



## Cabinet 25 July 2012

### Localising Support for Council Tax in England 2012 (Aug12/13)

#### 1. Summary and Reasons for Recommendations

- 1.1 The 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.
- 1.2 This report recommends that the Council consults on a variant of the current scheme, given the short time available to develop a fully local scheme in this first year of change.

#### 2. Recommendations

2.1 It is **RECOMMENDED** that:-

- (1) the Chief Finance Officer, in consultation with the Portfolio Holder for Performance and Resources, be given delegated authority to determine the consultation requirement, process and draft Local Council Tax Support Scheme; and
- (2) a draft Local Council Tax Support Scheme be published for consultation, in accordance with the timetable attached as Appendix A to Report D73, 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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### **3. Corporate Objectives**

3.1 The recommendation meet the following, as contained within the Corporate Plan:-

- (a) *'Working together for strong, healthy and diverse communities'*; and
- (b) *'Working together for an efficient Council'*.

### **4. Key Issues**

4.1 In 2011, 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 funding would be reduced by 10% from the same date. The Government's response to the consultation and an outline of the proposed way forward for St Edmundsbury Borough Council (SEBC) are set out below.

4.2 The main proposals of the scheme are:-

- (a) local authorities have a duty to operate a scheme to provide support for council tax in their area;
- (b) for pensioners there should be no change in the current level of awards, as a result of this reform;
- (c) local authorities should also consider ensuring support for other vulnerable groups; and
- (d) local schemes should support work incentives, and in particular avoid disincentives to move into work.

4.3 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.

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

#### **4.5 Local scheme design and consultation**

4.5.1 Primarily, as a consequence of the timetable set out in Appendix A attached to the report, surrounding the passing and issue of all relevant legislation and regulations, there is a need to balance the policy aim of this benefit cut with practicality in this first year of change.

4.5.2 Given the current legislative position, and the limited capacity of software companies to respond adequately to demand, the Government's own advice is for councils to base their revised schemes on the current means-tested arrangements in this first year of change. Effectively this would mean that anyone who currently qualifies for financial support towards paying their council tax will still qualify, but that the amount they qualify for will reduce for those of working age, who are not 'vulnerable'. Pensioners will remain untouched in Year 1, although there is no guarantee of funding increasing with inflation in Year 2 and beyond.

4.5.3 The current scheme has the advantage of containing some incentives for those in work. Adapting the current scheme retains the advantages of addressing the Government's desire to protect vulnerable groups and has already been tested in the courts in terms of equality legislation.

<p>4.5.4 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.</p> <p>4.5.5 Adapting the existing scheme across Suffolk would provide a consistency of approach that would also address the Suffolk Leaders' early concerns on minimising the impact on claimants.</p> <p>4.6 <b>Other potential changes to the council tax system</b></p> <p>4.6.1 Part of the Government's wider reforms relate to housing and the desire both to create more homes and to bring empty properties back into use. The legislation will propose that councils have more freedom over their ability to change the current discounts in these areas. 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.</p>
<p><b>5. Other Options considered</b></p> <p>5.1 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.</p> <p>5.2 Develop a more radical scheme. This option is not recommended for Year 1 given constraints identified earlier.</p>
<p><b>6. Community Impact</b></p> <p>6.1 <b>Crime and Disorder Impact</b> <i>(including Section 17 of the Crime and Disorder Act 1998)</i></p> <p>6.1.1 None expected.</p> <p>6.2 <b>Diversity and Equality Impact:</b></p> <p>6.2.1 An Equality Impact Assessment will be required to have been completed following determination of the draft and final scheme and the outcomes of consultation.</p> <p>6.3 <b>Sustainability Impact</b> <i>(including completing a Sustainability Impact Assessment)</i></p> <p>6.3.1 None expected.</p>
<p><b>7. Consultation</b></p> <p>7.1 This report is primarily concerned with the consultation process and as such is contained in the main body of the report.</p>
<p><b>8. Resource implications</b> <i>(including asset management implications)</i></p> <p>8.1 Government is proposing to give local authorities an amount of money in advance and the local authorities will have to 'split the pot' amongst those who need it most in their area. The amount to be made available will be reduced by 10 per cent compared to the current budget, saving in the region of £500 million nationally. It is important to note that whilst the overall saving will be 10%, the distribution of the cash grant will be formula based. Some councils may therefore be facing changes of more or less than the headline figure of 10%. Latest indications are that the grant cut <b>may be as high as 14% in some cases.</b></p> <p>8.2 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.</p>

	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>

8.3 **For SEBC, the current estimate of the funding shortfall amounts to between £74,000 and £104,000 for the respective percentages (i.e. this is SEBC's share of the overall £690,900 cut across Suffolk districts). The equivalent sum for SEBC including the County Council's share is £641,280 (10%).**

8.4 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.

8.5 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 have material implications for the major preceptors. The impact on the tax base could disproportionately skew parish tax bases i.e. those with the greatest deprivation will be affected most, and will depend on the nature of vulnerable groups in the community. No tier of local government will be left untouched by this policy change.

8.6 An as yet unknown impact is the possibility that people who currently do not claim council tax benefit due to the stigma around claiming benefits will start to claim council tax support, given that council tax exemptions carry no stigma at all. For example, a recent report on 'Reforming Council Tax Benefit' carried out by the Joseph Rowntree Foundation on behalf of the Institute for Fiscal studies, estimate there is a further 22% pensioners who are entitled to council tax benefit that are not currently receiving it.

8.7 Passing the full burden onto claimants would almost certainly result in an increase in non-collection and subsequent bad debts. The working age claimant's liability would increase by between 17% and 26% if the full burden of the changes is passed on to this group.

8.8 **This leaves councils with a choice: is the entire reduction in funding passed on to people of working age who are likely to be on low incomes and will almost inevitably struggle to pay, or attempts are made to smooth the impact of this financial burden using other methods of subsidy combined with a cut to claimants? Broadly the other methods are:-**

- (i) increasing the Dynamic Review-Innovation, Value, Enterprise (DR-IVE) savings target and, therefore, delivering the shortfall 'in-house';
- (ii) taking advantage of new powers within the Finance Bill to reduce the levels of council tax discounts currently granted in respect of second homes and some classes of empty properties; and
- (iii) increasing council tax across the board.

8.9 Reducing the levels of discounts in respect of second homes and empty homes (bullet point (ii) above) 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. Inevitably, this would have its own ramifications in terms of negative response from homeowners who currently receive these discounts.

8.10 The table below illustrates Options (ii) and (iii) above. As can be seen, if the Council were to utilise the new powers relating to Class A and C discounts, it could raise up to an extra £765,000 (assuming a 100% collection rate, which is optimistic). Alternatively the Council could raise council tax by 1.11%. Both options would address the funding gap without passing any cost on to residents currently in receipt of council tax benefit. However, it is more likely that the Cabinet may wish to choose a combination of options (including passing on some of the extra cost to benefit recipients of working age). The consultation will include all of these options.

**Option (ii): Changes to Discounts/Exemptions  
(SEBC, including SCC share)**

Class A income potential (Class A = empty and undergoing major repair works)	£64,889
Class C income potential (Class C = empty and substantially unfurnished)	£550,016
Second homes income	£150,843
<b>Total Income if 100% discounts/exemptions withdrawn:</b>	<b>£765,748</b>

**Option (iii): Impact on Council Tax**

SCC share of grant reduction (74.5%)	£477,741
Police share of grant reduction (11.3%)	£70,724
<b>SEBC share of grant reduction (11.6%)</b>	<b>£74,312</b>
<b>Required SEBC increase in Band D to offset loss of funding:</b>	<b>£1.94</b>
<b>Equating to SEBC % increase in Council Tax</b>	<b>1.11%</b>
Parishes share of grant reduction (2.9%)	£18,503

**9. Risk/Opportunity Assessment** *(potential hazards or opportunities affecting corporate, service or project objectives)*

9.1 Key risks have been set out in a Risk Register, as detailed in Appendix B.

**10. Legal or policy implications**

10.1 The National Council Tax Support scheme for Pensioners will be determined by Central Government whilst the Local Council Tax Support Scheme for people of working age will be determined by each local authority. The Scheme may be altered each year hereby giving the Authority the opportunity to take into consideration any local factors or budget constraints. Subsequent amendments will require further consultation and agreement.

<b>Wards affected</b>	All wards
<b>Background Papers</b>	Localising Support for Council Tax – Statement of Intent Localising Support for Council Tax – Funding arrangements consultation

## **Timetable for Implementation**

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 in 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.

**Suffolk & ARP LSCT Project Risk Register**

The matrix used to assess the level of likelihood and impact is provided for information.

Risks are recorded as HIGH, MEDIUM or LOW

RISK IDENTIFICATION			GROSS Risk Assessment (Prior to the influence of treatment)		
Risk Categorisation	Risk Ref	Risk Description	Probability	Impact	Risk Score
Timescale	R01	LSCT Scheme is not delivered on time	3	5	15
Legislation	R02	Failure to meet legislative requirements	2	4	8
Governance	R03	Governance model fails to deliver project objectives.	2	3	6
Governance	R04	Individual member authorities may vary from framework etc	4	5	20
Implementation	R05	Failure by CG to deliver legislation/admin grant and main grant within timescale	2	4	8
Implementation	R06	Failure to go live within each local authority	3	5	15
Implementation	R07	Project team is not sufficiently resourced and skilled.	2	5	10
Implementation	R08	Failure to reach political agreement on scheme - County Councils	2	5	10
Implementation	R09	Failure to reach political agreement on scheme - Police Authority	3	5	15
Implementation	R10	Changes to CT Base will affect parish finances detrimentally	3	3	9

RISK IDENTIFICATION			GROSS Risk Assessment (Prior to the influence of treatment)		
Risk Categorisation	Risk Ref	Risk Description	Probability	Impact	Risk Score
Implementation	R11	Late consultation delaying implementation	3	5	15
Service Delivery	R12	Disruption to public facing services caused by poor planning / implementation of changes.	3	5	15
Service Delivery	R13	Failure to deliver a scheme that meets the needs of customers including vulnerable groups	3	5	15
Service Delivery	R14	Failure to deliver IT changes on time (by 1st December )	3	5	15
Transition	R15	Ineffective change management / transition planning / training	3	3	9
Transition	R16	Loss of existing service whilst resources (technology and human) are diverted to preparing the new scheme	3	5	15
Finance	R17	Unexpected costs of project	3	4	12
Finance	R18	Scheme fails to deliver required financial outcomes	3	5	15



Likelihood	Very likely	5	5 Low	10 Medium	15 Medium	20 High	25 High
	Likely	4	4 Low	8 Medium	12 Medium	16 High	20 High
	Possible	3	3 Low	6 Low	9 Medium	12 Medium	15 Medium
	Unlikely	2	2 Low	4 Low	6 Low	8 Medium	10 Medium
	Very Unlikely	1	1 Low	2 Low	3 Low	4 Low	5 Low
RISK RATING MATRIX			1	2	3	4	5
			Minor	Moderate	Significant	Serious	Major
			Impact				

RISK ASSESSMENT/MANAGEMENT				
Mitigation / Controls	Risk Ref	RESIDUAL Risk Assessment (After the influence of treatment)		
		Probability	Impact	Risk Score
The Establishment of the Suffolk & ARP Group and the creation of a comprehensive project plan will ensure that all areas of the project are scoped, analysed and executed.	R01	2	5	10
Full legislative analysis to be undertaken at regular intervals within the project. DCLG approach is not likely to be heavily prescriptive	R02	1	4	4
The proposed governance structure has clear responsibilities and has the flexibility to focus on delivering specific objectives.	R03	2	3	6
Responsibility for LAs to keep members and officers informed of progress and scheme design throughout the project	R04	3	5	15
Pressure on DCLG to deliver all within timeframe (assurances from DCLG stating that provisional / draft documents will be made available and finance will be decided on time)	R05	1	4	4
Project team and project support will work with all LAs to ensure that full support is given	R06	2	4	8
Robust monitoring by the Project Group will identify the need to supplement skills and redirect resource to manage skills shortage issues.	R07	1	5	5
Project team to keep authority members informed and engaged throughout the process	R08	2	5	10
Project team to keep authority members informed and engaged throughout the process	R09	2	5	10
DCLG working on approach now	R10	3	3	9

RISK ASSESSMENT/MANAGEMENT				
Mitigation / Controls	Risk Ref	RESIDUAL Risk Assessment (After the influence of treatment)		
		Probability	Impact	Risk Score
Project team will work with major preceptors throughout to ensure that consultation is undertaken on an ongoing basis. The Public and other stakeholders will be consulted once the initial scheme is designed	R11	2	5	10
Analysis of potential effects to services through the life of the project with action being taken as appropriate	R12	2	5	10
Effective analysis of scheme both in financial and procedural terms	R13	2	5	10
Project Governance and Communication will ensure all of software suppliers are aware of requirements. Failures will be identified early and alternative approaches developed where necessary	R14	2	5	10
Robust project plan and group responsibility to deliver an appropriate approach to transition	R15	2	2	4
The Project plan will document dependencies and resource requirements which will identify resource requirements throughout the project.	R16	2	5	10
Strong financial controls with the Project (fixed costs)	R17	1	4	4
Robust financial modelling will be undertaken throughout the project & Sign off by S151 Officers	R18	2	5	10