

REPORT TO RESOURCES PDG

REPORT OF: HEAD OF FINANCE

REPORT NO: HOF194

DATE: 29 MARCH 2012

TITLE:	Localised Council Tax Support Scheme - Update	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	N/A	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Councillor Mike Taylor Resources and Assets Portfolio Holder	
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INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required:
Equality and Diversity	N/A	
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS		

1. RECOMMENDATION

Members are asked to note the contents of the report with respect to the current situation of the localisation of council tax benefit support.

2. PURPOSE OF THE REPORT

As part of the spending review 2010 the Government announced it would localise support for council tax from 2013/14, reducing expenditure by 10%. This is a key element of both the localism agenda and the welfare reform bill.

Establishing local schemes

Localisation of support for council tax will mean a significant change in the role of local authorities. Currently local authorities administer council tax benefit in accordance with national criteria set by DWP (Department of Work and Pensions). In future local authorities will need to design schemes for working age claimants, taking into account available funding for preserving current levels of pensioner claimants.

- To put a scheme into operation the Council will need to:
- Know the indicative grant allocation in advance of the budget setting process
- Have designed, consulted and agreed the local scheme in advance of the budget setting process
- Taken account of the value of discounts to be offered under the local scheme as part of the process of establishing the tax base
- Ensure the scheme delivers work incentives to the individual to ensure they are not better off on benefits

The purpose of the report is to provide members with an update with respect to the Government proposals for the localisation of council tax benefit.

3. DETAILS OF REPORT

Risk sharing with major precepting authorities

The Government intends for local Council Tax Support schemes to be fully integrated with the Council Tax system, with support being offered in the form of a Council Tax reduction. Where demand for support increases above or falls below local forecasts, billing authorities will collect less or more Council Tax than had been estimated at the beginning of the financial year.

Where demand for support increases or falls below local forecasts the billing authority will collect more or less council tax than estimated, and this could result in a surplus or deficit. This surplus or deficit will need to be shared between the billing authority and all major precepting authorities at

the beginning of the following year (by adjustment to precept payments between billing authorities and precepting authorities)

As the major precepting authorities will be sharing the risks within the new localised scheme then a consultation process must be undertaken to allow the precepting authorities to influence the design of the local scheme.

Grant Allocation

Current arrangement

For 2011/12 South Kesteven District Council will receive around £7.5 million in central government subsidy grant to cover the cost of the Council Tax Benefit scheme. The current scheme is a "demand led" scheme which means the actual funding received will always meet the actual expenditure incurred. The payments are made monthly to LA's, and any in year adjustments to the total amount of subsidy to be paid are made in September, followed by a final payment adjustment once the Annual Subsidy Claim has received a final audit.

New arrangements

The government have stated that a Technical consultation paper on grant distribution is planned for "spring 2012". Latest indications are that the consultation document will be issued in May 2012.

What we know as at March 2012

The Government is proposing to set grant allocations on an annual basis for the first two years of the localised scheme, allowing new allocations to be set for 2014-15 if required.

These are the main points of the new scheme known at this time:-

- A non ring fenced grant is to be paid to billing and major precepting authorities at the start of each financial year.
- As it will be a "fixed" budget scheme, so an accurate forecast of expenditure is required in order to match the expenditure to the funds allocated.
- Precepting authorities will receive a share of the grant in proportion with their share of council tax. This ensures precepting authorities share a proportion of the risk associated with any decrease in council tax revenue
- First two years of grant funding will be set by DCLG on an annual basis. Funding will be based on the Office of Budget Responsibility forecast for spending on council tax in 2013/14 and 2014/15.
- DCLG have promised to provide provisional grant allocations in time for LA budget preparations in the autumn of 2012, with the final

grant allocations to be published before local scheme is formally adopted.

- The government have suggested a fixed allocation for 4 years in future, to provide for “certainty” and “incentives to reduce spending” for LA’s. Any decisions on the allocation levels in future will be taken as part of the normal spending review process.
- Billing authorities will be able to vary the amount of precept paid to the major precepting authorities in year to reflect any fluctuations in collection rates.
- It is anticipated that the government will carry out another review later where the question of multi-year funding will be revisited.
- Local authorities will be required to design a scheme that protects vulnerable groups. Little clarification has been provided on this, but it is understood to include some pensioners.
- Local authorities are encourage to protect other groups which could include those with disabilities, war pensioners, lone parents or those with caring responsibilities to name but a few. No guidance will be provided as to which groups outside of pensioners should be protected.
- The caseload in South Kesteven has a split of 49.5% pension age and 50.5% working age.
- Expenditure for working age claimants is projected to increase, whilst expenditure for pension age is expected to reduce slightly. However, overall expenditure is expected to increase.

Further analysis work will be undertaken as details are released in respect of the full operation of the new scheme. Members will therefore be updated on a regular basis in order to determine the impact on both the community and the Council.

4. OTHER OPTIONS CONSIDERED

None applicable

5. RESOURCE IMPLICATIONS

None applicable

6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)

None applicable

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

None applicable

8. CRIME AND DISORDER IMPLICATIONS

None applicable

9. COMMENTS OF FINANCIAL SERVICES

Financial considerations are included in the report.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

The report is for noting the current position relating to the proposed localised council tax support scheme. The Welfare Reform Act received royal assent on the 8th March 2012. The various provisions will be enacted in due course.

11. APPENDIX: None