultation will be held on the specific factors and indicators which should determine the level of grant allocated to a particular authority.

## 6. **MANAGING RISK**

- 6.1 The new system will increase financial risk to local authorities. Currently support for council tax is demand led. From 2013-14 funding will be through a grant paid from the Department for Communities and Local Government departmental expenditure limits. Councils will therefore have to manage any possible financial pressures that could occur as a result of collection rates reducing, for example, if they struggle to collect increased amounts of council tax from households who have had a reduction in their support or where there are unexpectedly high levels of demand for support from eligible claimants, exceeding the value of support forecast.
- 6.2 The Government believes that it is important that local authorities plan to manage financial risks locally. Key to this are:
- Local contingency arrangements to provide for increased take-up or demand.
  - A 'safety-valve' so if take-up or demand exceeds contingency forecasts financial pressures can be shared with other authorities.
- 6.3 The Government have stated that localisation of support for council tax is part of a wider policy of decentralisation including the localisation of business rates and the new Homes Bonus. Local authorities may want to consider how any pooling of risk and joint arrangements could fit with any they might make for managing the new business rates system.

## 7. **TIMETABLE**

- 7.1 The Government will publish a response to this consultation in Autumn/Winter 2011-12 and then introduce a Local Government Finance Bill which will include provisions for localisation of council tax support. The legislation will go through parliament in spring 2012 with primary legislation to be passed in summer 2012 and secondary legislation prepared. Councils will be designing and consulting on local schemes.
- 7.2 Local authorities will establish local schemes in Autumn/Winter 2012 and these should be operational from spring 2013.
- 7.3 This is a very ambitious timetable with little margin for delay for local schemes to be in place to ensure that Council Tax billing for 2013/14 is not affected.

8. **RECOMMENDATIONS**

8.1 Members are recommended to:

Consider if they wish to respond to this consultation paper and, if so, how they wish to proceed in formulating a response.