

COUNCIL BUSINESS COMMITTEE

Welfare Reform Bill Provisions for localising support for Council Tax – Consultation Response 15 September 2011

Report of Head of Revenues & Benefits (Shared Service)

PURPOSE OF REPORT

To inform the Committee of a Government consultation, issued as part of its plans for welfare reform, on provisions to abolish council tax benefit and replace with a new localised scheme to be administered by local authorities, and to seek approval for agreeing the Council's response.

This report is public.

RECOMMENDATIONS

1. That the Committee makes any initial comments or observations to feed into drafting the county-wide response.
2. That arrangements be put in place for the Committee to consider electronically the final county-wide response and to determine electronically any additional City Council response to be submitted by the consultation deadline of 14 October 2011.
3. That the Head of Financial Services be authorised to finalise and submit any City Council response formulated in the light of (2) above.

1 Introduction and Proposal

- 1.1 The Government recently issued a consultation document on proposals to localise council tax benefit, developed as part of its ongoing plans for welfare reform. The proposals state that support for council tax will be a local authority responsibility from April 2013 and will not become part of Universal Credit.
- 1.2 The full consultation paper is set out at **Appendix A**. The closing date for responding is Monday 14 October 2011. Similarly with the Resource Review consultation, the Lancashire Chief Finance Officers' Group is to oversee the drafting of a county-wide response, which is to be considered at their meeting on 16th September 2011. Once available, this response will be shared with the Business Committee.
- 1.3 In addition, the Committee may consider that it wishes to submit an alternative or a supplementary response from the City Council's perspective only.

- 1.4 Unfortunately, however, at this stage a draft response is not available, and therefore this report seeks approval only for the arrangements regarding future agreement.

2 Objectives of Government's Proposals

- 2.1 The Government states a number of reasons why they have decided to transfer responsibility for determining the scheme of council tax support to local authorities (LAs), away from having a national scheme:

- to give local authorities a greater stake in the economic future of their local area
- to provide local authorities with the opportunity to reform the system of support for working age claimants
- to reinforce local control over council tax - enabling decisions to be taken locally about the provision of support with council tax is consistent with a drive for greater local financial accountability
- to give local authorities a significant degree of control over how a 10 per cent reduction in expenditure on the current council tax benefit bill is achieved, allowing Councils to balance local priorities and their own financial circumstances
- to give local authorities a financial stake in the provision of support for council tax.

3 Summary of Key points

- 3.1 The consultation states that the proposals will seek to ensure that the most vulnerable in society, in particular pensioners, are protected and that the changes should help to ensure that work pays. It sets out the following principles:

- Local authorities are to have a duty to run a scheme to provide support for council tax in their area, from April 2013 onwards
- Expenditure is to be reduced by 10% (impact of around £1M in Lancaster). The intention is to deliver savings nationally of approximately £500M per annum on previous schemes.
- The new scheme would align support more closely with the existing system of discounts and exemptions by reducing the amount of Council Tax payable – sometimes down to zero, by applying a % reduction.
- Local schemes should support work incentives, and in particular avoid disincentives to move into work. 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:

- 3.2 The local scheme proposals are based on allowing authorities to balance local priorities and their own financial circumstances. Schemes would be developed by LAs within broad parameters set by Government and are expected to be informed by:

- the framework set by central government
- requirements to mitigate the effects of child poverty in their local area

- local priorities
- forecast of demand by eligible groups
- assumptions about take up
- the level of grant available, including any other sources of funding, and any estimated impact on council tax yield

3.3 Fraud responsibility for council tax support cases would rest with the local authority – good working relationships with the Single Fraud Investigation Service (SFIS) would be vital as SFIS will/may investigate the housing side of a case. The local authority would need to retain enough resource to investigate council tax support, however.

4 **Details of Consultation**

4.1 As referred to within the report. Consultation is considered to be a major factor in both shaping, as well as implementing, any reforms.

5 **Options and Options Analysis (including risk assessment)**

5.1 There are a number of options available for consideration.

Option 1: To approve the arrangements for agreeing any response as reflected in the recommendations.

Option 2: Not to involve the Committee in any response.

6 **Officer Preferred Option (and comments)**

6.1 It is recommended that Option 1 be applied. Whilst the county-wide response will provide an overall opinion based upon the views of all Lancashire authorities, in view of the significance of these Government proposals it is considered that the Committee would wish to have an opportunity for input or to make additional comments on the City Council's behalf.

7 **Conclusion**

7.1 The issue of ensuring a balance between creating a fair system, avoiding poverty and encouraging people into work is a key issue for Government.

7.2 The Benefits Service has a major impact upon the wellbeing of the poorer members of the local community. In achieving a 10% reduction in benefit, the Council would be tasked with deciding who should pay less council tax and how much less they should pay, given much reduced funding and limited parameters in which to operate.

7.3 The proposals raise specific concerns in relation to cost, timescales and the impact of creating protected groups, from the help that others currently receive.

CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The proposed scheme, in establishing its overall protections in the proposed framework,

would give much reduced scope to make changes. The protections in the consultation mean that pensioner awards (currently 6,240 cases) could not be changed, nor could a disincentive to work be created for those who are in work (1,430 cases). A small number of claimants (88 cases) have also been disregarded for these purposes. ie. Disabled students.

From a caseload of 12,778, therefore, the Council could be left to look at 5,020 cases, in receipt of income support, jobseekers allowance or employment and support allowance (income based). These claims would also include families with children and claimants with disabilities and the consultation suggests that Councils should look to protect these vulnerable groups.

In the end, the Council may well have to decide which vulnerable group/s are lowest priority and these could suffer a reduction in support, much greater than 10%, to cover protected groups. It is clear overall, that in reducing support from current benefit levels, people would be adversely affected.

FINANCIAL IMPLICATIONS

The scheme would need to be designed and consultation carried out in advance of the 2013/14 budget and council tax setting process.

Central Government would provide a fixed amount of money to local authorities to operate their new schemes, amounting to 90% of the subsidy awarded in the previous year. The 10% reduction amounts to approx £1M for Lancaster.

However, unlike current arrangements, this central government grant would not be ring-fenced and would not vary according to demand. Councils who experience lower than expected demand can retain any surplus to hold down the level of council tax or to support other initiatives – though in view of the potential impact highlighted above and current economic pressures, this scenario is considered unlikely.

The Council would also need to consider how to manage financial pressures resulting from a potential fall in council tax collection rates and what contingency arrangements to put in place, i.e. how to collect from customers who experience a reduction in support, or a high level of demand for support from eligible groups, exceeding the projected budget for the scheme.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and her comments reflected in the report.

LEGAL IMPLICATIONS

There are no legal implications arising at this stage. Careful consideration would need to be given in terms of equality impact assessments, to help protect the Council from legal challenge.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None.

Contact Officer: Adrian Robinson

Telephone: 01524 582202

E-mail: adrobinson@lancaster.gov.uk

Ref: HORB/LW/WR/Consultation