

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

DECISION

Agenda Item No 13

meeting date: 27 SEPTEMBER 2011
title: LOCALISATION OF COUNCIL TAX BENEFITS
submitted by: DIRECTOR OF RESOURCES
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1 PURPOSE

1.1 To consider the Government's proposals to localise Council Tax Benefit.

2 BACKGROUND

2.1 As announced in the 2010 Spending Review, support for council tax will be localised from 2013/14 and funding from the Government to pay for council tax benefit reduced by 10%. This means we will have to reduce our expenditure on council tax benefits by 10%.

2.2 On 17 February 2011 the Government published the Welfare Reform Bill which contained provisions for the abolition of council tax benefit, paving the way for new localised schemes. A consultation period has been issued on the proposals which lasts until **14 October 2011** and includes questions about how the new schemes should be designed and administered.

2.3 The Universal Credit (UC) is being introduced in October 2013 and will be administered by the DWP. It is central to the Government's plans to radically reform welfare and will replace a number of benefits including Housing Benefit and Income Support. All new claims from that date will be for UC and we will gradually transfer all current Housing Benefit claims to the new system by April 2017. The introduction of the localised Council Tax Rebate schemes will coincide with the launch of the Universal Credit and is in part necessary as a result of the decision not to include Council Tax Benefit in the Universal Credit. Further reports will be brought to members in the coming months to consider the implications on this Council.

2.4 A full copy of the consultation paper has been placed in the members' room.

3 PROPOSALS

3.1 It is intended that local authorities will establish their own local schemes by **April 2013**.

3.2 The Government claims that localising support for council tax will:

- Give local authorities a greater stake in the economic future of their local area and therefore enable stronger, balanced economic growth across the country.
- Provide local authorities with the opportunity to reform the system of support for working age claimants.
- Reinforce local control over council tax.
- Give local authorities a significant degree of control over how a 10% reduction in expenditure on council tax benefit is achieved.
- Give local authorities a financial stake in the provision of support for council tax.

3.3 Whilst the new scheme will be '**local**', the Government have stated that protection must be given to vulnerable people including pensioners who may struggle to pay council tax. This

means that to accommodate the 10% reduction in the overall cost of benefit payments, reductions in the payments to other client groups **will be more than 10%**.

4 ISSUES

- 4.1 Ribble Valley BC currently has a caseload of 2,657 Council Tax Benefit claims (10.7% of our total housing stock). 62% of our current caseload is of pensioner age (comparatively this is the highest level in the country) and 11.5% are in work leaving 26.5% of working age but not currently in employment. This last category includes amongst others the disabled, the long term sick, single parents as well as the unemployed.
- 4.2 Ribble Valley BC pays out £2.3m each year in Council Tax Benefit. Under current rules we receive benefit subsidy to cover this expenditure in full from the Government. Due to the proposals however in future we will receive a fixed grant and therefore we will be required to design a scheme that will reduce expenditure by £230,000 pa. Council tax benefit is based on actual and not assumed council tax. An increase in council tax over an assumed level could lead to further pressures on our finances.
- 4.3 In order to achieve savings of 10% whilst protecting pensioners, other vulnerable groups (yet to be defined) and not providing a disincentive to work, substantial reductions in the entitlement of the remaining claimants would have to be made. **Nationally** the results show that
- 80% of total council tax benefit is paid out to those who receive 100% council tax benefit
 - 35% of total council tax benefit is paid to pensioners (in our case much higher at 65%)
 - If both those on 100% CTB and pensioners are excluded from any reductions the 10% cut will be restricted to only 9% of the total paid out which would clearly be financially impossible.
- 4.4 It may also be necessary to purchase a new system to administer any new local scheme including protection for pensioners. Until we begin to examine potential schemes this can't be quantified. The advantage of the current national scheme is that IT suppliers design one system not many different ones.
- 4.5 The Government envisages that local authorities will be able to design much simpler schemes, possibly based on discounts as opposed to complicated benefit assessments. This may result in a substantially increased caseload if the new scheme is not designed with care.
- 4.6 In future the funding distribution to billing authorities will be cash limited and will be paid by the Department of Communities and Local Government (DCLG). The amount to be made available will be reduced by 10% and will be paid in the form of a grant. Any scheme will therefore need to be designed to match the fixed grant allocated. This will may be very difficult to achieve and billing authorities will need to have contingency arrangements to cover unplanned increases in demand or take up. This change will have potentially a major impact on our financial planning
- 4.7 A separate detailed technical consultation will be held on the specific factors and indicators, which should determine the level of grant allocated to each authority.
- 4.8 The Government also proposes changes to billing authorities' administration grant. We currently receive approximately £240,000 per annum for the administration of Housing and Council Tax Benefit. However the amount of this grant is likely to fall, as we will no longer be administering Council Tax Benefit for the Government and Universal Credit will

gradually replace Housing Benefit from 1.10.13. Although this consultation document makes clear that administration of the new Council Tax Rebate schemes will be treated as a new burden on Local government it is unclear how much administration grant we will receive in future.

- 4.9 The consultation document makes clear that the Government thinks that billing authorities should work together on any new scheme and share services to help to achieve reduced costs. However it is clear that we have a **very different caseload** to our neighbouring authorities and it will be impossible to devise a scheme that achieves 10% savings in both urban and rural authorities. As such it is likely that any collaborative scheme will require some billing authorities to subsidise other billing authorities depending upon the scheme chosen.
- 4.10 There are particular issues in two-tier areas, where the district authority would have to take on the whole risk of CTB. This is addressed in the consultation.
- 4.11 Crucial to the design of any new scheme will be the level of our fixed grant allocation. It is impossible to begin designing a scheme now in order to commence on 1.4.13 until we know how much our allocation will be.

5 CONCLUSION

- 5.1 The current national scheme leaves little if any incentives for councils to reduce the Council Tax Benefit bill.
- 5.2 A simple way to achieve the Government's objective of saving 10% would've been to reimburse only 90% of council expenditure on council tax benefit using the existing system.
- 5.3 Instead the Government seems committed to introducing local schemes yet at the same time having the final say on key elements of the design, such as protection to pensioners and vulnerable groups. Achieving a working solution in such a short timeframe will be extremely challenging.
- 5.4 The Government have called a series of workshops across the country for practitioners to share views and potential solutions to the problems ahead.
- 5.5 A Meeting of the Lancashire Chief Financial Officer's Association has been arranged for 16 September 2011 to consider a joint response across all Lancashire authorities. The Budget Working Group will also consider this paper at a meeting on 19 September 2011. I will feedback the outcome of both of these to your meeting.

6 RECOMMENDATION

- 6.1 To delegate the Council's response to myself in consultation with the Budget Working Group.

DIRECTOR OF RESOURCES

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