

LOCAL GOVERNMENT RESOURCE REVIEW – LOCALISING SUPPORT FOR COUNCIL TAX IN ENGLAND CONSULTATION PROPOSALS

EXECUTIVE MEMBER: Councillor G Troughton

LEAD OFFICER: Joanne Wagstaffe, Corporate Director, Resources and Transformation

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WHY HAS THIS REPORT COME TO THE EXECUTIVE?

To inform Members of key issues relating to the Government's proposals to reform the allocation of financial resources to Local Government, particularly in relation to the Localisation of Council Tax Benefit, and the impact this may have on the Council's Medium Term Financial Strategy planning assumptions. These issues will be considered further as additional information comes to light.

SUMMARY:

The report gives an update on the Government consultation document Localising support for council tax in England. The issue will impact considerably on future budget assumptions, and will be considered during the budget process in accordance with the budget timetable for 2012/13.

RECOMMENDATIONS:

There are no specific recommendations however Members are asked to note the issues raised in the report and that further reports will be brought forward for consideration as further details become available.

1. INTRODUCTION

- 1.1 As part of the Spending Review 2010, the Government announced that it would carry out a review of allocation of financial resources to Councils from 2013/14 onwards.
- 1.2 The terms of reference for the review were published in March 2011 and were limited in scope to a consideration of the following two issues (as opposed to a full review of the whole Local Government finance system):

- Changes to the Business Rates System
- Localisation of the Council Tax Benefits

- 1.3 During late July, consultation documents were received on both of the above issues and this report considers the Localisation of the Council Tax Benefit system in more detail. A report on Business Rate Reform is considered elsewhere on the agenda.
- 1.4 A second phase of the Local Government Resource Review will focus on Community Budgets; however no further information has been received to date in this regard.

2. LOCALISING SUPPORT FOR COUNCIL TAX IN ENGLAND

- 2.1 The background to this issue is that between 2013 and 2017 Universal Credits will be introduced and is intended to replace Housing Benefit, Income Support, Job Seekers Allowance, Working and Child Tax Credits and other Employment and Support Allowances. The Universal Credit is currently planned to be administered at a national level.
- 2.2 As announced in the Spending Review 2010, it is also intended that there will be an overall 10% reduction together with a redesign of Council Tax Benefit - this will become the responsibility of the Local Authority through a locally determined scheme from 2013/14.
- 2.3 The consultation document on Localising support for Council Tax in England has recently been received. The consultation will run from 22nd July to 14th October. The full consultation document runs to 52 pages and contains 45 questions.
- 2.4 The consultation document proposes the following principles to underpin the local schemes:
- Local Authorities will have a duty to run a scheme to provide support 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 consider ensuring support for other vulnerable groups.
 - Local schemes should support work incentives, and in particular avoid disincentives to move into work.
- 2.5 Localisation of support for Council Tax will mean a significant change in the role of local authorities. Currently local authorities administer council tax benefit in accordance with national criteria set by the Department for Works

and Pensions and are fully reimbursed by the Department for the rebates that are determined in this way.

In future:

- Local authorities will need to design schemes for working age claimants, taking into account available funding and the support to be provided to pensioner claimants. This could have a significant impact on the Council's budget, given that a 10% cut in funding equates to roughly £550,000, and increases the risk attached to monitoring and control of the budget as we will no longer be reimbursed for the actual cost of the scheme but will be allocated a fixed grant.
- There will also need to be a framework developed for sharing financial pressures between billing (e.g. Copeland Borough Council) and precepting (e.g. Cumbria County Council and Police Authority) using the mechanism of the collection fund to reduce the exposure of small District billing authorities to financial risk.
- The administrative impact on the Revenues and Benefits Shared Service will need to be considered. The consultation document suggests that local authorities may need or want to work together to design, administer and manage risks for local schemes, and consider the type of arrangements that might be needed to support joint working.

2.6 A series of some 45 questions have been asked by the Government as part of the consultation and further reports will be made to Members once the document has been fully analysed, suggesting responses to those questions. The link to the full consultation document is attached below.

3 CONCLUSIONS

3.1 Members are asked to note the issues raised in the report and note that further reports will be made once further details are known.

4. STATUTORY OFFICER COMMENTS

4.1 The Monitoring Officer's comments are: None

4.2 The Section 151 Officer's comments are: Included in the report

4.3 EIA Comments:
Comments will be made specifically as part of the responses to the consultation documents

- 4.4 Other consultee comments, if any:
Resource Planning Working Group considered this issue at their meeting on 11th August.

5. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

- 5.1 The consultation document recently received on Localising Council Tax Benefit will both bring considerable financial risk to the authority and proposals for managing and controlling those risks will be considered in the individual responses.

- 5.2 The issue will impact on the Council's MTFS and this will be project and risk managed as part of the overall budget process for 2012/13.

6. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

- 6.1 This report will be followed up by other reports as further information becomes available and ultimately the Council's response on the consultation document will be made in October.

List of Appendices: None

List of Background Documents:

- Localising Support for council tax in England - Consultation July 2011
<http://www.communities.gov.uk/documents/localgovernment/pdf/19510253.pdf>