

**REPORT TO:** Corporate Policy & Performance Board

**DATE:** 3<sup>rd</sup> January 2012

**REPORTING OFFICER:** Operational Director – Finance

**PORTFOLIO:** Resources

**SUBJECT:** Localisation of Council Tax Support

**WARD(S):** Borough-wide

## **1. PURPOSE OF REPORT**

- 1.1. The purpose of this report is to inform the Board of the proposals being made as part of the Government's Local Government Resources Review in relation to the 'Localisation of Council Tax Support'.
- 2. RECOMMENDED: That a further report be brought to the Board to assess and make recommendations on the following:**
  - (1) The financial impact to claimants and the Council of the proposals; and
  - (2) An outline local scheme for Halton for subsequent recommendation to the Council.

## **3. BACKGROUND**

- 3.1. Included within the Comprehensive Spending Review 2010 the Government announced that it would localise support for Council Tax from 2013-14, reducing expenditure by 10 per cent. On 17 February 2011 the Government published the Welfare Reform Bill, containing provisions for the abolition of Council Tax Benefit from April 2013, paving the way for new localised schemes.
- 3.2. A consultation document "Localising Support for Council Tax in England" was issued requesting responses by the 14th October. The draft response to the consultation has already been circulated to Members.

## **4. THE PROPOSED SCHEME**

- 4.1. Although the proposals are for each Local Authority, either on its own or in partnership with other authorities, to draw up its own scheme there are certain areas which the Government is not leaving to local discretion.
- 4.2. The Government has stated that there will be a 10% overall reduction in the amount of expenditure on this scheme. The implications for this are that there will be approximately £1.2m less paid out in help towards Council Tax in Halton. There is currently no detail regarding how the amount of expenditure will be derived and could result in an even greater reduction.

- 4.3. The Government has made clear its intention that no pensioner will be worse off when Council Tax Benefit is abolished. This is to avoid low-income pensioners experiencing any increase in their Council Tax liability as a result of the reform and will also ensure that future eligible pensioners will have the same support as existing eligible pensioners.
- 4.4. At present, Halton has a Council Tax caseload of some 15,400. Of these 6,400 are pensioner households. This means that for non pensioner households the overall reduction will be closer to a reduction of some 17%.
- 4.5. There may also be other groups who could struggle to pay Council Tax who the Government may wish to ensure that local authorities offer support. Decisions to extend protection to other groups will need to be balanced by the need for local authorities to manage the financial implications of offering support for Council Tax, and the potential impacts on Council budgets and other Council Tax payers.
- 4.6. At present these groups are not defined, but the implication is that each local authority may choose to define groups of people most in need who will warrant protection as well. The consequence of widening any protection is that there will be even less help available to the remaining caseload.
- 4.7. In addition, under the existing scheme, the authority is reimbursed 100% on the amount of Council Tax Benefit paid out correctly, with the exception of the discretionary War Pensions Scheme. Under the new arrangements the authority will be given a cash specific sum. Therefore any expenditure above the cash limited sum will have to be met pound for pound by the authority, resulting in either a large Council Tax increase or further cuts in local services. Under any new scheme the demand for assistance would have to be gauged when deciding the scheme if the authority wants to remain within budget. The demand for assistance cannot be determined with any certainty especially at times of economic difficulty. The proposed fixed grant to local authorities represents a significant financial risk as it will not include any provision to manage increased take up and demand.
- 4.8. The new scheme needs to be in place by April 2013. In reality, due to the setting of Council Tax and billing process, a new scheme would need to be in place by October 2012.
- 4.9. Due to the reduction in overall payments some Council Tax payers who have previously had their Council Tax met in full by benefit may, under any local scheme, be billed for the first time. This will have a major impact upon the recovery of Council Tax, with implications for recovery procedures, staffing levels and the cost of recovery, in addition to confusion for many Council Tax payers in the Borough. Dependent upon the local scheme there may also be the challenge of collecting relatively small amounts of Council Tax from these people with all the associated problems which were highlighted under the Poll Tax.
- 4.10. The introduction of the new scheme will have implications with regard to the IT system currently used for paying Council Tax Benefit and the Department of Works and Pensions are in discussions with the major software suppliers.

4.11. The Government has stated that local authorities can collaborate to develop schemes. However, much of the design of the scheme will depend upon local circumstances, make up of caseload, groups of vulnerable people that the authority decides to protect etc.

4.12. The Government is clear that it is essential that any local scheme aligns with Universal Credit and reflects the key principles for incentivising people to work:

- People should get more overall income in work than out of work.
- People should generally get more overall income from working more and earning more.
- People should be confident that support will be provided whether they are in or out of work, that it will be timely and correct, and that claiming will not be a complicated and frustrating experience.

4.13. Details of Universal Credit however are still at a high level and in any event the localised scheme will have been introduced in advance of Universal Credit

## **5. POTENTIAL IMPLICATIONS FOR HALTON**

5.1. During the next 9 months, the Council will need to consider the following:

- a. What sort of scheme is best for Halton?
- b. Are there other vulnerable groups, other than pensioners, to be protected?
- c. Does Halton want to join a Merseyside scheme or take elements from other schemes?
- d. The budgetary implications of any scheme which is adopted with specific reference to the implications of going above the Government allocated grant.
- e. Is a contingency fund needed?
- f. Do Members want to keep control of a discretionary fund to assist any resident who has exceptional circumstances?
- g. What appeal process should there be?

## **6.0 POLICY AND OTHER IMPLICATIONS**

6.1 The Council will have to develop its own policy on a number of areas, most of which are outlined in paragraph 4 above.

## **7.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES**

- 7.1 As the Council administers over £11m of Council Tax Benefit, changes to this scheme will have major implications both for recipients of any new scheme, as well as for Council Tax payers generally. It has the potential to affect all council priorities.

## **8.0 RISK ANALYSIS**

- 8.1 In view of the proposed new funding arrangements the Council carries the risk that the cost of any scheme which exceeds the Government's contribution will need to be borne in full by the Council.
- 8.2 Irrespective of the scheme devised, initial indications are that the Council will have an additional £1m to collect from some of the poorest households in the Borough, with the associated risk of recovery of this money.

## **9.0 EQUALITY AND DIVERSITY ISSUES**

- 9.1 Any local scheme would need to ensure that no particular groups of individuals were adversely affected by the change and take into account that pensioners are to be protected.

## **10.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1072**

<b>Document</b>	<b>Place of Inspection</b>	<b>Contact Officer</b>
Localising support for Council Tax in England DCLG Consultation document	Revenues & Benefits & Customer Services Division Kingsway House Widnes	Peter McCann