

Meeting:	Cabinet	Date:	12 September 2012
Subject:	Local Support for Council Tax Scheme		
Report Of:	Cabinet Member for Performance and Resources		
Wards Affected:	All		
Key Decision:	No	Budget/Policy Framework:	No
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Appendices:	None		

FOR GENERAL RELEASE

1.0 Purpose of Report

- 1.1 To advise Members of the requirement to design a local council tax support scheme to replace the current system of paying council tax benefit and the consultation process currently underway.

2.0 Recommendations

- 2.1 Cabinet is asked to **RESOLVE** that:

- (1) The principle that existing council tax benefit claimants will not be affected by the introduction of a local support scheme for council tax in 2013/14 be approved; and
- (2) The consultation currently underway be noted – updates from which will be reported to Cabinet and to full Council in November.

3.0 Background and Key Issues

- 3.1 As part of the 2010 Spending Review, the Government announced that it would localise support for council tax from 2013/14 - reducing expenditure by 10%. This reform is part of a wider policy of decentralisation, aimed at giving councils increased financial autonomy and a greater stake in the economic future of their local area.
- 3.2 This effectively means that, from 1 April 2013, council tax benefit will no longer exist and in its place must be a scheme designed by the Council that gives support for council tax. Central Government funding for this scheme will be at least 10% less than is currently received.
- 3.3 The Welfare Reform Act 2012 contains provisions for the abolition of the current national council tax benefit scheme, paving the way for new localised schemes. The Local Government Finance Bill, introduced to Parliament on 19 December 2011,

makes provision for the localisation of council tax support in England by imposing a duty on billing authorities to design a localised council tax reduction scheme by 31 January 2013 and to consult about the scheme with major precepting authorities and such other persons as it considers likely to have an interest.

3.4 The Government has also taken powers in the Bill that will effectively give protection to vulnerable pensioners. Eligible pensioners must continue to receive the same level of support for council tax as they currently receive under the council tax benefit system.

3.5 Councils who have been unable to design a scheme by 31 January 2013 will have the Government's 'Default Scheme' imposed on them, which is effectively a continuation of the status quo and will not reduce the cost of council tax support.

4.0 Council Tax Benefit

4.1 The Council currently pays approximately £8.7m in council tax benefit each year and receives the same in benefit subsidy from the Government. A 10% reduction in funding would mean having to design a local scheme that reduced support for council tax by £870,000.

4.2 A relatively simple solution would appear to be to cap all council tax benefit at 90%, i.e. those claimants currently receiving 100% support with their council tax, would have to pay 10% from 2013/14.

4.3 The protections in place for eligible pensioners, however, will mean that a higher cut would have to be borne by working age claimants: for illustration, if eligible pensioners made up 50% of the total number of claimants, a 20% cut would have to be applied to working age people.

4.4 The table below shows the total caseload for all districts in Gloucestershire and the split between pensioners and working age claimants:

Table 1 – Gloucestershire Council Tax Benefit Caseload 2011/12

Caseload	SDC	TBC	CDC	GCC	FoDDC	CBC	Total
Pensioners	4,006	2,212	3,082	4,472	3,639	3,458	20,869
Working age	3,488	2,857	2,173	6,346	2,997	5,007	22,868
Total caseload	7,494	5,069	5,255	10,818	6,636	8,465	43,737
Pensioner %	53%	44%	59%	41%	55%	41%	48%

4.5 Of the working age claimants in the Gloucester City, about 60% receive other benefits and allowances from the DWP and therefore automatically qualify for council tax benefit. These claims are referred to as 'passported' claims and very little data is held by the council for these people in order to assess their eligibility for support from a local scheme.

4.6 The Government has only legislated for the protections afforded to eligible pensioners. However, it has stated that councils should consider the impact of their local schemes on other vulnerable groups e.g. disabled people, low income families with children. With the lack of information held about 'passported' cases, it would

not be unreasonable to assume that, given their eligibility for other forms of financial support, they will fall into the category of 'vulnerable'.

- 4.7 We have undertaken some analysis of the impact on some individuals of making cuts of 20% or more to their current levels of benefit and it is clear that this approach would cause individuals and families on low incomes even more hardship.
- 4.8 In addition, should any local scheme cap benefit at 80%, for example, the council would be charging people for a small amount of council tax which they will not have had to pay before and these amounts would be costly to recover.
- 4.9 It should be noted that a local council tax support scheme must be implemented on 1st April 2013, some six months in advance of the introduction of Universal Credit which will replace a number of other benefits and allowances including Housing Benefit. These changes will have an impact on the data that will be available to local authorities that enables them to assess a claimant's eligibility for council tax support. This makes designing a sustainable scheme for 2013/14 year even more complex.

5.0 Impact of the Reduction in Funding

- 5.1 The Government has issued a consultation paper on the funding arrangements for local council tax support schemes. It is proposing to distribute the funding to each of the precepting bodies of the Collection Fund, which will have the effect of spreading the financial risk between the billing authorities, county councils, police and fire authorities.
- 5.2 Table 2 shows what the total reduction in funding for council tax support will be across all Gloucestershire councils based on 2011/12 data and what the financial impact will be for each council:

Table 2 – 10% Reduction in Funding for Gloucestershire

	SDC	TBC	CDC	GCC	FoDDC	CBC	Total
Precepting Body	£'000	£'000	£'000	£'000	£'000	£'000	£'000
County Council	481	327	355	647	433	522	2,766
Police Authority	88	60	65	119	79	96	507
District/City/Borough	82	30	47	107	63	90	419
Parishes	26	13	17	0	21	0	77
Total	678	430	485	873	596	707	3,769

- 5.3 The table shows that the cost of support for council tax may have to be reduced by nearly £3.8m across Gloucestershire in order to bridge the funding gap. It also shows that there is a significant financial impact on the County Council and the Police Authority if each of the district councils decides to design a local scheme that does not reduce the cost of support currently given.
- 5.4 The cost to Gloucester City Council of not reducing the amount of support given for council tax, assuming that billing authorities pick up the parish and town council share, is estimated to be in excess of £100,000. It is not possible to be more specific about costs as the actual level of funding will not be confirmed by central government until December 2012.

5.5 It is also difficult to forecast what impact the implementation of a new scheme will have on demand. It is possible that the number of applicants for council tax support could actually increase.

5.6 The Government has taken the view in the funding arrangements that current caseloads have peaked and will reduce as the economy grows. Whilst there is evidence in Gloucester that caseload has levelled out, we are not anticipating a reduction in applicants in the short to medium term.

6.0 Joint Working on a Local Scheme

6.1 Billing authorities are the lead authorities in the design and implementation of local schemes but have a duty to consult with major preceptors and other interested parties.

6.2 Gloucester City Council has been actively engaging with all Gloucestershire councils with a view to taking a county wide approach in the design of a local scheme. This will enable a joint approach to consultation with council taxpayers, risk assessments, communications and reduce the risk of legal challenges to the scheme finally approved and implemented.

6.3 The County Council and the Police are obviously concerned about the impact on their budgets of decisions taken by the Districts in their scheme design. However, it is widely acknowledged that the hardship caused to individuals and families on low incomes by reducing support for council tax is not a palatable solution and therefore it is a very difficult decision for any council to make.

6.4 There is concern that, whilst the funding gap is currently estimated as shown in Table 2, this will increase in future years as further cuts are imposed on Local Government and that, in future, all the risks associated with fluctuations with demand for support with council tax will be firmly with local councils and not central government. For this reason, the Gloucestershire councils, like many councils nationally, are looking at alternative ways of bridging the funding gap.

6.5 As part of the Local Government Resource Review, the Government proposes to make some technical reforms that would give new flexibilities with regard to council tax on second homes and empty dwellings. The Government's intention is to:

- allow billing authorities to levy up to full council tax on second homes
- abolish Class A exemption (empty dwellings undergoing major repair) and empower billing authorities to give a discount up to 100%
- abolish Class C exemption (vacant dwellings) and empower billing authorities to give a discount up to 100%
- consider whether billing authorities should be given the option to levy an 'empty homes premium' on the council tax payable in respect of dwellings that have been left empty for two years or more
- consider whether mortgagees, usually banks or building societies, should be made liable for council tax when they take possession of a dwelling, and, as the owner, are currently exempt under Class L.

- 6.6 These proposals present an opportunity to increase the amount of council tax raised and use this additional money to offset the loss of funding for council tax support - as an alternative to reducing the level of support given.
- 6.7 These proposals could also be used to incentivise owners to bring empty properties back into use more quickly.
- 6.8 Finance and Revenue Officers in Gloucestershire are currently analysing the impact of the proposed technical reforms to council tax and a further report will be presented to Cabinet on this matter in November.

7.0 Consultation on the Proposals for a Local Scheme

- 7.1 Councils are required to consult major precepting bodies and other interested parties on local schemes to give their view and influence the design of the scheme. The timetable for the implementation of the scheme is such that, to allow time for adequate consultation, the process has already commenced.
- 7.2 As consultation will have to take place before the Finance Bill comes into force, provision has been made within the Bill to ensure that the publishing of a draft scheme and consultation with interested parties is not rendered invalid simply because it takes place beforehand.
- 7.3 The Government has confirmed that payments will be made through New Burdens funding to assist local authorities with the costs of the consultation process and software changes required to implement a new scheme. It is estimated that the software changes required will cost in the order of £60,000 per council.
- 7.4 A joint county-wide consultation with residents is underway and attached at Appendix 1.

8.0 Conclusion & Recommendation

- 8.1 It is clear that the design of a local scheme which reduces the amount of support for council tax given to working age people already in low incomes will have a detrimental effect on the financial affairs of individuals and families. Any major changes implemented for 2013/14, could result in significant short term scheme design and implementation costs, which may then need to be re-incurred once the impact of universal credit is known.
- 8.2 The Council has been consulting with the major precepting bodies and other interested parties on a local scheme for 2013/14 that does not reduce the level of support for council tax currently received. A preferred approach is to effectively maintain the arrangements of the existing Council tax benefit scheme for 2013/14 and to identify options to fund the shortfall in funding.
- 8.3 As such officers have been exploring central governments proposals under the 'Technical Reforms To Council Tax' as an option to increase income from council tax collection - to effectively bridge the funding gap, rather than reduce the level of benefits in 2013/14.

- 8.4 A further report will be presented to Cabinet in November with the outcome of the consultation with the major precepting bodies and other interested parties and the analysis undertaken on the level of discounts given to second homes and empty properties.
- 8.5 The local scheme that is finally approved and implemented for 2013/14 will need to be kept under careful review as demand will fluctuate and the introduction of Universal Credit will impact on people's circumstances and the data available to councils. Further changes may need to be made to the local scheme in future years beyond 2013/14, which will affect some of the current benefit given.

7.0 Financial Implications

- 7.1 Contained within the report.

(Financial Services have been consulted in the preparation this report.)

8.0 Legal Implications

- 8.1 Contained within the report.

(Legal Services have been consulted in the preparation this report.)

9.0 Risk & Opportunity Management Implications

- 9.1 The Government is reducing the funding for council tax support by approximately 10% of the current funding level. If the local scheme designed does not reduce the cost of council tax support in line with the reduction in funding, the cost to the Council will be in the order of £100,000 each year.
- 9.2 It is not possible to be specific about the cost as the Government's proposals are still in draft and the actual level of funding will not be known until December this year. The impact of changes to the scheme on the number of people who might apply for support is also difficult to forecast but is clearly a risk the Council has to provide for.

10.0 People Impact Assessment (PIA):

- 10.1 The consultation will help inform the impact of future changes to any scheme. As the initial proposals for 2013/14 are based on continuation of the existing scheme, initial screening did not identify any potential or actual negative impact, therefore a full PIA is not required at this stage.

Background Documents: None