Appendix 1 to Cabinet report

BRIEFING NOTE

To: **Hertfordshire Chief Executive Group and Hertfordshire Chief Finance Officer Group**

Date: **1st March 2012**

Localising support for Council Tax in England – Government Proposals

Background

The Government announced, as part of the Spending Review in 2010, that it would localise support for council tax from 2013/14, reducing expenditure by 10%.

The proposals are part of a wider policy of decentralisation aimed at giving council's increased financial autonomy and a greater stake in the economic future of their local area. The proposals will take place within a wider programme of welfare reform. The framework is established in the Local Government Finance Bill.

Councils will be required to establish local schemes by April 2013. The Welfare Reform Bill contains provisions for council tax benefit in its current form to be abolished across the whole of Great Britain. The Welfare Reform Bill also contains provisions regarding the introduction of Universal Credit which will impact on the future administration of Housing Benefit. Proposals are for a phased approach to introduce a new single welfare credit which includes a housing element from autumn 2013.

The reform of Council Tax support will be accompanied by a new Government grant to Councils which will be taken into account when setting the local scheme.

Government Expectations and Rationale

- Protection for low income pensioners from any change in award as a direct result of this reform
- Councils should consider ensuring support for other vulnerable groups
- Localised schemes to support the positive work incentives
- Reinforce local control over council tax.
- Councils to have a significant degree of control over how a 10% reduction in expenditure on the current council tax benefit bill is achieved. This includes freedom to collaborate to reduce costs, develop schemes that support priorities that are shared by a number of neighbouring authorities and manage financial risks
- Provide Councils the opportunity to reform support for working age claimants more closely with the existing system of council tax discounts and exemptions

Principles of the scheme

The Government is proposing that the following principles underpin the local schemes:

- Councils to have a **duty** to run a scheme.
- Any local scheme should align with Universal Credit.

Establishing Local Schemes

There will be three steps in the process of establishing the local scheme:

- Design – parameters likely to guide the scope of the scheme:
    - Government framework eg support for pensioners and ensuring work incentives
    - Other duties and responsibilities eg Child Poverty Act; duty to prevent homelessness etc.
    - Local priorities eg tackling unemployment
    - Forecasts for demand eg assessment of potential size of eligible groups
    - Assumptions about take-up eg assessment of the proportion of eligible groups that will apply for support
    - Level of grant available
    - and impact on council tax yield eg as a result of non-collection

- Consultation
    - Requirement to submit the proposed scheme to some form of public scrutiny or challenge.
    - Requirement to consult with other precepting authorities

- Feeding into the budget and council tax-setting process

  Councils will need to:
    - Know their indicative grant allocation in advance of the budget-setting process.
    - Have designed, consulted on and agreed the local scheme in advance of the budget and tax setting process.
    - Take account of value of discount offered under scheme as part of establishing the tax base.
    - Make any adjustments to individual's council tax bill to include information on support.
    - Ensure that any review of the scheme is consulted upon with adequate notice, NB schemes cannot be revised in year.
    - **Scheme must be adopted by 31 January 2013.**

Joint working

In two tier authorities, the billing authority will be the default lead on the design and administration of localised council tax support schemes. However, the Government sees there are benefits from local authorities collaborating with others to reduce administrative costs, manage financial risks (ie manage funding over a broader area) and ensure local schemes support wider local priorities for growth.

There is also the suggestion that there could be the pooling of funding received from Government if cross County working operated.

Managing Risk

Council tax benefit is currently demand led. However, from 2013-14 funding will be through DCLG grant paid from departmental expenditure limits. Therefore, Councils will need to consider how to manage any possible financial pressures as a result of a fall in collection rates, potential scenarios are:

- Collection rates decline because households receive a reduction in the support they receive to pay their council tax bill;
- There are unexpectedly high levels of demand for support from eligible claimants which exceeds the forecasts at the point where the budgets and council tax levels were set.

The Government proposes the following principles for managing these risks:

- The billing authority (in the two tier system) should be able to share any financial pressure as a result of unexpectedly high increases in demand for support with major precepting authorities (ie County Council and Police Authority). NB. Parish councils would be excluded from this.
    - If demand is higher than estimate this would result in a deficit on the collection fund
    - If demand is lower than estimate this would result in a surplus on the collection fund
    - Deficits and surpluses on the collection fund would be shared at the start of the new financial year.
- The billing authority should not be exposed to the totality of the financial pressure in-year (the effect of this may be there would need to be flexibility in precept payments to major preceptors in this scenario – the government is minded to enable billing authorities to vary the amount of precept paid to major preceptors in year).

Administration

Government wants to give councils as much freedom as possible, within certain parameters, to design their scheme. Government parameters include:

- Minimising complexity for claimants moving between councils. E.g. establishing identity by continued use of National Insurance number. Or, definitions such as income and capital (but with freedom for councils to define their own thresholds for working age claimants).
- Support joint working and data-sharing.

Fraud and error

The system for fraud investigation under a system of localised support for council tax will rest with the council, whereas the DWP Single Fraud Investigation Service will deal with Universal Credit and Housing Benefit fraud (with effect from 2013). Therefore, it will be necessary to identify means of collaboration.

Funding

Historically, funding for Council Tax Benefit has come from the Department Works and Pension Annually Managed Expenditure (AME). In the future funding will be cash limited and paid from the Departmental Expenditure limit (DEL) budget of DCLG. Also the amount made available will be reduced by 10%.

Schemes will need to be designed based on fixed grant allocation, Councils will also need to have contingency arrangements for unplanned increases in demand or take up.
The grant is likely to be an unringfenced special grant. Initially, it is proposed there will be an annual review of the allocation of grant. The Government have confirmed councils will be able to "top up" schemes from their own resources.

Administration grant funding – current funding is based on workload levels (new claims and caseload maintained). Changes to housing benefit and support for council tax will impact on administration costs. Government is proposing to work with Councils to assess the net impact of housing benefit centralisation and localisation support for council tax, including transitional costs of moving to new arrangements.

Timetable for implementation of localised schemes (subject to Parliamentary timetable)

Autumn/Winter 2011	Spring 2012	Summer 2012	Autumn/Winter 2012	Spring 2013
• Response to consultation • Local Government Finance Bill (provision for C/Tax support) • Central & Local Government work on model scheme	• Primary legislation through Parliament • Government prepare & consult on draft secondary legislation • Technical consultation on grant distribution	• Primary legislation passed • Secondary legislation prepared • Local Authorities design scheme • Information Technology changes scoped	• Secondary legislation passed • Grant allocations published • Local Authorities consult on scheme • Local Authorities set budget • Local Authorities adopt scheme	• Local scheme implementation

Hertfordshire base data
The existing annual value of Council Tax Benefit across Hertfordshire is around £73million (based on data as at 31.3.10) and the total number of beneficiaries was around 74 thousand. Based on this information the estimated savings requirement across Hertfordshire is £7.3million

Appendix A shows the detailed breakdown of the caseload, the average Council tax liability and benefit by caseload type for each Hertfordshire District. The table overleaf summarises these figures by category of claimant type.

Fig 1. Summary of Hertfordshire Claimant Categories **Category Type**	**Number of claimants**	**Ave. Council Tax liability £**	**Average Benefit £**	**Total weekly Benefit £**
Working Age (passported benefits)	25,239	20.42	20.18	509,304
Working Age – Earners	10,243			
Working Age – Non-earners	4,762			
Working Age – 2nd Adult rebate	472			
Working Age – Total non passported benefits	15,474	21.89	15.81	244,582
Elderly – Pension Credit	20,564	20.87	20.53	422,219
Elderly – Earners	745			
Elderly – Non Earners	12,304			
Elderly – 2nd Adult rebate	232			
Elderly – Total non Pension credit	13,281	21.98	16.24	215,692
Total Claimants	74,403			1,391,797

The proportion of working age and elderly claimants summarised by authority as follows:

Fig. 2	**Working Age claimants as % of caseload**	**Elderly as % of caseload**
East Herts	48.26	51.74
North Herts	50.18	49.82
St Albans	53.56	46.44
Three Rivers	53.61	46.39
Dacorum	53.82	46.18
Welwyn	55.19	44.81
Hertsmere	55.74	44.26
Stevenage	56.58	43.42
Broxbourne	59.97	40.03
Watford	61.39	38.61

Appendix B provides detailed information relating to 9 case studies undertaken by Welwyn. The case studies assume that to protect pensioners and still achieve the 10% saving requirement a saving of 24% would be required from Working Age Claimants. The impact of this is summarised below:

Case Study	Weekly Council Tax Benefit Existing scheme £	Weekly Localised Council Tax Support taking account of 10% savings req. Non pensioners £	Extra Annual Amount to be found by claimant £
1. Family with 2 earners – Band D tax	10.87	9.78	56.67
2. Couple with Capital – Band D tax	12.88	11.59	67.18
3. Self Employed Earner – Band B tax	10.83	9.75	56.47
4. Single Parent Earner – Band C tax	11.14	10.03	59.12
5. Passported Single Parent with Non Dep Band C tax	25.98	23.38	135.47
6. Family 2 earners with Non Dep Band D Tax	20.10	18.09	104.81

7. Disabled Carer with a Boarder – Band B	11.63	10.47	60.64
8. Second Adult Rebate – Non Dep on passported benefits – Band C tax	6.24	5.63	32.85
9. Disabled Couple with Capital over £6k – Band D tax	23.92	21.53	124.62

Issues for initial discussion and consideration

1. Political
    a. Political will for county wide scheme and collaborative working?
    b. Political implications resulting from introduction of localised scheme(s)
    c. Politicians preferred scheme criteria? (eg definition of vulnerable groups; tapered approach etc.)

2. Financial
    a. Affordability (eg. take up; top up)
    b. Impact on collection rates
    c. Administration grant funding impact on revenue budgets
    d. Grant funding to be paid to billing and major precepting authorities. Decision yet to be made regarding local precepting authorities. DCLG have asked should some funding go to parishes. If so, how can this be achieved?

3. Practical Issues
    a. Method of consultation and involvement of major preceptors in the development of the local scheme
    b. Information Technology capability
    c. Impact on existing contracts for delivery of Revenues and Benefits Services

4. Risks
    a. Timescale to implementation (ICT readiness)
    b. Impact on Collection Fund
    c. Demographic/Economic impact on take-up (risk borne by Major Preceptors)

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