TONBRIDGE & MALLING BOROUGH COUNCIL

CABINET

11 January 2012

Report of the Director of Finance

Part 1- Public

Matters for Information

1 LOCALISATION OF COUNCIL TAX BENEFIT AND PROPOSALS FOR BUSINESS RATES RETENTION

A short report advising Members of the results of the consultation papers from CLG in respect of the localisation of council tax benefit and business rate retention.

1.1 Introduction

1.1.1 In October, Cabinet approved responses to the consultation papers from the Department for Communities and Local Government (CLG) in respect of both the localisation of council tax benefit and the retention of business rates.

1.1.2 The government has now published responses to both consultations.

1.2 Localisation of Council Tax Benefit

1.2.1 The 'headline' is that the government will be pressing ahead with its plans to localise council tax benefit in the original timescales. This means that local authorities will need to have a new scheme designed and adopted by 31 January 2013, to take effect from April 2013.

1.2.2 Billing authorities (i.e. this Council) will be the lead authorities in the design of schemes, although they will be able to design schemes jointly with other billing authorities or, if applicable, upper-tier authorities, i.e. county councils. The billing authorities will need to undertake consultation with the public and precepting authorities (who will share the effects of any increases or reductions in demand for council tax benefits).

1.2.3 As mentioned above, the final scheme must be adopted by 31 January 2013 and will take the form of a reduction to the council tax bills of eligible persons. Where a billing authority does not adopt a scheme by this date, then a default scheme, to be set out in future Regulations, will take effect. This default scheme will retain the criteria and allowances in the current council tax benefit scheme.

1.2.4 The scheme will be funded by a government grant paid to billing authorities and major precepting authorities in proportion to their share of the council tax. The government will consider whether grant should also be paid to local precepting authorities, i.e. parishes.

1.2.5 As Members commented in their submission to CLG, this timescale is extremely tight and work will need to commence immediately if it is to be achieved.

1.2.6 I shall report in greater detail to either the Cabinet or the Finance & Property Advisory Board in due course as my staff and I get to grips with what is required.

1.3 Business Rates Retention

1.3.1 Again, the ‘headline’ is that the government will be pressing ahead with its proposals, largely as was set out in the consultation paper. The government expects that the new business rates retention scheme will be implemented from 2013/14.

1.3.2 The paper published by the government does not include any financial exemplifications at either a national or local authority level.

1.3.3 In terms of the split between districts and county councils, the government have decided to use fixed national shares with a split of 80% of NNDR receipts to districts and 20% to county councils. In setting this split, the government suggested that it has taken into account the roles of district councils in promoting growth, county councils’ role in economic development and the need not to create perverse incentives.

1.3.4 I shall report in greater detail to either the Cabinet or the Finance & Property Advisory Board in due course as my staff and I work our way through the detail.

1.4 Legal Implications

1.4.1 The Welfare Reform Bill, published on 17 February 2011 contained provisions for the abolition of council tax benefit, paving the way for new localised schemes.

1.4.2 The legislative framework required to introduce the business rate retention scheme forms part of the Local Government Finance Bill, introduced on 19 December 2011. It is expected that this will receive Royal Assent by summer 2012.

1.5 Financial and Value for Money Considerations

1.5.1 The local scheme for council tax benefit will need to be drawn up very carefully in order to minimise budget implications. However, risk will be shared, via the collection fund, with the major precepting authorities. The government is minded to permit billing authorities to vary the amount of precept payments to major precepting authorities, during the course of a financial year, to reflect fluctuations in income.

1.5.2 In respect of business rate retention, with no exemplifications in the paper, it is difficult to quantify exactly what this might mean for Tonbridge & Malling. All we can do for the time being in updating our Medium Term Financial Strategy is to assume that we will be no better or worse off under this system than under the current arrangements, but acknowledging that there could be an added risk of a much more volatile income stream.

1.6 Risk Assessment

1.6.1 The business rates retention model produces a risk of replacing known grant income with a much more volatile income stream which we will need to take due regard of in our financial planning.

1.6.2 The timescales for devising a local council tax benefit scheme are very tight. If we fail to adopt a scheme by 31 January, the default scheme will be imposed which in all likelihood will have cost implications for the Council. The scheme that we adopt will require very careful modelling to ensure that, as far as possible, demand is matched to the available financial resources.

Background papers: contact: Sharon Shelton

Nil

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