

REFERRAL FROM ECONOMY, GROWTH & REGENERATION SELECT COMMITTEE – 3 JULY 2012

Localisation of Council Tax Benefit

The Economy, Growth & Regeneration Select Committee at its meeting held on 3 July 2012, considered the financial impact on the Council of localisation of Council Tax Benefit and the potential local schemes the Council is considering, together with the impact on households.

Based on the most recent DCLG consultation paper, the reduction in grants combined with its effect on the tax base now gives a financial pressure to the Council of between £2.8m and £3.5m. The DCLG was proposing to allow local authorities to amend council tax discounts and exemptions to effectively increase the tax base and therefore increase revenue. These reforms could potentially raise a maximum of £1.8m but could be considerably less once changes in behaviour and costs of collection have been included. An estimate of £800,000 raised has been assumed. The Council can only offset the implications of the funding reduction by introducing a Local Council Tax Support Policy.

Government had restricted local discretion in designing a scheme by requiring that the current level of support for pensioners must not be affected. Government also directed that there should be support for other vulnerable groups and that local schemes should support work incentives. Local authorities were therefore faced with a choice of either covering the funding gap by cutting other services or designing schemes that would significantly reduce benefits payments to people who are towards the bottom end of the income scale.

The Economy, Growth & Regeneration Select Committee noted that there were issues regarding the inability of the software to cope with complex changes to the scheme and requested an assurance that the Cabinet report on the support scheme would include a full risk analysis of the project.

The Committee considered that a number of proposals made may lead to a number of people being unable to pay, resulting in increased recovery costs to the Council. It further considered it important that any support scheme should ensure the safeguarding of vulnerable groups.

The Committee noted that option A, as set out in the report, was the only option that made up the £3.5m funding gap. The Committee commented that the proposals were complex and suggested that the Cabinet should consult on a preferred option and a range of other options that meet the funding gap, rather than a broad list of savings for residents to pick from.

RECOMMENDATION(S):

1. That the Cabinet should agree a preferred approach on how to meet the £3.5m funding gap and that the public should be consulted on the Cabinet's preferred option, together with a range of other options that meet the funding gap.
2. That the Localisation of Council Tax Benefit report, to be received by the Cabinet at its meeting on 17 October 2012, includes full details of the risks associated with the project.
3. That the Cabinet give an assurance that implementation of any of the proposals would safeguard vulnerable groups.