

FINANCE AUDIT & PERFORMANCE SELECT COMMITTEE

REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE DIRECTION)

RE: COUNCIL TAX REDUCTION SCHEME



Hinckley & Bosworth
Borough Council

A Borough to be proud of

1. PURPOSE OF REPORT

To update members of the current position in regard to the Council Tax Reduction Scheme.

2. RECOMMENDATION

The Finance Audit and Performance Select Committee note the current position and progress to date.

3. BACKGROUND TO THE REPORT

3.1 Earlier this year the Government consulted on proposals for the localisation of support for council tax in England. This followed the announcement at Spending Review 2010 that support for council tax would be localised from 2013-2014 and expenditure would be reduced by 10% from the same date.

3.2 Over 400 responses were received by the Government. The majority of responses were from local authorities but also included responses from professional bodies, charities, lobby groups and members of the public. The governments' response to the consultation is summarised below.

3.3 Background to the scheme

3.4 Instead of the Government setting the rules about how much support people can get, as in the case of council tax benefit, the Government is suggesting that councils should be free to decide who should pay less council tax and how much less they should pay – as long as low income pensioners are no worse off and people are generally better off working than claiming benefits.

3.5 Local authorities should be able to make adjustments to schemes each year, following a local consultation process at least where significant adjustments are planned.

3.6 The main proposals of the scheme are:

- Local authorities 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.

This means that for people of working age who receive council tax benefit there will be changes from April 2013 which affect how they will claim support and how much support they can claim.

4 FUNDING OF THE NEW SCHEME

- 4.1 The Government is proposing to give local authorities an amount of money in advance and the local authorities will have to share that among those who need it most in their area. Currently funding is paid by the Department for Work and Pensions out of their Annually Managed Expenditure to local authorities as a reimbursement of their expenditure according to nationally-set criteria.
- 4.2 In future the funding to be distributed to local authorities will be cash limited and will be paid from the Departmental Expenditure Limit budget of the Department for Communities and Local Government.
- 4.3 Moreover, the amount to be made available will be reduced by 10 per cent, saving in the region of £500m. Schemes will need to be designed based on a fixed grant allocation. Local authorities will need to consider what additional contingency arrangements should be put in place within their local schemes to take account of unplanned increases in demand or take-up.

5 TIMETABLE

- 5.1 It is intended that local authorities will establish their own local schemes by April 2013. The proposed timetable for implementation is:

Autumn/Winter 2011-12

- Government publishes a response to this consultation.
- Introduction of Local Government Finance Bill (included provisions for localisation of council tax support).
- Central and local government begin working on model schemes.

Spring 2012

- Primary legislation in passage through Parliament.
- Government preparing and publishing draft secondary legislation.
- Technical consultation on grant distribution

Summer 2012

- Primary legislation passed.
- Secondary legislation prepared.
- Local authorities designing and consulting on local schemes.

Autumn/Winter 2012-13

- Local authorities establishing local schemes consultation with major precepting authorities and the public – putting place systems, notifying claimants of changes.
- Secondary legislation passed
- Grant allocations published
- Local authorities setting budgets.
- Local authorities adopt schemes

Spring 2013

- Local schemes in operation.

6 GOVERNMENT'S RESPONSE TO THE OUTCOME OF CONSULTATION

- Despite the very tight timetable in which to prepare for and develop a local scheme the new proposals will be implemented in April 2013.
- The local scheme must be designed, consulted upon and adopted by the council before the 31 January in the previous financial year.
- Local schemes cannot be changed in year
- Low income pensioners will be entitled to full council tax support.
- It is for the local authority to determine those groups of people who will fall under the definition of 'vulnerable' and thus entitled to council tax support. However Increased protection = less payers = bigger bills
- Local schemes should ensure that they support the work incentives delivered through Universal credit.
- Billing authorities will be the lead in developing a local scheme but they will need to consult with precepting authorities who as a 'risk sharer' will have an opportunity to influence the design of the scheme.
- LA's will be required to hold a public consultation on the proposed scheme.
- LA's are encouraged to collaborate to develop schemes together.
- A national (default) scheme will be set out in regulations if a LA fails to develop a local scheme.
- From April 2013 CTB will be treated as a discount and will reduce the tax base accordingly.
- Grant will be paid to the billing and precepting authorities in proportion to their share of council tax. This will have the effect of reducing each authority's council tax requirement and so helping to off-set the reduction in the taxbase.
- The Government is carrying out further work on how Parishes will be paid their grant.
- Whilst there may be funding available for IT costs, no other funding streams have been identified for administration costs etc
- LA's will be able to subsidise the scheme as they see fit.
- Surpluses or deficits on collection will be shared between the billing and major precepting authorities
- Currently the amount paid to major precepting authorities cannot be adjusted in year, the Government is considering ways that would allow a LA to vary the amount paid to take account of fluctuating collection rates.
- The Government is looking at ways to improve the sharing of data between LA's and the Department for Work and Pensions.

7 PROGRESS

7.1 Awareness

Most Authorities have carried out some work to engage members, leaders and staff and to begin to explore issues around the proposed changes.

7.2 Data

The need to obtain data around client profile and the amount of money going to each group and the benefits of sharing this knowledge was recognised. All authorities have provided details of the make up of their caseload and the intention is to appoint a consultant funded from contributions from participating authorities to bring the data together in an attempt to better understand the effect of any proposed scheme.

7.3 Budget

All authorities supported the view that they would be seeking to pass the budget reduction on to claimants rather than "top up" the fund and retain the present levels of benefit.

The risk of a reduction in collection rates is very significant – a couple of authorities have already considered this and are of the opinion that a reduction in collection rates of between 2.5% – 3% should be regarded as realistic. Future bad debt provision should be made to reflect this figure. This will have to be made known to the other major preceptors.

8 CURRENT POSITION

8.1 All Leicestershire Districts, Leicestershire County Council, Rutland County Council, Leicester City Council, and the Police and Fire Authorities will work together in devising a scheme.

- Sharing costs of a Programme Manager whose role would be to pull the various 'work streams' together.
- we all work together with a view to creating a single scheme local Council Tax benefit scheme.
- however, it is accepted at this stage that in practice we may end up with some variation between schemes due to demographics and member / political dimension

Various work groups will be set up to progress including.

Benefits Practitioners Group

This group would be responsible for providing expert input into

- Data analysis – Scheme options
- Scheme design to include administration of appeals process
- Consideration is being given for a discretionary 'Hardship' fund to assist vulnerable groups and those experiencing severe financial hardship
- ICT issues / scheme implementation
- Equalities impact assessment / public consultation design (supporting communications group)

This group also includes someone who represents the 'Major' precepting bodies

Chief Accountants

This group would be responsible for providing expert input into

- Accounting entries / calculation of the tax base
- Affordability
- Bad debt provisioning / contingency fund
- Monthly monitoring

Communication group

This group would:

- Advise / lead on the communication / consultation approach
- Provision of web-based information to customers

9. FINANCIAL IMPLICATIONS (CB)

There are none arising directly from this report at is for noting only.

5. LEGAL IMPLICATIONS (EP)

There are none other than those set out in the body of the report.

6. CORPORATE PLAN IMPLICATIONS

The scheme will contribute to delivery of all of the Corporate Plan.

7. CONSULTATION

None.

8. RISK IMPLICATIONS

It is the Council's policy to proactively identify and manage significant risks which may prevent delivery of business objectives.

It is not possible to eliminate or manage all risks all of the time and risks will remain which have not been identified. However, it is the officer's opinion based on the information available, that the significant risks associated with this decision / project have been identified, assessed and that controls are in place to manage them effectively.

The following significant risks associated with this report / decisions were identified from this assessment:

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
The risk of a reduction in collection rates is very significant – a couple of authorities have already considered this and are of the opinion that a reduction in collection rates of between 2.5% – 3% should be regarded as realistic. Future bad debt provision should be made to reflect this figure. This will have to be made known to the other major preceptors.	Joint approach and bad debt provision	Partnership

9. KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS

The new local scheme will be impact assessed.

10. CORPORATE IMPLICATIONS

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

Background papers:

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