

## **Budget Process 2013/14 – Update on Key Issues**

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### **WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS?**

It will enable the budget to be set for 2013/14 incorporating a reasonable statutory consultation period following delays to the Government announcement on the 2013/14 grant settlement and other key announcements relating to the Local Government Finance Act 2012.

### **SUMMARY:**

This report considers the impact on the 2013/14 budget process from delays in Government announcements on key information required to finalise the Council's budget proposals. This is particularly in respect of the 2013/14 Revenue Grant Settlement, but also the final regulations on the new localised Business Rates Regulations, the new Localised Council Tax Support Regulations, and the technical changes to Council Tax. These announcements are not currently anticipated to be completed until late December, albeit information is starting to be received in a piecemeal fashion. The lack of clarity of information and particularly the key information on the Government Grant that the authority will receive, will mean that the original budget consultation dates are unlikely to be achieved, and a shorter statutory budget consultation period is requested. The statutory budget consultation is under as a statutory duty (under Statutory Instrument 1992 No. 3171) where we need to consult business ratepayers or business representatives on proposed spending. A separate budget consultation has been carried out on the proposed service changes to meet the budget deficit.

### **RECOMMENDATION:**

1. It is recommended that Council:
  - (i) Note that the formal approval of the new Localised Council Tax Support scheme (LCTS) will be delayed to a special Council on 22<sup>nd</sup> January 2013 due to Government delays in publishing the detailed Regulations (Para 2.2).
  - (ii) Re-approve that the formal calculation of the Council Tax Base for the purposes of setting the Council Tax remains delegated to the S151 officer in consultation with the Portfolio Holder (Para 2.5).
  - (iii) Approve a revision to the Constitution in respect of the Budget and Policy Framework to amend the formal budget statutory consultation period from a period of 6 weeks to a period of between 4 to 6 weeks. This change will enable

the consultation period to be achieved for the current year and also will give flexibility in future years should the same situation occur again (Para 5.1).

## **1. INTRODUCTION**

- 1.1. The Government has proposed changes to the system of Local Government Finance which are the biggest changes that have been seen for many years. The changes are set out in the Local Government Finance Act 2012 which received Royal Assent on 31<sup>st</sup> October 2012. The detailed operation of the various schemes is still awaited, albeit information on all the new proposals is starting to come through in a very piecemeal fashion, and these will be enacted by Regulation anticipated sometime during December. The legislation includes significant changes to the existing Business Rates system and Council Tax Benefit scheme. Both of these schemes which will become 'localised' and by doing so, the financial risk attached to the schemes has been significantly transferred from Central Government to Local Government.
- 1.2. In addition to these changes, there is continued uncertainty over the national economic position and the Government's Autumn Statement on 5<sup>th</sup> December will give an indication of the overall financial situation for Local Government for 2013/14. It is hoped that indicative figures may also be given for 2014/15. However these headline figures will then need to be worked up into individual grant settlement figures for each Local Authority. Current indications are that due to the scale of the changes, these figures may not be known until late December.
- 1.3. The impact of these changes is set out below with the overall impact on the Council's current budget timetable for 2013/14 set out in paragraph 5.

## **2. LOCALISED COUNCIL TAX SUPPORT SCHEME**

- 2.1. The Local Government Finance Act 2012 includes proposals for Localised Council Tax Support (LCTS) to replace the existing Council Tax Benefit scheme. As previously advised, LCTS will operate as a discount under existing Council Tax regulations and local Councils are required to design their own schemes. Members have considered a number of reports on this issue over the previous months, and the proposal is that the existing benefit scheme is replicated as far as claimants are concerned albeit acknowledging that there are significant technical and accounting changes arising from the change of the award from a 'benefit' to a 'discount'.
- 2.2. Copeland Borough Council has consulted on its proposed scheme and the Executive considered a full report into the consultation feedback at its meeting of 13<sup>th</sup> November. The Executive is ready to make recommendations to Council in this respect, however the draft regulations have not yet been published by Government and important decisions were awaited from Government such as how Parishes would be affected by the proposals. On this issue, proposals were received from the Government on 26<sup>th</sup> November in effect bringing Parishes into the scheme. It was broadly anticipated that this would NOT be the case and the implications on this decision on Copeland Borough Council and the individual Parishes will need to be considered. For this reason it is

recommended that the consideration by full Council to the Scheme be delayed until a special meeting arranged for 22<sup>nd</sup> January to ensure that all of the Regulations have been received and the implications fully understood.

- 2.3. The Government have recently announced a Transitional Grant of £100m in total to 'support local authorities in developing well-designed council tax support schemes and maintain positive incentives to work'. The grant will be payable in March 2013 to those authorities who adopt schemes that comply with criteria set by the Government to ensure that low income households do not face an excessive increase in the council tax liability in 2013/14. As Copeland Borough Council is recommending a scheme that does not impact on claimants, we will qualify for this grant and will receive £17k.
- 2.4 There is a considerable amount of work still involved in implementing the new Scheme for Council Tax , even (as recommended) one which mirrors the existing Council Tax Benefit Scheme. The following tasks will be required:
- Writing a full S13A discount policy to cover LCTS & Technical Reforms to Council Tax that is robust enough to withstand appeals and legal challenges.
  - Software Implementation – design, delivery, testing, training and suitability for producing appropriately discounted Council Tax bills in February 2013.
  - Data protection / Information Sharing – regulations and procedures need to be in place to deal with a 'means-tested' Benefit turning into a Council Tax Discount.
  - Implementation – staff training, administration forms, procedures, partner agreements, data-sharing, counter fraud measures, anti-poverty measures etc.
- 2.5 The Council is required to set its Council Tax Base by 31<sup>st</sup> January each year. The Tax Base will be affected by the proposals currently under consideration, and will be significantly affected by the decision to bring Parishes into the LSCT scheme. The calculation of the Tax Base is currently delegated to the S151 Officer in consultation with the Portfolio Holder and it is recommended that this delegation remains, subject to subsequent reporting to full Council. For the current financial year given the scale of the changes, it is envisaged that the calculation will be considered by the special Council meeting arranged for 22<sup>nd</sup> January.
- 2.6 The Council receives a direct grant from the DWP for administering Housing Benefit (HB) and Council Tax Benefit (CTB) that is separate to any subsidy reclaimed. This grant has been reducing over recent years and we have already received notification that this grant has reduced by 10% or £52k (from £522k to £470k) for 2013/14. This grant will also be affected (reduced) in the future by the development of the Universal Credit and Single Fraud Investigation Service (SFIS). It has recently been announced that the introduction of the SFIS will be delayed until April 2014 for those (such as CBC) not taking part in the pilot programme. It is not currently anticipated that CBC will be significantly affected by the move to Universal Credit until April 2014.

### **3. LOCALISED BUSINESS RATES**

- 3.1 As previously reported to Members the Business Rates system is being localised to allow Local Authorities to retain an element of growth in their areas. The full details of the scheme have yet to be received, albeit a Business Rate Retention Policy Statement was published on 21<sup>st</sup> November providing early confirmation of the government's policy decisions in a number of key areas following the technical consultation carried out earlier in the year, and these are being analysed.
- 3.2 The Council will be at risk under the new system to any decline in Business rates in its area subject of the limitations of a 'safety net' system the level of which has been announced in the Policy Statement at being 7.5% (i.e. authorities will be guaranteed 92.5% of their original baseline funding (the baseline funding level has yet to be decided and will not be announced until late December).

### **4. COUNCIL TAX - CHANGES TO DISCOUNTS**

- 4.1 The Executive have considered a report into the changes that the Government has proposed to localise to Local Authorities, such as removing discounts on Empty Properties and Second Homes, and has made recommendations which are currently out to Consultation. The final rules have not yet been determined as there has been a further consultation from the Government seeking to amend the circumstances by which Councils will be able to apply a premium to Long Term Empty Properties. Once these rules have been finalised the final proposals will be reported to Council at the special meeting arranged for 22<sup>nd</sup> January.
- 4.2 At the January meeting, Council will also be asked to consider a related discount issue in that Council already have discretion to award local discounts and it is recommended that a local discount is awarded for properties affected by flooding. Currently we are exercising some discretion in these matters by awarding exemptions in accordance with Current Class A or C properties (i.e. existing exemptions for empty properties). To grant Class A or C, the property has to be vacant i.e. unoccupied and substantially unfurnished. Sometimes flooded properties may not be completely emptied as furniture may have been moved upstairs. It would be preferable therefore to have a specific exemption for flooded properties whereby the Council has local discretion to give the exemption. Further work will be carried out to assess the financial impact of the award (expected to be minimal) and to recommend the appropriate exemption period and amount in line with the proposals for the changed exemptions for empty properties.

### **5. GOVERNMENT GRANT SETTLEMENT AND BUDGET PROCESS 2013/14**

- 5.1 As previously stated, the Government announcement on the grant settlement is not now anticipated until late December (potentially between 17<sup>th</sup> and 19<sup>th</sup> December). Copeland Borough Council was planning to approve its draft Budget proposals for the formal 6 week statutory consultation on 19<sup>th</sup> December and clearly it won't be possible

to achieve this to include the impact of the grant settlement. Because the impact of the settlement could be significant, it is recommended that the Budget Meeting be deferred until 9<sup>th</sup> January 2013. This in turn means that a 6 week statutory consultation period in line with the Constitution will not be possible if we are to continue with the target date of 21<sup>st</sup> February to set the Budget and Council Tax. A revision to the Constitution is therefore requested to change the period to between 4 and 6 weeks, which will allow flexibility in future years should the same situation be encountered. The statutory budget consultation is under as a statutory duty (under Statutory Instrument 1992 No. 3171) where we need to consult business ratepayers or business representatives on proposed spending. A separate budget consultation has been carried out on the proposed service changes to meet the budget deficit and this closes on 7<sup>th</sup> December.

- 5.1. Given the scale of the changes being considered and the considerable impact it may have on the budget proposals it is not considered realistic to continue to plan for the draft budget to be published for consultation on 18<sup>th</sup> December. A revised budget timetable, incorporating a **4 week** statutory consultation, is therefore proposed as follows:

<b>Date</b>	<b>Detail</b>	<b>Comment</b>
5 <sup>th</sup> Dec 2012	Government's Autumn Statement	
7 <sup>th</sup> Dec	Consultation on CBC proposed budget savings closes	
18 <sup>th</sup> Dec	Executive consider the consultation outcomes and high level budget analysis	Original date of publication of draft budget proposals
19 <sup>th</sup> Dec	Anticipated backstop date of the individual authority grant settlement figures	Indicative date – no formal announcements
9th Jan 2013	Special Executive arranged to consider the draft budget proposals	
10th Jan for 4 weeks	<b>Four week</b> statutory consultation period ending on 7 <sup>th</sup> February.  (Previous 6 week consultation was scheduled to finish on 30 <sup>th</sup> January)	Currently the constitution lays down a six week consultation period and Council will need to agree changes to the constitution
22 <sup>nd</sup> Jan	Special Council to be arranged to approve the final LSCT scheme, Council Tax Technical changes and Council Tax Base following receipt of Government Regulations.	
31 <sup>st</sup> Jan	Final Date for setting the Council Tax Base	Decision delegated to S151 officer and Portfolio Holder
12 <sup>th</sup> Feb	Executive consider consultation outcome and make final budget proposals to Council. (NB. Consultation ends on 7 <sup>th</sup> Feb and so some comments may need to be tabled)	The Executive on 1 <sup>st</sup> February will not be required due to changed consultation period.

21 <sup>st</sup> Feb	Council approve Budget for 2013/14	
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**6. CONCLUSION**

There are a number of key Government Announcements awaited and because of the potentially significant impact of these announcements on the current budget process, a revised budget timetable is proposed, and Council are asked to give approval to constitutional changes and delegations where necessary as set out in the recommendations.

**7. STATUTORY OFFICER COMMENTS:**

The Monitoring Officer's comments are: To confirm consultation period required in Budget and Policy Framework Rules is at present six weeks. Four weeks is considered adequate.

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

EIA Comments: A four week consultation period is considered a satisfactory timescale and no groups will be disadvantaged by this shortened consultation period. All of the key Government proposals made by the Government have been consulted on separately and there are no identified EIA impacts for the Council to consider.

Other consultee comments, if any: None

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

There is risk attached to each of the initiatives and a full risk log is retained separately for the LCTS scheme. There is a risk that Government announcements will not be made in a timely manner or will contain errors due to the significant amount of change being proposed. This in turn increases the risk on CBC to get the budget projections correct. Project and risk management will be carried out and will be on-going throughout the budget process.

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

A formal budget and Council Tax proposal can be made to Council by the authority's deadline of 21<sup>st</sup> February.

**10. BACKGROUND DOCUMENTS:**

**Background documents:** Various reports on the Governments proposals including LCTS, Business Rates and various Technical Changes have been considered by Members over the previous months.