

Localising Council Tax Support

Cambridgeshire County Revenues Group

Council Tax Reduction Scheme

Consultation
Precepting Authorities
July 2012

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Topic of this consultation -

This consultation seeks views on proposals for the localisation of council tax support in each billing authority within Cambridgeshire County from April 2013.

Scope of this consultation -

Localising support for council tax is part of a wider policy of decentralisation, giving councils increased financial autonomy and a greater stake in the economic future of their local area. The framework for local council tax support schemes will be established in a local government finance bill that has yet to receive Royal Assent, and in regulations. Draft regulations are expected by the end of July.

The Cambridgeshire County Revenues Group welcomes views on all aspects of the proposed approach set out in the document. Please note that there will be a secondary consultation giving details of each local scheme starting in August 2012.

Geographical scope -

This consultation applies to Billing Authorities in Cambridgeshire County -

- Cambridge City Council
- East Cambridgeshire
- Fenland
- Huntingdonshire
- South Cambridgeshire

Basic Information

This is a consultation with major Precepting Authorities. We would welcome views from -

- Cambridgeshire County Council, and
- Cambridgeshire & Peterborough Fire Authority
- Cambridgeshire Police Authority

Body responsible for the consultation -

Cambridgeshire County Revenues Group

Duration – 17 July 2012 to 31 July 2012

Enquiries : Julia Barber, Head of Customer Services, Huntingdonshire District Council. Julia.Barber@Huntingdonshire.gov.uk

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1. Introduction

- 1.1 The Government has determined that its highest priority will be the reduction of the structural deficit chiefly by reductions in public expenditure. Amongst these proposals is a plan to reform the welfare benefit system and to include housing benefit within the new universal credit, which is to be administered by Central Government.
- 1.2 The Government, however, decided not to include council tax benefit as part of the universal credit but instead decided that support for council tax would become a localised scheme in the form of a council tax reduction, transferring all the financial risks from central to local Government.
- 1.3 Currently, any award of council tax benefit is paid for by a subsidy grant from central Government. The DWP reimburses a local authority for the expenditure on council tax benefit at the end of each year, and as such, they are liable for the financial risks associated with any increase in caseload. An administrative grant to cover the costs of administering housing and council tax benefit is also paid by the DWP to each local authority. In addition, Billing Authorities (BA) benefit from receiving 40% subsidy on Council Tax Benefit eligible overpayments.
- 1.4 The present arrangements have no effect on the precepting authorities as all the financial transactions are between the billing authorities and the DWP.
- 1.5 The Department of Communities and Local Government (DCLG) will assume responsibility for council tax support from the DWP and will fund this by means of a specific grant allocation that takes no account of increasing caseloads throughout the year. The consequence of these changes is that each BA area will become liable for the financial risks associated with the performance of the local economy.
- 1.6 There are, however, two other very important changes to the regime -
 - 1.6.1 the overall amount of grant from DCLG will be reduced by 10% of the current level thus realising savings of £420m overall, and
 - 1.6.2 the impact of council tax support schemes will affect the Taxbase and so will be shared between billing authorities and precepting authorities.
- 1.7 In effect this means that unless the BAs reduce the amount currently paid out in council tax support the precepting authorities will have to pay their share of any shortfall.
- 1.8 This Consultation Document considers what is being proposed by each BA in the Cambridgeshire County and the potential implications for the major precepting authorities.

Working with neighbouring authorities

- 1.9 Each BA in the County are working together and liaising closely; however, there are significant differences in the demographics and policy priorities in different BAs that members will take into consideration.
- 1.10 Prior to this formal consultation, councils have worked together by holding joint meetings with the Revenues & Benefits managers and the Chief Financial

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Officers. The Chief Executive of East Cambridgeshire District Council has co-ordinated informal consultation and awareness raising across the county is his role as part of the Cambridgeshire Public Service Board, which includes representatives from major precepting authorities.

2. Legalities

- 2.1 The Local Government Finance Bill, which is currently working its way through Parliament, will provide the structure for the new localised council tax support scheme. However, pending it receiving Royal Assent, which is not now likely to be until October 2012, the DCLG has released a Statement of Intent.
- 2.2 Each BA must design and provide a council tax reduction scheme for people of working age for the financial year 2013-14 by 31 January 2013. BAs may design a scheme that allows for the proposed 10% savings imposed by the government, and at the same time provides work incentives. Failure to do so will mean the Government will impose a default scheme that does not allow for the 10% savings, and it is likely that this will be as per the current scheme.
- 2.3 The Secretary of State has the power to alter the commencement of these provisions

Pensioners Protection

- 2.4 The Government has stated that council tax support for people of state pension credit age will not be reduced because the Government does not expect work to increase their income. Legislation will be provided to protect pensioners by keeping in place the current national rules.
- 2.5 The consequence of protecting pensioners means that, if the shortfall in funding is to be passed on to the benefit claimants, the 10% savings will have to come from those of working age. The numbers of pensioners and vulnerable vary within each billing authority.

Vulnerable Groups

- 2.6 Councils are required to protect vulnerable groups when designing their local scheme. The Government does not intend to prescribe how this is achieved; rather the Government draws the Councils' attention to existing responsibilities including the Child Poverty Act 2010, the Disabled Person Act 1986 and the Housing Act 1996 as well as the public sector equality duty in section 149 of the Equality Act 2010.
- 2.7 Community engagement and consultation and Equalities Impact Assessments are an important part of this process. This will be addressed as part of the secondary consultation process.

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Work incentives

- 2.8 Council's are required to take account of work incentives when designing their local scheme, which the Government expects to help move local taxpayers into work by complementing the universal credit scheme.
- 2.9 There are a number of ways that Councils' could support work incentives, however, there needs to balance the financial cost of supporting incentives to work with the additional savings this would require from claimants out of work and its duties towards vulnerable groups.

Designing the scheme

- 2.10 The scheme needs to be simple, transparent and fair and have regard to -
- Government requirements
 - Local economic conditions
 - Local policy priorities
 - Demographic changes
 - Compliance with legal duties and risk of legal challenge
 - Software constraints, particularly in the short term
 - The consequences of behavioural change by individuals
- 2.11 The timescales for implementation are extremely challenging and there are limits on the scheme design choices available to Councils' at least in the short term. It is important for Councils' to closely monitor the impact of their first schemes in order to ensure they can be refined and improved over time.

3. Draft Local Schemes

- 3.1 Each BA in the County has designed its own scheme, which are intended to minimise impact on the collection fund as far as possible and be cost neutral to major precepting authorities by a combination of reducing current levels of Council Tax support and increasing revenue from the Council Tax Reforms, which are -
- 3.1.1 to allow billing authorities to levy up to 100% council tax on second homes, and
- 3.1.2 abolish class A exemption for empty dwellings under repair and class C exemptions for vacant dwellings and to allow a billing authority to instead give a discount of between 0% to 100% in each case, and
- 3.1.3 the option to levy an empty homes premium of up to 50% where a dwelling has been empty for at least two years. This means the maximum council tax could be 150% for long-term empty dwellings.
- 3.2 Further financial modelling is pending availability of software

Key Principles of the Local Schemes

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- 3.3 Each BA in the County has agreed to go forward by adopting the rules of the current CTB scheme with some changes. The key principles and aims of the local schemes are -
- 3.3.1 **Everyone must pay something**, it is proposed that all working age people (unless protected) should pay a prescribed percentage of their council tax under the CTS scheme. Each BA will set its own level according to local requirements.
- 3.3.2 **The vulnerable will be protected** to some extent, depending on circumstances. Each BA will set classes of persons who are to be considered as vulnerable, for example where a member of the household receives certain disability benefits or extra premiums for the disabled, or war disablement, war widows pensions. There may be other classes of persons in some BA areas
- 3.3.3 **The schemes should incentivise work**, each BA will prescribe its own set of rules to encourage people to go back into work or to increase the number of hours that they currently work to reduce the burden on the welfare state.

Local Scheme Preparation

- 3.4 Before the new scheme is made, the Council must in the following order:
- consult any major precepting authority which has power to issue a precept to it, and
 - publish a draft scheme in such manner as it thinks fit, and
 - consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 3.5 These basic obligations may be supplemented by more detailed regulations, which impose requirements as to the preparation of a scheme, in particular for the publication of documents

4. Financial Assessments

- 4.1 Proposed funding arrangements do not take account of future trends, e.g. increase in pensioner population or periods of local economic downturn due to the current recession. Conversely, should there be an improvement in the economy and less is spent then there is no reduction in Government funding and any excess is retained for the benefit of the local economy.
- 4.2 The Government has also stated it recognises that some Councils CTB is a large part of expenditure so a floor will be set so that the loss is not disproportionately high and a ceiling set for those who are less affected.

5. Administration Grants

- 5.1 Government has allocated a sum of money to each billing authority and County Council towards the cost of setting up the schemes.

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- 5.2 The cost of setting and operating the new schemes lies with the BAs; this will include software, staffing, loss of government subsidy on overpayments, publicity & consultation and court costs.
- 5.3 Local schemes that enable people to move from benefits to work will contribute to the economic success of the county. A contribution towards the administration costs of setting up and publicising the new local schemes may therefore be requested from Cambridgeshire County Council.

6. Impact on Precepts

- 6.1 The effects on the Precepting Authorities are threefold -
 - 6.1.1 a requirement to pay a share of any shortfall between government grant and the actual amount paid out in council tax support;
 - 6.1.2 a requirement to pay a share of any growth in council tax support payments;
 - 6.1.3 a reduction in the Council Tax Base as a result of reducing collection rates, although this could be partially offset by council tax reforms as shown in 3.1.
- 6.2 The proposed changes in council tax support will have a significant effect on the income received by BAs. It may lead to council tax being collected from some of the most vulnerable members of our community who have not had to pay any council tax in the past at a time of reductions in welfare benefits and lower wages. This in turn is likely to lead to higher collection costs and the need for an increased write-off provision. Despite higher cash receipts, the percentage collection rate will fall.
- 6.3 It is not possible to quantify the full financial impact as it will be partly dependant on the impact on council tax collection levels. Any loss of income from reduced collection levels will be proportionately borne by the precepting authorities.
- 6.4 Consequently, in the current economic climate it may be necessary to build in a contingency saving for additional losses.

7. Effect on Council Tax Base

- 7.1 Under the CTB system, the council tax base is unaffected by changes in the value of CTB granted, because the liability is unaffected. CTB is simply a way of meeting that liability.
- 7.2 However, under the local council tax reduction schemes, the council tax base will be affected by whether persons living in a dwelling are in receipt of a council tax reduction, as the BA will be foregoing council tax income from those dwellings.
- 7.3 These local council tax reductions will need to be reflected in the calculation of the council tax base, in order to calculate the correct amount of band D council tax for the billing or major precepting authority area.

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- 7.4 Unlike the single person discount the amounts may not be a set percentage, each BA will need to make their own estimate of the total cash value of the reductions to be offered. This will be offset by the proposed council tax support grant that the government is currently consulting on.

8. Consultation

- 8.1 Cambridgeshire County Revenues Group wants to ensure that the precepting authorities have an opportunity to comment on the financial impact of the BAs proposed future replacements for council tax benefit. Major preceptors will also have the opportunity to comment as stakeholders on each BAs detailed draft scheme in August / September 2012.
- 8.2 Cambridgeshire County Revenues Group is undertaking this consultation between the period 17 July 2012 and 31 July 2012. This timescale has been determined following receipt of policy statements of intent published by the Department for Communities and Local Government (DCLG) on 17 May 2012 and to permit sufficient time to evaluate responses received and to meet the statutory requirements in 3.5 above.
- 8.3 With the understanding that each BA needs to make significant savings and intends to do so by attempting to be cost neutral to precepting authorities, Cambridgeshire County Revenues Group are seeking your views and comments on the proposed schemes in section 3 above.

Comments should be sent to no later than 31st July 2012 to Geoff Kent, Head of Revenues services, Fenland District Council via email to GKent@Fenland.gov.uk

9. Key Dates

- 9.1 A high level timetable for formal decision making and public engagement and consultation is proposed as follows:
- July 2012 - Proposed draft schemes to be agreed by each BA
 - 17 July 2012 - Formal consultation with precepting authorities on draft scheme
 - 31 July 2012 - Deadline for Precepts consultation
 - August 2012 – Publish draft schemes
 - August/September 2012 - Formal public consultation on proposed scheme
 - October to December 2012 - Final schemes agreed by full Council in each BA
 - November/December 2012 - Software and systems design and Final financial implications included in budget planning for 2013/14
 - January 2013 - Testing for annual billing run - council tax base set - specific communication with affected households setting out changes
 - February 2013 - Councils' set their budgets
 - March 2013 - Council tax bills issued

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My ref:

Your ref:

Date: 30 July 2012

Contact: Caroline Ryba

Direct dial: 01223 699292

E Mail: Caroline.ryba@cambridgeshire.gov.uk

Geoff Kent

Head of Revenues Services

Fenland District Council



LGSS Finance

Corporate Finance Team

(by email)

Box RES 1211

Shire Hall

Castle Hill

Cambridge

Dear Geoff

Response to the Precepting Authorities Consultation on the Council Tax Reduction Scheme on behalf of Cambridgeshire County Council

Firstly I should like to thank the Cambridgeshire County Revenues Group for the opportunity to respond to this consultation. We note that this is the first of two consultations on this subject, and is necessarily done before detailed proposals on the billing authorities' Council Tax Reduction Schemes are available.

We strongly endorse the principle at 3.3.3 that schemes should incentivise work and ask that billing authorities ensure that proposed schemes do not encourage those of working age to stop work or reduce their working hours.

Our current financial plans (2012-17) show that we must make £128m of recurrent savings over the period. Since these plans were approved in February 2012 the outlook has deteriorated, with further cuts in funding expected from the next Comprehensive Spending Review and continuing spending pressures, particularly from demand-led services. Therefore we welcome the reassurance in paragraph 3.1 which states that the schemes will be designed to minimise the impact on the collection fund and be cost neutral to precepting authorities. As a major preceptor, we face a significant risk of funding shortfall if the schemes fail to deliver the necessary savings. We urge each billing authority to ensure that the schemes are designed to deliver in excess of the 10% savings, to provide a safety margin to cover potential losses from lower collection rates and increases in caseload.

We acknowledge that estimates and assumptions will have to be made by billing authorities when developing their schemes. We ask that billing authorities share their modelling, including

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risk and sensitivity analysis, with us as soon as draft schemes are approved for consultation to enable us to factor this into our financial planning. Similarly, early estimates of the impact on tax base of proposed Council Tax Reduction Schemes and changes to discounts and exemptions will be important to us for the same reason.

To date, the Cambridgeshire County Revenues Group and the Cambridgeshire Finance Officers have worked collaboratively. This has helped our understanding of the options and their potential impact on the county's residents, both directly and through possible budgetary impacts on our services. We look forward to continuing this collaboration as further guidance and draft regulations become available, and through 2013/14 as the schemes are implemented.

Yours sincerely

Caroline Ryba
Deputy S151 Officer

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Geoff Kent

From: Niki Howard <Niki.Howard@cambs.pnn.police.uk>

Sent: 31 July 2012 16:30

To: Geoff Kent

Subject: Localisation of Council Tax Support ~[NOT PROTECTIVELY MARKED]~

Thank you for the document, I have no questions regarding the content and I have built in a potential liability to my planning assumptions.

My only comment would be that the new Police and Crime Commissioner is required to set a budget by 21st December so the ability to have the council tax base agreed by then is probably not realistic.

Kind regards

Niki Howard

Director of Finance & Resources

Cambridgeshire Constabulary

To visit Cambridgeshire Constabulary's website please follow this link:

<http://www.cambs-police.co.uk/index.asp>

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