

Report to Cabinet
13 June 2012
Report of Chief finance officer
Subject Localising support for council tax

Item

10

Purpose

To consider the Council's approach to designing and implementing a council tax reduction scheme.

This is necessary because of the abolition of council tax benefit (from April 2013) enacted in the Welfare Reform Act 2012 and the government's plans outlined in the Local Government Finance Bill currently in passage and consultation papers issued by DCLG.

Recommendation

To follow the process outlined below to ensure that the Council has designed and approved a Council Tax Reduction Scheme by the required deadlines:-

- Cabinet to convene a cross party working group of councillors, the composition of this to be: the portfolio holder for resources; 3 further labour councillors; 2 green party councillors; and 1 liberal democrat councillor.
 - This working group will consider options for how to proceed, look at practice from elsewhere, take evidence from ward councillors on the possible impact of the scheme; and make recommendations to Cabinet (to be pre-scrutinised by Scrutiny).
- Public consultation on draft proposals to take place from August to October 2012.
- Scrutiny consideration of draft proposals, as amended through consultation, in November 2012.
- Cabinet to recommend the proposed scheme in December 2012.
- Full council to adopt the new scheme in January 2013`

Corporate and service priorities

The report helps to meet the corporate priority: "To build a successful economic future for Norwich and secure sustainable growth"

Financial implications

At present the preparatory work on the new scheme is funded from existing budgets. DCLG has provided a non-specific grant of £84,000 with an indication that it could be used to support the development of local schemes.

Failure to agree a local scheme within deadlines could result in a 10% reduction in income for the council and preceptors.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Caroline Ryba, Chief finance officer 01223 699292

Roger Burnett, Interim revenues and benefits manager 01603 212 600

Background documents

None.

Report

1. Following its earlier spending review the government published proposals in August 2011 to abolish council tax benefit and replace it with a new local system of council tax support. Following consultation the government confirmed its plans in December (2011).

2. The consultation confirmed that:-

- the new council tax support would not be subsumed within universal credit
- an overall reduction of 10% in spending compared to council tax benefit would be achieved – both nationally and locally
- grant will be fixed so that collection funds would generate surpluses if support claimed was lower than the grant and face losses if it is higher.
- any surpluses, or losses, are passed on to preceptors.
- council tax support will take the form of a discount against council tax rather than a social security benefit
- pensioners (existing and new) would be protected from any reduction in support compared to council tax benefit.
- local authorities are encouraged to extend protection to vulnerable households and provide incentives so “work pays”.
- local authorities are free to adopt a scheme equivalent to existing council tax benefit (a default scheme) – but that grant will still be fixed at the 90% level meaning billing authorities and preceptors would face a significant shortfall in revenue.
- there will a duty to consult with preceptors – who will share any risk inherent in a new scheme – and the public.

3. Further details were published in late May covering the approach to vulnerability, treatment of pensioners and work incentives within locally designed schemes and the government’s proposals on funding mechanisms for the new scheme.

4. **Impact on Norwich City Council residents**

Officers are implementing a modelling tool from Northgate, the council’s revenues system supplier. This will use real data to allow the modelling of different approaches to designing a new scheme and show the outcomes of different options for different groups of benefit customers.

In the meantime there is data on how the changes will impact on people at a national level. Norwich will not be so different:-

	Number of recipients	Average weekly award	Expenditure £m	% reduction from this group needed to achieve 10% overall saving
Over pension age	2,677,690	£16.01	£2,210	Protected – no reduction
Working age – getting 100% CTB	2,182,030	£16.55	£1,880	26%
Working age – getting some CTB (low earner)	682,900	£13.66	£490	99%
Working age – getting some CTB (not in work)	285,810	£1,434	£210	225%
All working age	3,150,740	£15.72	£2,580	19%

5. Key milestones

	Statutory	Norwich City Council
“Spring” 2012	Draft regulations due	Agree decision making process
	Technical consultation on grant distribution	Agree communications and consultation strategy
		Start modelling options for new scheme
“Summer 2012”	Primary legislation passed (Finance Bill)	July/August – start testing preferred model/impact assessment - assess and decide on LA consortium possibilities

	Statutory	Norwich City Council
	Secondary legislation drafted	Engage with software supplier to ensure scenarios we model are achievable
		Assess likely practicalities and costs (inc staffing levels) required of new scheme
		October – submit tax base data to DCLG
		Consultation with public and representative groups
“Autumn/Winter 2012/13”	Secondary legislation passed	Council decision on scheme to be adopted
	Grant allocations published	Plan conversion of data so new scheme entitlements can be calculated in March
31 January 2013	LAs must have new schemes in place or default scheme will apply (full entitlement as now but with 10% grant reduction funded by council)	
February 2013		Council budget set
		Start billing process for 2013/13 CTax bills
March 2013		New bills and details of entitlement with customers

6. The decision making process

6.1 The council will be required to enact a scheme by 31 January 2013 to take effect for the 2013/14 year.

- If a local authority does not enact a local scheme legislation will deem it to have adopted the “default scheme” – which replicates existing council tax benefit.

- The downside of this is that the funding will only provide for a 90% grant leaving council tax payers to fund the 10% spending reduction.

6.2 The Bill will require the decision to introduce a scheme to be taken by the full authority, it cannot be delegated to committee or Cabinet.

6.3 There will be a specific duty to consult on the design of a new scheme, with major preceptors and “such other persons as it considers are likely to have an interest in the operation of the scheme”. Additionally, there is case law on what constitutes meaningful consultation (the “Gunning” principles) which requires that:-

- Consultation must take place when the proposals are at a formative stage
- The public body must give sufficient detail to allow for meaningful responses
- Enough time must be given for responses
- Responses must be taken into account conscientiously in making a final decision.

6.4 The Council “must consider” each year by 31 January whether to revise or replace its scheme for the following tax year with any proposed changes subject to the same consultation as for the full scheme. On the draft legislation it appears that changes can only be made once a year on this timetable.

7. **Decisions to make now**

It is recommended that the following process is followed to ensure that the Council has designed and approved a scheme by the required deadlines :-

- Cabinet convene a panel of leading Members to work with officers on scheme options and to consider evidence from ward Members and interested parties
 - This panel to conclude its work by the end of July 2012 with draft proposals to be further worked on and tested and for further consultation to take place.
- Public consultation on draft proposals to take place from August to October 2012.
- Scrutiny consideration of draft proposals, as amended through consultation, in November 2012.
- Cabinet to recommend the proposed scheme in December 2012.
- Full council to adopt the new scheme in January 2013`

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with completing the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	13 June 2012
Head of service:	Chief finance officer
Report subject:	Localising council tax support
Date assessed:	May 2012
Description:	

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The recommendations set out a process whereby the Council will be able to design, approve and implement a scheme. The financial impact will depend on the design of the scheme. Failure to implement a local scheme will result in reduced funding for the Council.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The impact will depend on the design of the scheme.
Financial inclusion	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	The impact will depend on the design of the scheme.
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

	Impact			
Risk management	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The recommendations are designed to manage the risk that the Council fails to design, approve and implement a local scheme and is then forced to implement the default scheme, leading to a loss of revenues.

Recommendations from impact assessment	
Positive	
Negative	
No impact	
Issues	