REVENUES AND BENEFITS PARTNERSHIP WORKING

Finance Advisory Group – 28 March 2012

Report of the:	Deputy Chief Executive and Director of Corporate Resources
Status:	For Information
Key Decision:	No

Executive Summary: This report updates Members on the Revenues and Benefits Partnership with Dartford Borough Council and informs Members of the legislative changes that will affect these services.

This report supports the Key Aim of effective management of Council resources.

Portfolio Holder	Cllr. Ramsay
Head of Service	Group Manager – Financial Services – Adrian Rowbotham

Recommendation to Finance Advisory Group: That the report be noted.

Introduction

1 At a previous meeting Members asked for a report on the Revenues, Benefits, Audit and Fraud Partnership with Dartford Borough Council.

Progress of the Partnership

2 The partnership started in December 2010 and has therefore now been operating for over a year.

3 In September 2011, at the annual awards of the Institute of Revenues Rating and Valuation (IRRV), the Sevenoaks and Dartford team won the silver award for 'Excellence in Partnership Working'. Appendix A contains the submission for this award which details how the partnership was established.

4 Sue Cressall, Revenues Manager, and Meryl Young, Benefits Manager, will be providing Members with a verbal update on the Revenues and Benefits services at the meeting.

Legislative Changes within Revenues and Benefits

5 This section contains details of the legislative changes that will affect the Revenues and Benefits services and also affect the major funding streams of the Council.

Localising Support for Council Tax

6 The Government consulted (in July 2011) on proposals for the localisation of support for council tax, to replace council tax benefit, from April 2013. This followed the announcement in the 2010 Spending Review that expenditure would be reduced by 10% from the same date.

7 The Government has considered all responses and has now issued a further paper summarising their future proposals. The Government has confirmed that the main elements of the original proposal will remain as included in the consultation paper and that the implementation date will remain as April 2013. It will be a huge challenge to implement the proposals by April 2013 and will have resource implications.

8 The Local Government Finance Bill contains the provisions for the establishment of a localised council tax support scheme, but the detailed framework will be set out in regulations. Draft regulations will be published during consideration of the bill in Parliament.

9 The main principles of a local support scheme are :

- although, in theory this is a local scheme, the Government will have the ability to prescribe eligibility criteria – e.g. for vulnerable pensioners;
- council tax support will not be reduced for pensioners as a result of the new scheme. This support will be using national rules for eligibility and rates defined in regulations by the Government;
- the Council will have to consider its statutory duties for other vulnerable residents when setting up a local scheme;
- local schemes will need to consider the impact of Universal Credit, which begins in October 2013, and in particular supporting work incentives. The two schemes should be complimentary;
- support for council tax will be fully integrated into the council tax system with support being a direct reduction on council tax bills. Support will be given as a discount and reduce the tax base. It will be part of the tax base setting process; and
- the Billing Authority (Sevenoaks) will be the lead authority and be responsible for developing and approving a scheme.

10 Local schemes will be fully integrated with the council tax system with support being offered in the form of a council tax reduction (discount). Grant will be paid to the billing and precepting authorities thus reducing their budget requirement, and offsetting (partially or fully) the reduction in the tax base. This means that the financial risk (if expenditure exceeds grant) is shared by all authorities.

11 A localised scheme will be funded partly or wholly by specific government grant. Local authorities will need to take into account the likely level of grant when developing and adopting a scheme but they will not be under any duty to match

expenditure to grant. The specific grant will be at least 10% lower than current levels and with general grant also reducing, local authorities will want to ensure, as far as possible, that expenditure does not exceed grant.

12 There is a huge amount of work to be done by both Government and local authorities if the timetable is to be achieved. Also it will require council tax software systems to be adapted, tested and fully operational much earlier than April 2013. Many respondents to the original consultation said that the timescale was either extremely optimistic or unachievable but the Government is sticking with its original proposed timetable. The Council will have to put significant resources into ensuring that a local scheme can be successfully implemented and detailed milestones achieved. The Government will provide some funding for this additional burden but it is unlikely to be sufficient to meet the additional cost incurred.

13 An officer group is in place to work on this issue.

Technical Reforms of Council Tax and the Local Government Finance Bill

14 The Department for Communities and Local Government issued a consultation paper on 31 October 2011 entitled *Technical Reforms of Council Tax.* The closing date for responses was 29 December 2011.

15 However, it is disappointing to note that the Local Government Finance Bill introduced in the House of Commons on 19 December 2011 has apparently pre-empted responses regarding many of the matters covered by the consultation.

16 In summary, the changes include:

- giving billing authorities power to levy up to 100% council tax on second homes;
- replacing exemption Classes A and C with locally determined discounts;
- abolishing class L exemption, and making mortgagees in possession of empty dwellings liable for the Council Tax;
- allowing billing authorities to levy an ‘empty homes premium’ in respect of dwellings which have been left empty for two years or more;
- setting the statutory number of instalments for the payment of Council Tax at 12 instead of 10;
- allowing authorities to publish online the ‘Information to be supplied with demand notices’ but with a duty to supply it in hard copy upon request;
- changes to prevent the possibility of liability for non-domestic rates becoming due where home owners allow third party suppliers to install domestic scale ‘solar panels’ under ‘rent a roof schemes’; and
- changes to the treatment of self-contained annexes where they are not separately occupied but are used a part of the main home.

Universal Credit

17 The aim of Universal Credit is to simplify the benefit system, reduce cost and to ensure that it pays to work. It aims to create a leaner but fairer system administered by a single government department. One of the key features is to merge “in and out of work“ benefits. There will be no need to sign off benefits to take up employment. The links between benefit payments, earnings and tax should in turn make the system more secure from fraud and error.

18 Universal Credit will replace Income Support, Income based Jobseekers Allowance, Income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit. Universal credit will be based on households rather than individuals with both members of a couple required to claim. It is envisaged that claims will normally be made through the internet and the DWP expect that most subsequent contact between recipients and the delivery agency will also be conducted online.

19 People will be able to obtain all elements of Universal Credit through a single application. Universal Credit will normally be paid direct to the claimant on a monthly basis. The long term direction is to make Universal Credit as much like a payment of salary as possible with the emphasis on the recipients to manage their own budgets including rent and mortgage.

20 The implementation of Universal Credit is a significant project, affecting 19 million individual claims and an estimated eight million households. Details are still sketchy but the current intention is that for working age people, new claims to Universal Credit will commence October 2013 with a view to completing the transfer to Universal Credit by October 2017. For those of pension age, implementation will start from October 2014 and the DWP is not at present assuming that pension age recipients would mainly apply online.

21 The DWP will be responsible for the implementation and administration of Universal Credit, but there remain a variety of options for operational arrangements. The potential implications and opportunities for Local Authorities are significant.

22 A briefing note on Universal Credit was presented to Services Select Committee on 31 January 2012 where it was agreed that a Members’ Universal Credit Working Group would be formed to carry out an in-depth scrutiny. The group consists of Cllrs. Ball, Firth, Hogarth, Horwood and Raikes.

Proposals for Retention of Business Rates

23 The Government has undertaken a Local Government Resources Review. Part of that review included the local retention of business rates. DCLG issued a consultation paper titled “Local Government Resources Review: Proposals for Business Rates Retention” in July 2011.

24 The Government has considered all responses and has now issued a further paper summarising their future proposals. The Government has confirmed that the main elements of the original proposal will remain as included in the consultation paper but it has clarified some specific details. A new system for providing general

Central Government financial support to local authorities will be in place for April 2013.

25 The main elements for the scheme will be:

- Revenue Support Grant will in future be discretionary used mainly to fund additional burdens imposed by Government and support specific initiatives. Central Government financial support for local authority services will come almost entirely from business rate income.

- A percentage of the total business rates collected nationally will be localised. The percentage will be based on the national control totals included in the 2010 Spending Review and the functions and services that the Government decides to fund from retained business rates. It will be announced in spring 2012.

- A business rates baseline will be set for each authority. It will be based on the amount of business rates collected locally (an average over recent years) and split between billing and non billing authorities (i.e. between Sevenoaks District Council, Kent County Council and Kent Fire & Rescue) the police will be funded outside of this system.

- A baseline funding level will be established for each authority. This will be based on the 2012/13 formula grant updated for reduced funding levels nationally and also updated data.

- The difference between an authority's business rates baseline (business rates collected split between tiers) and the authority's baseline funding level will be determined. If the business rates baseline is higher than the funding baseline then the authority will have to pay a "tariff". If the business rates baseline is lower than the funding baseline then the authority will receive a "top up". This will ensure that at the start of the new system each authority starts from a neutral base.

- All districts will be tariff authorities. The tariff will be increased each year in line with RPI, the same as the business rate multiplier that determines the amount of business rate paid.

- If there is growth in an area's business rates in any year, from the 2012/13 baseline, then authorities in that area will benefit from the growth. Conversely if there is a reduction then authorities in that area will be financially worse off.

- A levy will be imposed to limit an authority receiving a "disproportionate benefit" from any increase.

26 This proposal will completely change the basis of central government financial support for local services. In effect all general financial support will come from business rates.

Key Implications

Financial

27. This report is for information only. The partnership has been entered into by the Council in order to achieve financial savings, deliver increased efficiencies and improve resilience of service delivery. The details of the financial implications of the legislative changes are not yet known.

Community Impact and Outcomes

28. The partnership working arrangements have delivered financial savings, thus delivering a financial benefit to local residents whilst maintaining customer facing services.

Legal, Human Rights etc.

29. There are no legal or human rights implications arising from this report.

Conclusions

30. The partnership has now been operating successfully for over a year but there are several major changes ahead that will affect how the Revenues and Benefits services operate in the future.

Risk Assessment Statement

31. A risk assessment was completed when the partnership was approved. The legislative changes explained in the report are likely to result in major changes to the way the services operate as well as the overall government funding received by the Council.

Appendices	Appendix A – IRRV Awards Submission
Background Papers:	Universal Credit In-Depth Scrutiny – Briefing Note (Services Select Committee - 31 January 2012).
Contact Officer(s):	Adrian Rowbotham Ext. 7153 Meryl Young Ext. 7397 Sue Cressall Ext. 7041

Dr. Pav Ramewal
Deputy Chief Executive and Director of Corporate Resources