

## Localising Support For Council Tax

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The HIOW Chief Finance Officers Group will collaborate from a technical perspective in order to identify opportunities for consistency across Hampshire and the Isle of Wight in designing a Council Tax Support scheme.

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### INTRODUCTION

1. During 2011, the Government consulted on proposals for the localisation of support for council tax in England, and in doing so, the Spending Review identified that the cost of such support would be reduced by 10%, compared to the current cost of benefits. A Government response to the consultation was published on 16<sup>th</sup> December 2011, which confirmed these plans coming into effect on 1<sup>st</sup> April 2013.
2. This paper sets out some of the key facts surrounding council tax support and the implications for a localised approach. It also identifies opportunities for Councils in Hampshire to work together through the implementation of the local schemes.

### KEY FACTS

3. Currently lower income households pay a reduced (or in some cases zero) amount of council tax. This system of Council Tax Benefit (CTB) is administered by Councils on behalf of the Department for Work and Pensions (DWP). It is this system that will be abolished, and replaced with a new system of local support for council tax.
  - Current CTB expenditure in the UK is around £4.8 billion
  - Over 5.8 million people claim CTB, more than any other means-tested benefit
  - Almost half of CTB claimants (2.7 million) are pensioners
  - A quarter of CTB claimants (1.6 million) have dependent children
  - A tenth of CTB claimants (0.7 million) are low earners
  - On average CTB is worth £820 a year (£15.80 per week)
  - It is estimated that 2.5 million people are not claiming the CTB they are entitled to

### GOVERNMENT PROPOSALS

4. The proposals for localising council tax support are set out below.

- Each billing authority will determine a local scheme for providing council tax support, before 31<sup>st</sup> January 2013, which becomes effective on 1<sup>st</sup> April 2013
- The scheme will define who is entitled to support, what reduction will apply for those categories of claimant and the process for applying for a reduction
- Pensioners will not be affected by this reduction in spending, as their existing levels of support will be retained through a nationally determined framework
- Councils will be free to establish whatever rules they choose for their scheme to support working age people, however the scheme must respect Councils existing responsibilities in relation to vulnerable groups
- The lead billing authority must consult with the major precepting authorities on the scheme design, and carry out public consultation on the proposals
- Once adopted, a scheme cannot be changed in the year
- If a local scheme is not adopted, then a default scheme (reflecting current criteria and allowances) will apply, which will result in the need to identify additional local resources in order to close the 10% reduction gap

#### FUNDING AND RISK SHARING

5. Councils currently receive 100% subsidy for the benefit they pay out. However, in future, a grant will be paid to enable them to offer support for council tax. This will be a fixed grant, allocated in advance of the scheme design and the grant will be paid to both billing and major precepting authorities. Consequently, the financial risks associated with the scheme fall on those authorities.
6. The funding is expected to be 10% lower than the cost of existing CTB payments. The impact of this reduction on each Council is shown in Annex 1, and equates to over £11m across Hampshire and the Isle of Wight.
7. The legislation will not determine funding as a constraint on the scheme design. Councils may, therefore, design a scheme which will cost less than the grant funding, or conversely, may provide discretionary funding to enhance the support available. However, in the early years, it is clear that any major improvements made to the default scheme carries increased financial risks from, for example, increased take-up and eligibility. Similar risks will also exist regarding any proposed reductions to the default scheme, for example, reduced collection rates, which would impact upon any anticipation of having closed the funding gap.

#### SCHEME DESIGN ISSUES

8. In determining the scope of their schemes, Councils will need to determine whether their principle objective is to maintain (or extend) the existing support

thereby minimising the impact on claimants; or whether it is to match costs against the funding transferred from Government. If it is the former, then the Councils will need to identify sufficient resources to meet the funding shortfall.

9. However, if it is the latter, then a detailed assessment of the implications on those claiming support will need to be made. With the scheme offering effective protection to pensioner groups, the consequent impact on those of working age would be proportionately higher, estimated to be on average 17%-25% reduction in spending (see Annex 1). This would be higher still if certain vulnerable groups were also to be protected within local schemes.

#### ANTICIPATED TIMETABLE

10. With an implementation date of 1<sup>st</sup> April 2013, the timetable for implementing the scheme is ambitious, as shown below:

	Jan-Mar 12	Apr-Jun 12	Jul – Sep 12	Oct – Dec 12	Jan – Mar 13	April 2013
Legislation	Introduce Finance Bill; Primary legislation passage through Parliament		Consult/draft secondary legislation	Secondary legislation passed		
Modelling	DWP prepare model schemes and guidance for LA's		Local consideration of scheme requirements	Local schemes consulted upon	Local schemes adopted	
Funding	Technical consultation on grant distribution			Grant allocations published	LA Budget /C Tax setting	
Implementation				IT system changes, information for claimants, process changes, etc		Scheme implemented

#### OPPORTUNITIES FOR CLOSE WORKING

11. It is clear that the implementation of the scheme will be very challenging against the timetable above. Each local authority has limited resources for a project of this scale, and the consequences of accepting the default scheme may not be affordable or desirable for all local authorities. There is also a significant amount of work concerning communications and information for claimants, IT systems changes, internal processes and claims handling.
12. Initial discussions amongst the HIOW Chief Finance Officers Group have concluded that it would be beneficial to work together on the preparation of a scheme through to implementation. As a minimum, this will allow a pooling of

collective expertise in scheme design, so that legislation, guidance, etc. is interpreted consistently across the area.

13. There could, however, be greater benefits if, through this approach, a consistent scheme could be adopted across neighbouring areas. This would serve to assist the consultation process, claimants understanding of proposals and monitoring of the scheme impact going forward.
14. To this end, the HIOW Chief Finance Officers convened a special meeting early in March 2012 to consider the opportunities for collaboration in greater detail and are continuing to work closely to develop the schemes across the County.

### CONCLUSION

15. The Government's proposals to localise support for council tax present all local authorities with a significant challenge. The details surrounding the scheme are limited and the passage of legislation through Parliament will undoubtedly result in amendments prior to enactment. Nevertheless, it is clear that there are opportunities for local authorities to work together through the implementation process to make best use of the collective expertise and limited capacity for such a change. Collaborative opportunities may also exist in the scheme design for the greater benefit of claimants and participating Councils.

**Localised Council Tax Support/Benefit Funding Implications**

Local Authority area	Total number of CTB claimants	% of working age claimants	Spending on working age claimants (£m)	% reduction spending on working age claimants		Current/ "Default" Scheme Cost	Total Funding Reduction	Estimated Borough/ District/ Unitary share (incl PP's)	Estimated HCC share	Estimated HFRA share	Estimated HPA share
Basingstoke & Deane	9,430	58%	£4.43m	17%		£7.7m	£770,000	68,000	586,000	34,000	82,000
East Hampshire	5,500	43%	£2.19m	23%		£5.1m	£510,000	67,000	369,000	22,000	52,000
Eastleigh	6,790	49%	£2.73m	20%		£5.6m	£560,000	73,000	406,000	24,000	57,000
Fareham	5,300	40%	£1.75m	25%		£4.4m	£440,000	44,000	331,000	19,000	46,000
Gosport	6,810	57%	£3.04m	18%		£5.3m	£530,000	74,000	381,000	22,000	53,000
Hart	3,040	50%	£1.41m	20%		£2.8m	£280,000	40,000	200,000	12,000	28,000
Havant	11,230	51%	£4.93m	19%		£9.6m	£960,000	129,000	693,000	41,000	97,000
New Forest	10,860	40%	£4.03m	25%		£10.0m	£1,000,000	150,000	708,000	42,000	100,000
Rushmoor	5,780	56%	£2.68m	18%		£4.8m	£480,000	62,000	349,000	20,000	49,000
Test Valley	6,380	45%	£2.41m	22%		£5.4m	£540,000	59,000	401,000	24,000	56,000
Winchester	5,920	46%	£2.30m	22%		£5.1m	£510,000	68,000	368,000	22,000	52,000
IOW	15,210	48%	£6.21m	21%		£13.1m	£1,310,000	1,133,000	-	52,000	125,000
Portsmouth	19,770	58%	£8.51m	17%		£14.6m	£1,460,000	1,237,000	-	66,000	157,000
Southampton	23,820	60%	£10.84m	17%		£18.1m	£1,810,000	1,551,000	-	76,000	183,000
<b>Total</b>	<b>135,840</b>					<b>£111.6m</b>	<b>£11.16m</b>		<b>4,792,000</b>	<b>476,000</b>	<b>1,137,000</b>

## Notes:

% reduction in spending on working age claimants assumes a consistent reduction across all categories. It is possible to vary the impact on each category of working age claimant through the scheme design.

Estimated funding implications for billing and major precepting authorities are estimates, based on relative proportions of council tax. For Districts with parishes, these have been included, as the implications of the proposals for parishes are yet to be determined.