

# Forest Heath District Council

(This report is a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

**Report of the Cabinet Member for Resources, Governance and Performance**

**CABINET**

**3 JULY 2012**

**CAB12/012**

**COUNCIL TAX SUPPORT LOCALISATION** (Forward Plan Reference: JUL12(A)/02)

## **Summary and reasons for recommendation(s)**

Government requires councils to consult on their draft scheme for council tax support that they intend to operate from April 2013, during the Summer such that the final scheme is formally adopted by Council by January 2013.

This report recommends that the Council consults on a variant of the current scheme given the time scale available to develop a fully local scheme in this first year of change.

## **Recommendation(s)**

**It is recommended that:**

- 1. The Chief Financial Officers in consultation with the relevant Portfolio Holders and Leader be given Delegated Authority to determine the consultation requirement, process and draft scheme.**
- 2. To publish a draft local council tax support scheme for consultation, in order to meet the statutory timetable to approve a final scheme before the end of January 2013 and to model affordability as part of the Council's medium term financial planning.**

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## **Introduction**

1. Earlier this year the Government consulted on proposals for the localisation of support for council tax in England. This followed the announcement at the 2010 Spending Review that support for council tax would be localised from 2013-2014 and that support to councils would be reduced by 10% from the same date.
2. Those proposals change council tax support from a fully funded nationally prescribed benefit to a locally determined rebate, sometimes referred to as a discount. As a consequence councils have the freedoms to locally determine schemes that support families already in work and to encourage those not currently in work into work as part of Government's wider strategy to reduce the spiralling costs of welfare.
3. As a consequence councils are required to design and consult on their draft schemes for adoption by January 2013.

## **Wards affected**

4. All wards.

## **Key issue**

### **Constraints and Issues in Year 1**

5. Primarily, as a consequence of the timetable set out in Appendix A surrounding the passing and issue of all relevant legislation and regulations, there is a need to balance the desires of Government and councils with practicality in this first year of change.
6. The main constraining factors have been identified as:
  - A challenging timetable
  - Software – cost and development time, with all councils potentially trying to design bespoke schemes at the same time.
  - Pensioners – maintain the seamless transition from working age to pension age and pensioner protection.
  - Vulnerable group protection – currently catered for within the current scheme.
  - Incentivise work – some limited incentives are currently provided.
  - A new scheme would significantly increase training resources at a time when there is already significant change flowing from welfare reform effective April 2013. In addition, further changes will flow from the introduction of universal credit from October 2013.
  - Equality impacts – vulnerable groups should not be adversely impacted. Invariably, scheme simplification leads to greater inequality.
7. Given the current legislative position, and the limited capacity of software companies to respond adequately to demand; Government's own advice is for councils to base their revised schemes on the current means-tested arrangements in this first year of change.

8. The current scheme has the advantage of containing some incentives for those in work. Adapting the current scheme retains the advantages of addressing Government's desire to protect vulnerable groups and has already been tested in the courts in terms of equity.
9. Retaining the current scheme in large part in this first year, has a number of advantages insofar as it maintains familiarity for the majority of claimants, retains access to current data transfers, allows for the full impact of Universal Credit to be assessed before committing significant resources to tailoring any longer term scheme.
10. Adapting the existing scheme across Suffolk would provide a consistency of approach that would also address the Suffolk Leader's early concerns on minimising the impact on claimants. In addition it retains the advantage of not limiting the discretion of each council to determine the extent to which a working age claimant's liability to council tax continues to provide an incentive to work.
11. A consequence of individual council tax levels across councils and their respective caseload mix between working age claimants and pensioners means that the working age claimants liability would increase by between 17% and 26% if the full burden of the changes are passed on.
12. Care should be taken not to inadvertently create a culture of non-payment should councils decide to pass on the full burden of the grant reduction. Consideration will need to be given to increased levels of arrears and the scope to be able to recover non-payment from Universal Credit in due course.

#### Other Key Issues

13. It is proposed that as a consequence of the tight timetable that the Chief Financial Officers in consultation with the relevant portfolio holders and Leaders be given delegated authority to determine the consultation requirement, process and draft scheme.
14. Part of Government's wider reforms relate to housing and the desire to both create more homes and to bring empty properties back into use. Changing the discounts to some classes of empty properties would provide an incentive to re-let void properties more quickly. It is proposed that consultation on the draft scheme should also incorporate any changes to discounts.
15. It should be noted that changes to those discounts would impact all landlords including registered providers.
16. An Equality Impact Assessment will be required to have been completed following determination of the draft and final scheme and the outcomes of consultation.

### Other options considered

17. To do nothing. This would have the effect of invoking Government's default statutory scheme and as a result, councils bearing the full cost of the grant reduction. This option would also effectively pass a significant burden to the major preceptors.
18. Develop a more radical scheme. This option is not recommended for year 1 given constraints identified earlier.

### Community impact (Diversity and Equality, Sustainability, Other)

19. None.

### What consultation has been undertaken and what were the outcomes

20. This report is primarily concerned with formal consultation and therefore is considered in the body of the report

### Financial and resource implications

21. Currently funding is paid by the Department for Work and Pensions as a reimbursement of council tax benefit expenditure according to nationally-set criteria (subsidy).
22. From 1 April 2013, funding to be distributed to local authorities will be a cash limited grant and will be paid by the Department for Communities and Local Government.
23. The headline amounts to be made available will be 10% less than currently received producing national savings in the region of £500m. It is important to note however, that whilst the overall saving will be 10%, the distribution of the cash grant will be formula based. Many councils may therefore be facing changes of more than the headline figure of 10%. Latest indications are that the grant reduction may be as high as 14% in some cases.
24. The table below illustrates the scale of the reduction in funding across Suffolk at both the headline figure 10% and at the more likely 14% given Government's recent reaffirmation of its need to reduce the fiscal deficit. For the council the current estimate of the funding shortfall amounts to between £70,000 and £98,000 for the respective percentages.

	Headline	More Likely
	10%	14%
Suffolk County Council	£4,094,100	£5,731,700
Suffolk Police Authority	£606,000	£848,400
District/Borough Councils	£690,900	£967,300
Parishes	£124,400	£174,200
<b>Total</b>	<b>£5,515,400</b>	<b>£7,721,600</b>

25. The new arrangements reduce the size of the tax base and as can be seen from the above, future decisions to address the funding shortfall will not only affect the council but also has material implications for the major preceptors. It is important that councils work in concert, across Suffolk, to mitigate the risks to all and balance the needs and impacts of the working age claimants.

26. Passing the full burden onto claimants would almost certainly result in an increase in non-collection and subsequent bad debts. Given the scale of the funding shortfall, it would be more prudent to pass a proportion of the burden to claimants in order to incentivise work.

27. The main options to fund the balance of any shortfall are seen as:

- indentifying savings in addition to those already needed;
- increasing council tax; and
- taking advantage of new powers within the Finance Bill to reduce the levels of discounts currently granted in respect of second homes and some classes of empty properties.

- 1 Reducing the levels of those discounts would generate sufficient revenue to meet all or part of the identified shortfall and effectively reinstate the losses to the tax base for all preceptors.

### **Risk management implications**

28. Considered in the body of the report.

### **Legal/Policy implications**

29. Considered in the body of the report.

### **Documents attached**

Appendix A – Timetable

### **Background papers**

Localising Support for Council Tax – Statement of Intent

Localising Support for Council Tax – Funding arrangements consultation