



NOTTINGHAMSHIRE
Fire & Rescue Service
Creating Safer Communities

Nottinghamshire and City of Nottingham
Fire and Rescue Authority
Finance and Resources Committee

GOVERNMENT PROPOSALS FOR COUNCIL TAX SUPPORT

Report of the Chief Fire Officer

Agenda Item No:

Date: 30 March 2012

Purpose of Report:

To inform Members of Government proposals for the localisation of Council Tax Support schemes and the potential impact on the Fire Authority.

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1. BACKGROUND

- 1.1 Government have determined that its highest priority will be the reduction of the structural deficit chiefly by reductions in public expenditure. Amongst these proposals published in 2010 was a plan to unify the benefit system and transfer Housing Benefit from Local Authorities.
- 1.2 In doing this they did not opt to transfer Council Tax benefit but instead began to refer to it as Council Tax Support and opted to transfer the full responsibility for this to local authorities.
- 1.3 This report is intended as a summary of the Consultation Document produced by DCLG regarding the localisation of Council Tax Benefit proposals. It considers what is being proposed and the potential implications for the Fire Authority.

2. REPORT

CURRENT POSITION

- 2.1 Council Tax Benefit is a national scheme that is administered by local authorities on behalf of the Department of Work and Pensions (DWP). It operates alongside Housing Benefits, although unlike Housing Benefit, it is also available to homeowners. As such, whilst Housing Benefit is the more costly of the two benefits, Council Tax benefit is paid to a greater number of households.
- 2.2 The DWP reimburse each Local Authority for their 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.
- 2.3 Each local authority receives an Administrative Grant to cover the costs of administering Housing and Council Tax benefit.
- 2.4 The present arrangements therefore have no effect on the Fire Authority as all the financial transactions are between the billing authorities and the DWP.

LATEST PROPOSALS

- 2.5 The government is proposing that Council Tax Benefit becomes a localised rebate scheme from April 1st 2013. This means that each Council will be 'free' to devise and implement its own policy for distributing financial assistance for households that cannot reasonably afford to pay all or part of their liability for Council Tax.
- 2.6 The Department of Communities and Local Government (CLG) will assume responsibility for Council Tax Rebate from the DWP and will fund this by means of an up-front grant allocation. A very important element of these changes is that each local authority area will consequently become liable for

the financial risks associated with the performance of the local economy. The logic to this is that as the economy improves less and less working people will require support to pay council tax.

- 2.7 There are however two other very important changes to the regime:
- i) The overall amount of grant from CLG will be reduced by 10% of the current level thus realising savings of £420m overall.
 - ii) The impact of Council Tax support schemes will be shared between billing authorities and precepting authorities.
- 2.8 In effect this means that unless billing authorities reduce the amounts they currently pay out in council tax support the Fire Authority will have to pay its share of any shortfall. As a County wide service the impact upon the Fire Authority and the Police Authority will be disproportionate as these are the only two authorities that operate in all local authority areas.
- 2.9 Whilst notionally, this is a localised scheme, the detail of the scheme imposes very significant limitations on the extent of local decision making. In particular, the government has taken Pensioner households outside the scope of these changes, meaning that any local policy changes will only apply to working age households. The government has also consulted on whether any other 'vulnerable' groups should receive similar protection.
- 2.10 This means that the 10% reduction in council tax support will impact at far higher levels than 10% over a smaller group of people.
- 2.11 Local Authorities are also prohibited from reviewing the system of discounts and disregards within the current Council Tax system. This is significant, as it means that the current system of single person discounts cannot be considered locally. This prevents any review of this area being used to offset costs.

POTENTIAL IMPACT ON COLLECTION RATES

- 2.12 Members will be aware that at present the Fire Authority is approximately 50% funded by council tax. This council tax is calculated by applying a notional Band D council tax (presently £69.69) across the collectible council taxbase of each billing authority.
- 2.13 This taxbase is calculated by looking at the actual taxbase of the authority area, discounting this for the effect of single person discounts and then estimating how much of that amount will actually be collected. This is typically in the high 90%.
- 2.14 It is widely thought that if local authorities attempt to make up the 10% shortfall in grant by reducing the eligibility of claimants in the non-vulnerable category a high number of people who have never paid council tax before will be required to pay. With no consequential increase in their other benefits a situation rather like the old problems experienced with the Poll Tax may begin

to emerge as people do not believe that they can afford to pay. This will certainly reduce collection rates and increase collection costs substantially.

- 2.15 This reduction in collection rates will have a direct impact on the Fire Authority as it will have the effect of reducing the taxbase upon which the precept is based.

CHANGES IN ACTIVITY LEVELS

- 2.16 If as a result of local activity or otherwise the economy improves significantly such that more working age people are in employment there will be no reduction in government grant and Local Authorities will be able to retain the benefits from improvements in their local economy. Conversely however if more become eligible for support there will no further government grant to support this. All the risk therefore has been passed to local authorities and the Fire Authority will attract its share of this risk.
- 2.17 It is thought that there may be a chance of increased activity arising from the simple matter of changing the name from Council Tax Benefit to Council Tax Support or perhaps “discount” as is being suggested. People who may have been reticent about applying for a benefit may be more inclined to apply for a discount.

EFFECT ON THE FIRE AUTHORITY

- 2.18 The effects on the Fire Authority are threefold:
- i) A requirement to pay a share of any shortfall between government grant and the actual amount paid out in council tax support.
 - ii) A requirement to pay a share of any growth in council tax support payments
 - iii) A reduction in taxbase as a result of reducing collection rates
- 2.19 The financial implications of these changes are very difficult to estimate as there is simply no reasonable proxy that can be used however the impact of the 10% reduction in support would be of the order of £430,000 or nearly 2% on council tax if there is no reduction in overall costs. A 1% change in taxbase could cost a further 1% on council tax and the effects of growth cannot be estimated.
- 2.20 This is therefore a very serious issue for the Fire Authority.

CURRENT WORK

- 2.21 Fire Authority officers are currently engaging with the working groups across the County who are seeking to develop a single county wide scheme for the determination of support levels although this will be difficult to achieve due to demographic differences between authorities. Politically a joint approach may also be difficult to achieve due to different impacts occurring in different wards.

2.22 It is important that Fire Authority officers continue to engage however for two main reasons:

- i) The corporate priorities of District Councils may lead them to seek to offer support to particular groups in furtherance of their objectives but which may disadvantage the Fire Authority.
- ii) The Fire Authority will be affected far more than most billing authorities by any outcome.

2.23 It is also important that Members of the authority become engaged at the political level as officers will only be making recommendations to group of Members who will ultimately make the final decisions. To this end the Chair of the Fire Authority is to be invited to participate in the Members group to represent the Fire Authority.

2.24 The Fire Authority may wish to consider how to make financial provision for the risks associated with this change from 2013/2014.

3. FINANCIAL IMPLICATIONS

The financial implications are set out in the body of the report.

4. HUMAN RESOURCES AND LEARNING AND DEVELOPMENT IMPLICATIONS

There are no implications for HR or training arising from this report.

5. EQUALITIES IMPLICATIONS

An equality impact assessment has not been undertaken because whilst there are undoubtedly significant implications for equalities arising from these proposals this report is simply an information item at this stage.

6. CRIME AND DISORDER IMPLICATIONS

There are no implications for crime and disorder arising from this report.

7. LEGAL IMPLICATIONS

Legal implications relate primarily to compliance with the regulations as they emerge.

8. RISK MANAGEMENT IMPLICATIONS

There are significant financial risks arising from these proposals by government not least of which because it makes the funding stream that the Authority receives from council tax much more uncertain.

9. RECOMMENDATIONS

That Members note the contents of this report and agree to receive future reports on this matter as further information becomes available.

10. BACKGROUND PAPERS FOR INSPECTION (OTHER THAN PUBLISHED DOCUMENTS)

None.

Frank Swann
CHIEF FIRE OFFICER