CABINET	AGENDA ITEM No. 5
26 September 2011	PUBLIC REPORT

Cabinet Member(s) responsible:	Cllr David Seaton	
Contact Officer(s):	John Harrison, Executive Director Strategic Resources Steven Pilsworth, Head of Strategic Finance	Tel. 452398 Tel. 384564

MEDIUM TERM FINANCIAL STRATEGY 2012/13 TO 2016/17

R E C O M M E N D A T I O N S	
FROM : Executive Director Strategic Resources	**Deadline date :** N/A

That Cabinet:

1. Note the position in the current financial year and approve the actions to manage in year budgetary pressures that will ensure that the Council delivers a balanced budget position.

2. Note the current consultations on retaining business rates and localisation of council tax benefit and the implications on the Council's future settlements and medium term financial strategy (MTFS).

3. Approve plans to consult with Scrutiny and Stakeholders on the medium term financial strategy.

4. Approve the approach that is proposed for the budget process incorporating the MTFS.

5. Approve to move the planning horizon for the MTFS to a ten year view.

1. ORIGIN OF REPORT

1.1 This report is submitted to Cabinet following approval by the Corporate Management Team.

2. PURPOSE AND REASON FOR REPORT

2.1 This report comes to Cabinet as part of the council's agreed process for integrated finance and business planning. It continues the multi-year approach to budgeting to help plan for the financial challenges ahead. The plan will be extended to cover a ten year period so that the key challenges around delivering our priority of growth can be adequately captured. The drivers continue to be meeting the council's priorities by creating a sustainable budget strategy whilst responding to changes arising from decisions made in the distribution of local government funding.

2.2 The council's agreed Annual Budget Framework requires Cabinet to consider the council's budget and financial strategy and to set provisional cash limits for the forthcoming year.

2.3 The purpose of this report is to:

- update Members on the likely financial situation of the council
- outline the approach to the budget process and budget consultation
- outline national issues which will need consideration within the medium term financial strategy for 2012/13 onwards, including funding consultations

2.4 This report is for Cabinet to consider under its Terms of Reference No. 3.2.1 which states to take collective responsibility for the delivery of all strategic executive functions within the council's major policy and budget framework and lead the council's overall improvement programme to deliver excellent services.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	Yes	If Yes, date for relevant Cabinet Meeting	26 September 2011
Date for relevant Council Meeting	22 February 2012	Date for submission to Government department	14 March 2012

4. BUDGET 2011/12 AND CURRENT POSITION

Revenue

4.1 When Full Council approved the MTFS 2011 in February 2011 it was on the basis that 2011/12 would have a surplus budget to offset against future deficit budgets from 2013/14. Since the setting of this budget, there are a number of financial risks that the Council are currently monitoring:

- Children's Services – The recent OFSTED report in Children's Services concluded that the children safeguarding services were inadequate and needed to improve immediately. The Council are currently developing the improvement plan in response to the report. These costs of delivering this improvement plan will be met from the council's capacity building reserve. It should be noted that there remain pressures from increasing numbers of looked after children and their associated costs. The expectation is that these costs will be met locally but these may not be sustainable. Consideration on the impact to future year budgets will be given during the budget setting process
- Adult Social Care – Adult Social Care is delivered for the Council in partnership with the PCT. The PCT are currently indicating that there are pressures due to additional demand for services from clients who have a statutory entitlement to services, and that savings plans are at risk. As a result, this budgetary control report incorporates this risk into the forecast, ensuring that the Council takes a prudent approach to its in-year financial management. The Council is currently considering options to see how these pressures can be managed, and how savings might be achieved
- Outsourcing of Manor Drive, the back office functions of the council's Strategic Resources department – Bids were received in September 2011 and these are currently being assessed against savings targets within the current budget.

The Council has been proactive in reducing the impact of these pressures whilst departments are expected to manage pressures locally. The Council is also forecasting an underspend in its capital financing budget (held within Strategic Resources), and is utilising its risk management contingency. As a result, current forecasts suggest that the surplus of £2.9m within the current MTFS approved by council has increased to £3.0m, providing an improvement of £100k over the forecast MTFS position.

4.2 The following table provides a summary view of the revenue forecast for 2011/12. A detailed breakdown by departments can be seen at appendix A:

Department	Current Forecast Outturn Variance £k
Surplus Carry forward as per MTFP 2011	**-2,918**
Chief Executive	-234
Legal and Democratic Services	-128
Children Services	0
Operations	-180
Strategic Resources	-1,033
Corporate Items	142
Adult Social Care	2,350
TOTAL	**-2,001**
Corporate Contingency	-1,000
REVISED TOTAL – surplus (-) / deficit (+)	**-3,001**

Capital

4.3 The overall position of the capital programme is outlined in Appendix B. The revised Capital Programme for 2011/12 at the end of August is £105.7m. This has been amended since the Capital Programme was agreed in the Medium Term Financial Strategy (MTFS) at £108.8m due to slippage from the previous year and a refresh of the current position. Actual spend to date remains low at £18.3m, at this early stage in the financial year the services are predicting total capital spend of £105.7m. It should be noted that various management actions are being put in place to ensure that the capital programme is adjusted to reflect the achievable delivery of capital projects, and this is likely to result in further slippage in the future.

4.4 The capital programme is partly funded by the receipts generated through the disposal of capital assets. There are risks that not all assets expected to be disposed of during 2011/12 will happen in line the with the current budget strategy. Any resulting financial impact will be assessed in conjunction with the overall capital programme and revised accordingly.

5. LOCAL GOVERNMENT RESOURCE REVIEW AND CURRENT CONSULTATIONS

5.1 In March 2011 it was announced that a review of local government resources would be carried out to consider the way in which local authorities are funded, with a view to giving local authorities greater financial autonomy and strengthening the incentives to support growth in the private sector and regeneration of local economies.

5.2 Last month, Government commenced this review with a consultation on local government financing arrangements from 2013/14 and more recently a consultation on localising support on council tax benefit. These consultations seek a significant overhaul to local government funding arrangements which the council will not be immune to, but could also offer improved financial benefits if council strategy is aligned to maximise opportunities around growth. However, it is critical that the council's response ensures that the design of the new system properly incentivises growth, and enables such monies to be retained locally. The Council's Executive Director Strategic Resources is on the national Council Tax Benefit steering group and is leading a regional response for the East of England. We are also working with the regional LGA on possible areas of commonality for the East of England. Not withstanding this work, the Council will submit its own response to both consultations.

5.3 Members and opposition group leaders are encouraged to provide comments in respect of both consultations to the Cabinet Member for Resources, who will submit the Council's response in line with his delegated powers.

Consultation – Business Rates

5.4 Currently, business rates are collected by billing authorities nationally and paid into a central government pool. The majority of the pooled business rates is then redistributed to councils based on population. As part of the local government resource review, government are considering the approach to funding local authorities from 2013/14 onwards. The local retention of business rates is intended to incentivise growth locally by enabling councils to retain a proportion of growth in business rate income. As Peterborough is committed to its growth agenda in line with the Sustainable Community Strategy, the council could benefit financially. However, the proposed scheme is complex and considers that individual local authority's should not benefit disproportionately in future business rate income collection. The outcome of the final design of the scheme will determine how much financial benefit the council will retain through growth. For information purposes, appendix C at the end of this report provides an overview of the business rates consultation and implications for the council. A summary of key issues can be seen below:

- In 2010-11, PCC collected and paid £79.5m to the pool, whilst receiving £67.2m from the pool. This means a net contribution from local businesses to the national pool and other local authorities of £12.3m.
- Rather than redistributing business rates from a central government pool, it is proposed that councils can retain a proportion of business rates locally and if growth locally is achieved, the council will be able to retain a proportion of the growth in business rate income, thus incentivising growth locally over the longer term.
- The main issues affecting Peterborough are
    - Current levels of business rate income collected within Peterborough exceed the amount of formula grant (baseline funding) the council receives, therefore requiring Peterborough to make a payment to government in the form of a tariff
    - Any growth in future business rate income cannot be disproportionate to baseline funding otherwise it maybe subject to a levy i.e Peterborough's business growth could reach a level where we lose a greater proportion of this business rate income
    - Volatility, particularly in year losses (e.g. closure of businesses) in business rate income each year will need to be addressed through budget planning or use of reserves, only significant fluctuations will be managed through a central pool held by government
    - The council is committed to Peterborough being the home of environment capital in the UK. Renewable energy is within scope of the business rates retention scheme, but benefits may not fully be realised if a levy scheme were imposed in this area.

Consultation – Council Tax Benefit Reform

5.5 Central government has committed to a 10% reduction in council tax benefit as part of the current Spending Review and resultant benefit reforms. The localisation of council tax benefit is intended to be cost neutral nationally and providing that the council is able to implement a scheme locally that achieves the intended 10% benefit reduction imposed, there will be no financial implications for the council. If this is not achievable, the council could have a resulting pressure of up to £1.2m. An overview of the consultation and implications to the council can be found at appendix D. Key issues to be noted are as follows:

- Council Tax Benefit (CTB) is currently a national benefit with policy and rules set by Government, with 100% of the cost being reimbursed
- Localisation of CTB will be implemented with a 10% reduction in CTB grant – 2011/12 grant anticipated to be £12.3m (hence a 10% reduction being £1.2m)
- Council's will be required to determine eligibility criteria for recipients of CTB
- Government to protect certain vulnerable groups e.g. Pensioners
- As vulnerable CTB recipients will be protected, the required 10% saving will disproportionately impact remaining working age groups
- Risks will be transferred to the council which will impact on costs, e.g. variable demand of scheme, administration, system capabilities, fraud detection, collection performance

6. OVERVIEW AND FUTURE BUDGET PROSPECTS

6.1 At its meeting in February 2011, the council approved the five year budget for the years 2011 – 2016. In setting this budget, the council recognised that the MTFS suggested a balanced budget until and including 2013/14. From 2014/15 onwards the council is forecasting a deficit bottom line position as seen in the below table. The council recognises that early action is required to mitigate significant service reductions in later years, whilst taking into account changes in local government funding anticipated from 2013/14.

	2011/12 £k	**2012/13 £k**	**2013/14 £k**	**2014/15 £k**	**2015/16 £k**	**2016/17 £k**
Budget Bottom line	**2,918**	**1,723**	**-971**	**-11,677**	**-15,767**	**-16,153**
Cumulative Position	**2,918**	**4,641**	**3,670**	**-8,006**	**-23,773**	**-39,926**

6.2 Expenditure estimates will be refreshed in line with assumptions outlined in section 8 below. Our funding estimates will be significantly affected by the proposals in section 5, but also by the issues outlined below:

6.2.1 Spending Review - Although the spending review has been announced at national levels for four years up to and including the financial year 2014/15, the latter two years have not been announced at individual local authority level. There remains speculation over the potential impact on formula grant for latter years, particularly given the changes by central government contained within this report. It will remain challenging in setting a budget plan given the issues mentioned in this report and the uncertainty around funding in the next spending review.

6.2.2 Census 2011 – The census results could favour the council and demonstrate that the population within Peterborough is higher than the statistics used to calculate the council's funding of the formula grant. The first results from Census 2011 are expected to be released during 2012 with further detail released in the following year. It should be noted that if changes are made to the way business rates funding is allocated then changes to population will not underpin the amount of funding given.

6.2.3 The budget plans will maintain our commitment to delivering the Sustainable Communities Strategy, including:

- Improving educational attainment and skills for our children and young people. A key part of this vision is bringing established universities to deliver courses to students in Peterborough in a multi-versity approach. It will enable people to study a wider choice of higher education courses without having to leave the city;

- Safeguarding children and vulnerable adults;
- Growth, regeneration and economic development of the city to bring new investment and jobs;
- Environment Capital agenda including pursuing new income streams from solar energy and wind farm developments;
- Delivering services at a neighbourhood level; and
- Supporting Peterborough's Culture Trust, Vivacity, to continue to deliver arts and culture in the city.

6.2.4 The council aims to maintain its commitment to meeting these priorities and ensuring community needs are met longer term whilst undertaking the necessary role of tackling the challenges it faces. To do so it will be focussing on the following key areas:

I. Renewable energy – reduce the impact of climate change through the use of sustainable energy sources and investment in energy efficiency and renewable generation;
II. Income generation - includes review of specific income streams as well as identifying opportunities for generating additional income into the council;
III. Inflation – includes detailed review of inflation including benchmarking with other local authorities as well as measuring against latest forecasts for Consumer Price Index (CPI) and Retail Price Index (RPI), particularly with regards to energy costs

7. BUDGET SETTING APPROACH

7.1 The council continues to adopt an integrated approach to service and financial planning and will incorporate where appropriate changes to national policies and local priorities to ensure that the council remains strategically well placed to support local business and communities. The council will continue to be an integral partner with other public bodies within the area in which it operates.

7.2 It is anticipated that the process will have two distinct stages (with discussions regarding the impact on priorities, performance and business plans underpinning all stages):

I. Departments will finalise developing options that will contribute towards reducing the deficit budgets in future years. Cabinet has specific delegated responsibility under the part 3, section 3 of the constitution to ensure the council spends within its available resources:

 3.2.7 To be responsible for the council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit.

II. It is anticipated that these proposals will be considered by Cabinet no later than Cabinet meeting of 12 December 2011. The budget will then be consulted upon to seek views from the public, businesses, Members, partners, unions, staff and other stakeholders prior to the budget being approved in February 2012, ensuring that decisions made reflect these community views.

8. SETTING OF PROVISIONAL REVENUE CASH LIMITS AND CONTROL TOTALS

8.1 Cabinet is required to consider the overall cash limits for the council each year, in line with the constitution. Local authorities have only received an indicative settlement for 2012/13. However, Government have stated that they '*do not expect to change the provisional allocations except under entirely exceptional circumstances'.* Although this provides some reassurance for 2012/13 there remains uncertainty in future years. It is difficult to predict with any assurance the council's overall cash limit and control totals beyond this.

8.2 An update of items included in the medium term financial plan for 2011 is being finalised to take account of any changes that have since materialised. Key assumptions are as follows:

Key Assumptions:

1. Government committed to reducing Local Government Funding by 28% in real terms (24% cash terms) during the SR 2010. Currently, the forecast for future year's grant reduction is in line with forecasts as indicated by government until 2014/15, and then frozen after this. There is currently no impact from the Dedicated Schools Grant (DSG) included in budget proposals. Changes to grants currently under review will be modelled and included as appropriate.

2. Pay inflation has been assumed at 0.0% for 2012/13, with 1.0% increase 2013/14 and 1.5% increase 2014/15, 2015/16 and 2.5% increase up to and including 2021/22.
   General inflation has been included at 2% per annum although subject to change through further detailed review e.g. for energy
   Fees and charges has been included at 2.5% per annum although subject to change through further detailed review.

3. Based on the previous 10 year's data on dwelling stock (this includes Hampton development) and current three year forecast provided by Strategic Planning and comparing against the Council Tax Base data, 1.0% growth per annum has been assumed for the next 10 years. A further discussion is continuing with Strategic Planning in regards to current housing trajectory.

4. Interest rates used are based on the latest information available from our treasury advisors. The table below shows the interest rates received on deposits and payable on borrowing for the next ten years.

	2011/12	**2012/13**	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18 onwards**
Borrowing Rates (50 years)	5.01%	5.15%	5.40%	5.50%	5.50%	5.50%	5.50%
Interest Rates	0.56%	0.75%	1.75%	2.94%	3.94%	4.87%	5.06%

8.3 The figures will be updated accordingly during the budget setting process, before final approval by council in setting the budget in February.

8.4 The budgets that departments prepare in line will contain only inflation. Any additional adjustment for service changes, statutory activity changes (including new and changing grant streams), savings and other resource realignment will be considered corporately.

9. CAPITAL PROCESS

9.1 The planning process will include a review of the current capital programme and the calculation of the capital requirement in each year of the plan. This will include an assessment of likely levels of resources including capital receipts and asset disposals.

9.2 The capital programme needs to consider new programme options without compromising the external funding opportunities available and the council's ability to deliver strategic priorities.

9.3 The Asset Management Plan will also be refreshed to ensure that the council continues to make the most effective use of its assets

10. CONSIDERATION OF RISK

10.1 Key risks have been considered and will continue to be monitored throughout the budget setting process and next financial year. Key risks identified include:

- The impact of the uncertainty of local government funding levels in future years has been mitigated as much as possible during current SR 2010 and future forecasts are in line with the trajectory as indicated by government. Growth modelling will need to be done for future years at a more detailed level and integrated with planning assumptions to ensure funding levels meet resource needs.
- Resource implications on spending and saving proposals are considered in terms of the council's overall priorities, finances and human resource implications. Detailed budget analysis and human resource analysis has been undertaken for each budget area to support any decision made in preparation for consultation.
- The achievement of a balanced budget is reliant on a challenging savings programme and organisational capacity to deal with speed of change. There is a risk that both savings already extracted from budgets and the new savings programme will not be achieved. Specific provision has been made in the budget to support the costs of change needed to provide capacity to deliver these savings and progress is being monitored via the monthly budget monitoring process.
- Growth within Peterborough in future years could be compromised if the Council has insufficient budget resources to meet these priorities. This will be reviewed and addressed through a challenging process during the budget setting period.
- Inflation and fees and charges. These areas are undergoing a robust review to ensure that the expenditure and income applied to the council's budget is still appropriate given the change in service provision over the previous few years and outsourcing / partnership arrangements in progress.
- The council provides services in a number of areas where the need for support lies outside the council's direct control, for example in children's and adult social care. Whilst specific provision has been included in budget plans for estimates of increased demand, the need for such services remains difficult to predict, and support must be provided where needed.
- Capital financing estimates are developed using latest forecasts of interest rates for MTFP (which allow for a level of increase). If interest rates increase beyond forecast levels then a review of the capital programme and debt portfolio will be required.

11. ANTICIPATED OUTCOMES

11.1 Following approval by Cabinet, Departments will develop budget proposals for consideration at the next stage of the budget setting process.

12. REASONS FOR RECOMMENDATIONS

12.1 The Constitution requires Cabinet to outline its approach to developing the MTFS. This process helps to ensure that the Council achieves a balanced budget, aligned to corporate priorities.

13. IMPLICATIONS

13.1 Elected Members

Members must have regard to the advice of the Section 151 Officer. The Council may take decisions which are at variance with this advice, providing there are reasonable grounds to do so.

13.2 Legal Implications

These are considered within the main body of the report.

13.3 Human Resource Implications

These are considered as part of setting the budget in accordance with HR policies and procedures.

14. BACKGROUND DOCUMENTS

Links to Consultations:

Business Rates Retention consultation
http://www.communities.gov.uk/documents/localgovernment/pdf/1947200.pdf

Localising Support for Council Tax in England
http://www.communities.gov.uk/documents/localgovernment/pdf/19510253.pdf

Appendix A Budget Monitoring Report

	Budget £k	Current Forecast Outturn £k	Variance £k
CHIEF EXECUTIVE'S DEPARTMENT			
Chief Execs Department	379	346	-33
Legal & Democratic Services	3,799	3,671	-128
Chief Executive Dept & Business Support	731	653	-78
Delivery	2,234	2,234	0
Communications	582	582	0
Human Resources	1,374	1,251	-123
CHIEF EXECUTIVE DEPARTMENT TOTAL	**9,099**	**8,737**	**-362**
DIRECTOR OF CHILDREN'S SERVICES			
Education & Resources	2,239	883	-1,356
Childrens Community Health	2,771	2,722	-49
Safeguarding Family & Communities	23,277	24,682	1,405
CHILDREN'S SERVICE TOTAL	**28,287**	**28,287**	**0**
DIRECTOR OF OPERATIONS SERVICES			
Business Support	419	503	84
Commercial Operations	3,239	3,619	380
Cultural Services	4,379	4,379	0
Directors Office	424	-402	-826
Environment Capital	713	717	4
Neighbourhoods	6,727	6,995	268
Planning, Environment, Transport & Engineering	9,206	9,116	-90
OPERATIONS SERVICES TOTAL	**25,107**	**24,927**	**-180**
DIRECTOR OF STRATEGIC RESOURCES			
Director's Office	189	191	2
Business Support	2,843	2,843	0
Corporate Services	19,436	18,284	-1,152
Internal Audit	342	318	-24
Insurance	25	25	0
Shared Transactional Services	245	170	-75
Customer Services	1,189	1,230	41
Strategic Property	-854	-609	245
ICT	3,146	3,146	0
Procurement	564	564	0
Business Transformation	2,028	2,004	-24
Waste & Operational Service Management	12,435	12,435	0
Service Improvement	416	370	-46
Westcombe Engineering	2	2	0
STRATEGIC RESOURCES TOTAL	**42,006**	**40,973**	**-1,033**
CORPORATE ITEMS			
Corporate Pressures/Solutions	**0**	142	142
CORPORATE ITEMS TOTAL	**0**	**142**	**142**
ADULT SOCIAL CARE TOTAL	**39,850**	**42,200**	**2,350**
GENERAL FUND TOTAL	**144,349**	**145,266**	**917**
Corporate Contingency	0	-1,000	-1,000
Surplus Carry forward as per MTFP 2011	0	-2,918	-2,918
GENERAL FUND TOTAL	**144,349**	**141,348**	**-3,001**
DEDICATED SCHOOL GRANT TOTAL	**130,449**	**130,449**	**0**

Appendix B – Capital Programme Summary

Overall position of the Capital Programme 2011/12 as at 31 August 2011

Capital Programme by Directorate:	MTFS 2011 to 2015 £000	Budget as at 01 April 11	Budget as at 31 Aug 2011 £000	Profiled Budget £000	Actual Expenditure £000	Total Budget Spent %	Anticipated Outturn** £000	Outturn (under) / overspend £000	% of anticipated variance %
Adult Social Care	3,965	4,189	4,188	3,621	-21	**-1%**	4,188	0	**0%**
Chief Executives	12,115	19,519	9,632	4,578	1,412	**15%**	9,632	0	**0%**
Children's Services	52,824	56,277	55,478	2,199	10,415	**19%**	55,478	0	**0%**
Operations	19,048	20,457	17,277	9,245	3,870	**22%**	17,277	0	**0%**
Strategic Resources (Includes previous City Services codes)	20,854	23,303	19,093	6,931	2,608	**14%**	19,093	0	**0%**
Total Expenditure	**108,806**	**123,745**	**105,668**	**26,574**	**18,284**	**17%**	**105,668**	**0**	**0%**
Financed by:									
Grants & Contributions	45,407	53,733	49,220		17,724	**36%**	49,220	0	**0%**
Capital Receipts	18,277	18,277	10,308		0	**0%**	10,308	0	**0%**
Right To Buy Receipts	757	757	757		0	**0%**	757	0	**0%**
Supported Borrowing	0	0	0		0	**0%**	0	0	**0%**
Borrowing	44,365	50,978	45,383		560	**1%**	45,383	0	**0%**
Total Resources - required	**108,806**	**123,745**	**105,668**		**18,284**	**17%**	**105,668**	**0**	**0%**

Appendix C - Business Rates Retention Scheme

1. Background

1.1 The government's Local Growth white paper stated that business rates retention would be considered as part of a Local Government Resource Review, following on from the coalition's Programme for Government to "*provide incentives for local authorities to deliver sustainable development, including for new homes and businesses*". As such, the Department for Communities and Local Government have launched a consultation "Local Government Resource Review – Proposals for Business rates Retention".

1.2 The main overview of the consultation was launched on 18 July 2011 and government invites responses before the consultation closes 24 October 2011. The consultation is supported by eight technical papers released during August. The consultation seeks views on enabling local authorities to retain a significant proportion of the business rates generated in their area and will provide a strong financial incentive for them to promote local economic growth from the financial year 2013/14. As part of the consultation, government have reaffirmed their principles in changing the way the current local government funding system works. The consultation questions are included at the end of this paper.

2. Principles of the Business Rates Retention Scheme

2.1 The government's principles underpinning a business rates retention scheme are

i. To build into the local government finance system **an incentive for local authorities** to promote local growth over the long term;
ii. **To reduce local authorities' dependency** upon central government, by producing as many self sufficient authorities as possible;
iii. To maintain a degree of redistribution of resources to ensure that authorities with high need and low tax bases are still **able to meet the needs** of their areas: and
iv. **Protection for businesses** and specifically, no increases in local-imposed taxation without the agreement of local businesses.

2.2 The principles outlined are expected to realign local resources against local needs to engage local communities and incentivise growth and reform locally. The consultation proposals have considered the following core components:

i. Ensure a fair starting point for all local authorities;
ii. Deliver a strong growth incentive where all authorities can benefit from increases in their business growth and from hosting renewable energy projects;
iii. Include a check on disproportionate benefits;
iv. Ensure sufficient stability in the system; and
v. Include an ability to reset in the future to ensure levels of need are met.

2.3 The core components are considered further within the supporting technical papers. In addition to the components, the main consultation seek views on interactions on existing policies and commitments (e.g. New Homes Bonus) and in supporting local economic growth through new instruments such as Tax Incremental Financing.

2.4 It is also clear within the consultation that the current control totals for local government funding during the current spending review (SR 2010) will be used as the government reaffirms their intention to deal with the national deficit as set out in SR 2010. Furthermore, government anticipate that business rates will exceed current SR 2010 control totals and the technical papers have suggested options on how this element will be tackled whilst ensuring that a fair and equitable approach to future local government funding is ensured.

3. Technical Papers

3.1 The broad principles of the business rate retention scheme outlined earlier and the core components are discussed further within the supporting technical papers, particularly as the scheme is intended to become operational during the current spending review set in a climate of tackling the national deficit. All of the technical papers are applicable to the council and are summarised below alongside the potential implications for the council. Consultation questions can be seen in appendix c(i).

Technical Paper 1 – Establishing the baseline

3.2 *This paper considers how each local authority's baseline funding (equivalent to the formula grant) should be set for a fixed period of time from 2014/15 onwards. Once the baseline funding is set, the funding will be set for several years until there is a trigger to revisit the principles and parameters of the business rate retention scheme. There are two options, the first would be to continue to use the existing government formulaic methodology or the second is to apportion based on the level of spending reduction for local government during the spending review.*

3.3 The other baseline to be set will be the national forecast business rates for 2014/15 which will be consulted upon during autumn 2012. In government establishing the national forecast business rates baseline, certain adjustments will need to be made to ensure that government policies such as the new homes bonus can be funded appropriately, an adjustment to remove police funding from the scheme and potentially the removal of fire authority funding. In addition, as government expect forecast business rates to exceed local authority funding levels in future, there will be some retention of business rates centrally 'set aside' to ensure that the business rates remaining operate within the spending review expenditure (formula grant) for the purposes of the scheme.

What does this mean for the council?
The council's formula grant (baseline funding) is unlikely to change for 2014/15 or recognise the funding for population changes. Once this baseline has been set, the council's baseline funding for future years will not change until the scheme is reviewed. However, the council's baseline funding for 2014/15 may be impacted on decisions taken around forecasting the national business rates baseline. Therefore the baseline is fundamental in understanding how the scheme may operate for the council.

The council is subject to claw back of formula grant during 2011/12 and 2012/13 and is aware that central government funding will be reduced further for the remainder of the spending review. The formulaic approach uses population as a driver and could be updated to reflect the census 2011 data. However, under this approach and awareness of overall government grant reduction, i.e. the overall pot of money nationally will not change, any redistribution of formula grant across local authorities is likely to see the council subject to more claw back of funding and not benefit financially. The current MTFS formula grant projections are consistent with the second option of apportioning funding in accordance with the spending review.

The national baseline business rates will translate down into an individual authority baseline, which once set will remain in place until any reset of the scheme. If government projections on forecast methodology and adjustments such as the new homes bonus are incorrect, this could impact on the setting of the council's individual business rates baseline. There is no further information published on what the government intend to use the amount set aside for and how much this could be. Furthermore, the future funding of academies is still unresolved. Since the spending review, formula grant has been subject to post spending review adjustments to remove additional funding required nationally for the new homes bonus and academies, this could suggest in the case of the new homes bonus that original growth forecasts for housing growth nationally were under estimated.
The next spending review has not been covered within the business rate retention scheme other than to suggest that police and fire funding longer term will need to be reviewed. It is assumed that the council tax freeze grant will end after the current spending review.

Potential other adjustments that could be made to the baseline if not from the set aside could be the formation of the public health grant.

Technical Paper 2 – Measuring Business Rates

3.4 *The forecast national business rates will be estimated through to 2014/15 using actual data if available or estimates on the latest information published by the Office for Budget Responsibility. The data considers rateable values multiplied by the non-domestic multiplier uplifted for the Retail Price Index inflation.*

3.5 *In establishing individual local authority business rate baselines, there are two options being consulted upon. The first would be a 'spot assessment' approach based on authority's business rates income on a particular day, or the second option would be to use an average of business rates income over the previous two or three years. In the latter, it is suggested to use 2010/11 and 2011/12 business rate income data. After calculating the business rate income, certain allowable deductions will be made on mandatory and discretionary relief. Transitional relief is excluded from setting the baseline business rates.*

3.6 *The individual authority baseline will then be expressed as a proportion of the aggregate national business rate baseline to determine how much each authority will be required to contribute towards the adjustments and set aside as part of the overall scheme. This in turn will then be used to determine the tariff or top up for each authority.*

What does this mean for the council?
The spot assessment approach is likely to use the NNDR 1 return which estimates business rate income in advance of the financial year including the estimated value or mandatory and discretionary allowances. The average approach considers the average of the previous two financial year's actual data (NNDR 3) and is reflective of what has happened. On reviewing the council's data, allowable deductions between forecast data and actual data has reduced the business rate yield significantly. For 2010/11, the NNDR 1 forecast an overall contribution to the pool of £87.2m whereas the actual pool contribution was £79.5m. Adjusting these figures to remove the transitional relief impact and losses in collection as these items are outside of the scheme, the figures would be £86.4m and £79.0m respectively. The changes are the result of the economic conditions and changes to the rateable value listings which are not in the control of the authority. To reduce potential volatility implications on establishing base line data, the council would recommend setting the baseline using an average approach. The aggregate rateable value (RV) of properties within Peterborough will change as a result of appeals and updates to the list undertaken by the Valuation Office. In calculating the business rate, the rateable values are multiplied by a 'multiplier' uplifted annually for inflation. Both RPI and changes to rateable values are outside of the control of the council and can therefore impact the business rate income. The aggregate RV for Peterborough on the 2011/12 NNDR 1 return was £228.8m, whereas the average RV for 2010/11 and 2011/12 were £228.5m. The current RV (13 September) is £226.3m, however this is likely to increase due to some pending assessments such as the new hospital with the result of the RV listing updating to @ £228m. The top 20 businesses for the council are predominantly major retail outlets or government establishments with the exception of one manufacturing business. The business rates income equates to @ 16% of gross business rates yield ranging from between £0.4m - £1.6m business rate income per business. The main risks to business rate income collection for the council would be from manufacturing businesses if the economic conditions result in another recession or smaller independent retail outlets. In addition, the council would not want to see businesses within Peterborough contract and would need to actively promote growth to ensure that the implementation of business rates retention is financially viable. There will also be a challenge for Peterborough in achieving growth in excess of RPI, particularly if RPI remains high, in comparison to the formula grant which will see real terms grant reduction.

Technical Paper 3 – Dealing with non-billing authorities

3.7 *The consultation covers billing authorities and major precepting authorities including police and fire that are in receipt of formula grant. Parishes are excluded. Police funding during the current spending review will be outside of the scope of the retention scheme and will therefore see their funding removed as an adjustment in setting the national forecast business rate baseline. Fire authority funding could be treated in the same way as police funding, however, government's preferred approach is to bring fire authorities* *into the scope of the scheme. Police and fire authority funding would be reviewed as part of the next spending review.*

What does this mean for the council?
The principles of current government policies such as the New Homes Bonus and proposed business rates retention scheme are to encourage local authorities to incentivise growth. As the council is a unitary authority and responsible for ensuring growth within Peterborough, it is not immediately clear form the consultation as to why the fire authority would benefit from a share of business rates retention as the fire authority does not currently benefit form the New Homes Bonus scheme. Furthermore, government are intending to continue to fund police and fire authorities in accordance with spending review grant reductions which is significantly less in cash terms to local authority funding grant reductions. However, if the fire authority were to be included within the scope of the business rate retention scheme, if the collection fund were to be a basis of apportionment, the fire authority would receive 4%. So for example, if an office were to be built with the equivalent Rateable Value of Bayard Place of £665k with a current business rate income of £288k in 2011/12, and assuming that the council were to retain 100% of the business rate income with no levy applied, the fire authority would benefit by 4% (£12k) and the council would retain £276k.

Technical Paper 4 – Business Rates Administration

3.8 *Under the current system, billing authorities would pay over to a centralised government business rate pool the collection of business rates. In turn this would then be returned to local authorities as part of the redistributed rates element of the formula grant. The financial risk to the collection of business rate income was managed through the pool. The business rates retention scheme will enable local authorities to retain an element of business rates rather than paying the income into a pool but will expose the council to greater financial risk. This will require some amendments to the governance arrangements of money flows between local authority's and central government and some minor changes to reconciliation processes.*

What does this mean for the council?
Under the proposed business rate retention scheme the council will need to manage the risk of business rate income collection including in year fluctuations such as appeals, repayments, interest payments, businesses moving and liquidation. Although the cash flows will be similar to the current administration of the scheme, there maybe an in year financial risk to the council on cash flows if significant changes to business rate income occur during the year depending on the data that government use to set payments at the beginning of the financial year. The council will need to review the level of working balance (currently £6m) is manage risks as the government are proposing to disallow the adjustment for losses in collection (bad debts) that arise, e.g. liquidation. For 2010/11, the adjustment was £618k and estimated to be £960k for 2011/12.

Technical Paper 5 – Tariff, top up and levy options

3.9 *Under the current system, the formula grant is made up with two parts, the revenue support grant and redistributed business rates. The formula grant payable to every local authority is determined by a complicated formula based on population, tax base projections and datasets to ensure that the formula is equitably apportioned across all local authorities according to service needs. In moving to a business rates retention system and to ensure that local authorities start off with a fair starting point in terms of baseline funding, baseline funding will be the equivalent of business rate income. If a local authority business rate baseline is greater than baseline funding, the local authority will be a 'tariff' authority in that it will pay over the difference to central government. If baseline funding is less than the business rate baseline, the local authority will be a 'top up' authority whereby the authority will receive funding from central government.*

3.10 *Tariffs and Top ups will remain in place until any reset of the business rate retention scheme. However, the consultation seeks views on whether tariffs and tops ups should be annually increased to take into account the retail price increase in line with the nationally set business rates multiplier.*

3.11 *In addition to tariffs and top ups, the consultation considers levy options to ensure that local authorities do not disproportionately benefit from growth in business rates exceeding baseline funding 'levy'. A levy would then be applied.*

3.12 The levy could be calculated a variety of ways such as:

- *Flat rate – an authority contributes x pence of every £ of growth*
- *Banded levy – Groups similar authority's together. Each group then has assigned x pence of every £ of growth*
- *Proportional levy – This approach considers % growth in business rates against the retained income expressed as a ratio*
- *Varying the Proportional levy – Each authority could have a ratio applied that is unique to the authority's % growth against their retained income*

3.13 As part of the levy calculation growth associated with Enterprise Zones and some new renewable energy projects is excluded.

What does this mean for the council?
The council will be a tariff council, whereby it will contribute a payment to government. However, if RPI were to be applied to the tariff annually, the council's business rate income would need to exceed RPI to benefit from growth in business rate income. RPI forecasts are currently @3.5% per annum with actual RPI in September 2011 being 4.5%. Using 2011/12 the business rates income of £87.0m after removing transitional relief and losses in collection, 3.5% growth would equate to £3m. If this was set as a benchmark to achieve super growth, to achieve £3m additional rates income the council would need the equivalent of:

2 supermarkets the size of Tesco's extra; or
2-3 warehouse distribution centres the size of Ikea, Debenhams's or Amazon; or
10.5 office accommodation the size of Bayard Place

However, in achieving £3m in additional business rates, this would be the equivalent of 3.8% in additional formula grant in 2011/12 using the current formula grant of £78.7m. Taking the simplistic assumption of government principles that baseline funding and business rates should not be disproportionate within a local authority, a view could be taken that 3.8% increase in formula grant is disproportionate to the monetary gain that would result. Therefore in 'simple terms', the council could have a levy imposed up to the difference of £200k that would not be retained. In reality, the proposed scheme is complex and considers several components which cannot be taken in isolation to determine any levy imposed.

The example assumes that no RPI is applied to the tariff that the council would be subject to. If a tariff was set in the example, the tariff could be approximately £8.3m. A 3.5% RPI uplift would therefore be £290k.

Technical Paper 6 – Volatility

3.14 *The current business rates system operates through a centralised pool with government bearing the risk on volatility in rates collection in any one year that may arise from changes in circumstance, for example, reductions to a group of rateable values for properties or closure of a large business. The proposed business rates retention scheme moves the financial risk into individual local authority control and could therefore create significant fluctuations in business rate income. The consultation considers three approaches:*

- *To isolate the specific events giving rise to that volatility and provide authorities with compensation to those events;*
- *To adopt an application based approach, under which authorities would have to apply for support from the levy pot; or*
- *To put in place a safety net that provided local authorities with support should rates income fall below a predetermined level. This is the government's preferred approach.*

What does this mean for the council?

The council is not immune to volatility in business rate income with the top 10 businesses accounting for 11% in business rate income. If any of these businesses went into liquidation or remained empty for a period, this would create a pressure.

For example, if a business occupying a large warehouse (equivalent to Ikea or Debenhams's distribution centres) that subsequently moved out and the property remained empty, a full year impact of loss of business rate income would be in excess of £1m. However, empty property relief would enable the council to recover six months of the business rate income. For commercial properties which include retail and office, empty property relief would be three months. However, in terms of volatility of overall business rate income of

£87.0m in 2011/12, this is relatively small (1.1%). It is therefore questionable at whether the council would benefit from a safety net payment dependent on the threshold set for reduced business rates.

The council's working balance threshold is set at £6m deemed to provide sufficient coverage for unexpected one off events and is reviewed as part of setting the medium term financial strategy. This will require review as part of setting the MTFS and once the final design of the business rate retention scheme is confirmed.

Technical Paper 7 – Revaluation and Transition

3.15 *This paper considers the impact of revaluation undertaken every five years by the Valuation Office in property rateable values. To ensure that volatility through revaluation is not affecting the business rates retention scheme, government propose to adjust the tariff and top up's for each local authority to reflect the revaluation.*

3.16 Transitional relief is applied following a revaluation of property rateable values to ensure that businesses do not suffer significant change in their business rates, with change being phased in over a period of five years. Government are proposing two options:

- *Ignore transitional relief completely, allowing local authority's to manage the volatility locally; or*
- *Take transitional relief outside of the rates retention scheme and deal with it separately.*

What does this mean for the council?
Essentially the revaluation and compensating adjustment to tariff and top up arrangements should have an immaterial impact for each local authority's finances providing that government make the correct assumptions. The risk to the assumptions will be around the adjustments such as the new homes bonus being accurately taken into account. The council agree with the proposal to treat transitional relief outside of the scope of the scheme to reduce the impact of volatility of the operation of the scheme and that the council has no leverage in the transitional relief scheme set by government. This should continue to be dealt with separately.

Technical Paper 8 – Renewable Energy

3.17 *This paper considers that local communities should benefit from renewable projects locally and should therefore retain the revenues from additional business rate income that maybe generated. Government are seeking views on the following:*

- *The types of renewable energy that would be covered by the proposals*

- *What is meant by a “new renewable energy project”*
- *How different scenarios of renewable energy projects would be dealt with*
- *Who would be responsible for determining whether a project was covered by the scheme and, therefore, not taken into account in the setting of any levy; and*
- *How the business rates from a renewable energy project might be split between different authorities in two tier areas*

What does this mean for the council?
A major priority for the council is to become the environment capital in the UK and is actively pursuing energy efficiency as part of its priority. The council expect to benefit locally and be able to keep financial gain from business rates to ensure that this priority is met and the local community benefits and would therefore not expect to be dis-incentivised through any levy that maybe imposed. Potentially, the council will not be able to retain all business rates from the proposed Energy from Waste facility.

4. Other Considerations

4.1 The main consultation paper also considers interactions with existing policies and commitments, for example the New Homes Bonus and supporting the local economic system of business rates through new investment, for example Tax Incremental Financing.

5. Conclusion

5.1 The principles and components of the scheme suggest that the scheme implemented should incentivise growth locally and improve local democracy whilst ensuring that the future of local government financing continues to meet the resource needs of local residents and businesses with no detriment to the council tax payer. In working through the consultation, the council will need to make certain assumptions on how this scheme may operate by modelling scenarios through an interactive calculator and interpretation of the technical papers.

5.2 The consultation questions are included in appendix c(i).

Appendix C(i) – Consultation Questions

Component 1 – Setting the baseline

Q1. What do you think that the government should consider in setting baseline?

Q2. Do you agree with the proposal to use 2012-13 formula grant as the basis for constructing the baseline? If so, which two options at paragraphs 3.13 and 3.14 do you prefer and why?

Component 2 – Setting tariffs and top ups

Q3. Do you agree with this proposed component of tariff and top up amounts as a way of re-balancing the system in year one?

Q4. Which option for setting the fixed tariff and top up amounts do you prefer and why?

Component 3 – The incentive effect

Q5. Do you agree that the incentive effect would work as described?

Component 4 – A levy recouping a share of disproportionate benefit?

Q6. Do you agree with our proposal for a levy on disproportionate benefit, and why?

Q7. Which option for calculating the levy do you prefer and why?

Q8. What preference do you have for the size of the levy?

Q9. Do you agree with this approach to deliver the Renewable Energy commitment?

Q10. Do you agree that the levy pot should fund a safety net to protect local authorities? i) whose funding falls by more than a fixed percentage compared with the previous year (protection from large year to year changes) or ii) whose funding falls by more than a fixed percentage below their baseline position (the rates income floor)?

Q11. What should the balance between offering strong protections and strongly incentivising growth?

Q12. Which of the options for using any additional levy proceeds, above those required to fund the safety net, are you attracted to and why?

Q13. Are there any other ways you think we should consider using the levy proceeds?

Component 5 – Adjusting for revaluation

Q14. Do you agree with the proposal to readjust the tariff and top up of each authority at each revaluation to maintain the incentive to promote physical growth and manage volatility in budgets?

Q15. Do you agree with this overall approach to managing transitional relief?

Component 6 – Resetting the system

Q16. Do you agree that the system should include the capacity to reset tariff and top up level for changing levels of service need over time?

Q17. Should the timings of resets be fixed or subject to government decision?

Q18. If fixed, what timescale do you think is appropriate?

Q19. What are the advantages and disadvantages of both partial and full resets? Which do you prefer?

Q20. Do you agree that we should retain flexibility on whether a rest involves a new basis for assessing need?

Component 7 – Pooling

Q21. Do you agree that pooling should be subject to the three criteria listed in 3.50 and why?

Q22. What assurances on workability and governance should be required?

Q23. How should pooling in two tier areas be managed? Should districts be permitted to form pools outside their county area subject to the consent of the county or should there be a fourth criterion stating that there should always be alignment?

Q24. Should there be further incentives for groups of authorities forming pools and, if so, what would form the most effective incentive?

Q25. Do you agree with these approaches to non-billing authorities?

Chapter 4 – Interactions with existing policies and commitments

Q26. Do you agree this overall approach to funding the New Homes Bonus within the rates retention system?

Q27. What do you think the mechanism for refunding surplus funding to local government should be?

Q28. Do you agree that the current system of business rates reliefs should be maintained?

Chapter 5 – Supporting local economic system of business rates through new investment

Q29. Which approach to Tax Incremental Financing do you prefer and why?

Q30. Which approach do you consider will enable local authorities and developers to take maximum advantage of Tax Increment Financing?

Q31. Would the risks to revenues from the levy and reset option 1 limit the appetite for authorities to scrutinise growth revenues?

Q32. Do you agree that pooling could mitigate the risk?

Q33. Do you agree that central government would need to limit the numbers of projects in option 2? How best might this work in practice?

Appendix D - Council Tax Benefit

1. Background

1.1. At the Spending Review 2010 the Government announced that it would localise support for council tax from 2013/14, reducing expenditure by 10%.

1.2. The localisation of support for council tax is taking place within a wider programme of welfare reform which is aimed at helping move people back into work. However, there are certain low-income groups, particular pensioners, whom the Government intends to protect as they would be unable to increase their income.

1.3. Council Tax Benefit (CTB) is currently a national benefit with policy and rules set by central Government, but administered by local authorities. It is an income related social security benefit which may be claimed by eligible individual who is liable to pay council tax.

1.4. On 2 August 2011 the 'Localising support for council tax in England: Consultation' was published, with the closing date for responses 14 October 2011.

2. Why Localise Support for Council Tax?

2.1. The consultation paper outlines five key reasons for localising CTB:

- Give local authorities a greater stake in the economic future of their local area, and so supporting the Government's wider agenda to enable stronger, balanced economic growth across the country.
- Provide local authorities with the opportunity to reform the system of support for working age claimants.
- Reinforce local control over council tax.
- Give local authorities a significant degree of control over how a 10 per cent reduction in expenditure on the current council tax benefit bill is achieved, allowing councils to balance local priorities and their own financial circumstances.
- Give local authorities a financial stake in the provision of support for council tax. This reform will create stronger incentives for councils to get people back into work.

3. Peterborough

3.1. For 2011/12 it is estimated that £12.3m of Council Tax Benefit (CTB) will be paid to residents of Peterborough. This Benefit is currently 100% funded via a grant from Department of Work and Pensions (DWP).

3.2. Using 2011/12 as baseline data, the following scenario assesses the impact of a 10% saving on Council benefit for 2012/13, which equates to 0.89% saving against the Council's overall budget requirement.

RSG 2012/13 £000	NNDR 2012/13 £000	CTAX 2012/13 £000	Budget Req. £000	CTB 2012/13 £000	CTB 10% £000	% of Budget Req.
18,577	60,102	63,269	**141,948**	12,652	**1,265**	0.89%

3.3. Using this scenario, the amount of CTB available for the Council to support local residents is £11.4m.

3.4. As at 1 September 2011 the number of CTB recipients is 17,240, of which approximately 39.8% are elderly. As the Government intends to protect the elderly (and potentially other vulnerable groups), the maximum amount available for the Council to have discretion over which residents it will support, and which includes the 10% saving, £6.4m.

Est. CTB 2012/13 £000	Other Est. Working £000	10% Saving £000	Est. CTB Inc. 10% Saving £000	Protected Est. Elderly £000	Total Est. CTB £000
12,652	7,620	(1,265)	**6,354**	5,032	**11,386**

4. Issues identified from consultation

4.1. As pensioners and potentially other vulnerable groups will be protected, the 10% of CTB saving will not affect all CTB recipients equally, with working age claimants most likely to be adversely affected, leading to equality impact assessment implications.

4.2. The consultation papers emphasises the need for local CTB criteria to compliment the Universal Credit scheme, and avoid disincentives for recipients moving into work. However, given 3.1 above, the 10% saving is likely to most affect working age claimants, and potentially reduces local decisions on CTB.

4.3. It is proposed that CTB funding will come as an unringfenced special grant, which will be cash limited. The Council will be required to set eligibility criteria for CTB recipients, and if demand is greater than forecast, any pressures will need to be met by the Council's general fund.

4.4. Each Local Authority will have discretion as to how it sets the eligibility criteria for CTB, potentially leading to a post code lottery for this benefit, and differing policies in neighbouring areas.

4.5. As CTB will be reduced it is anticipated that collection of Council tax will become more problematic, leading to increased costs of collection, and amounts written off as uncollected.

4.6. Currently there are synergies from the Council administrating both Housing Benefits and CTB. However, it is expected that Housing Benefit will be incorporated with the Universal Credit. It is therefore anticipated that the cost of administering CTB will increase as less efficiency will be derived from the processing.

4.7. Link to 4.6 above, there will be a phased introduction of Universal Credit, with new applications for Housing Benefit being administered by Department for Work & Pensions (DWP) from October 2013. The Council will be required continue to administer existing applications until 2017, which will occur simultaneously with the new CTB approach, duplicating processing and system costs.

4.8. Localising CTB will also mean that fraud investigations are localised, increasing the Council's cost in this area.

4.9. A revised CTB system will require updates to systems, however if each Council locally determines their own CTB, the systems will require bespoke elements, increasing the support costs of such systems.

Appendix D(i) – Consultation Questions (Section 5 onwards)

Section 5 – Principals of the Scheme

5a: Given the Governments firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?

5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?

Section 6 – Establishing Local Schemes

6a: What, if any additional data and expertises will local authorities require to be able to forecast demand and take-up?

6b: What forms of external scrutiny, other than public consultation, might be desirable?

6c: Should there be any minimum requirements for consultation, for example, minimum time periods?

6d: Do you agree that councils should be able to change schemes from year to year? What if any restrictions, should be placed on their freedom to do this?

6e: How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?

Section 7 – Joint Working

7a: Should billing authorities have default responsibility for defining and administering the schemes?

7b: What safeguards are needed to protect the interests of major precepting authorities in the design of the scheme, on the basis that they will be a key partner in managing financial risk?

7c: Should local precepting authorities (such as parish councils) be consulted as part of the preparation of the scheme? Should this extend to neighbouring authorities?

7d: Should it be possible for an authority (for example, a single billing authority, county council in a two-tier area) be responsible for the scheme in an area for which it is not a billing authority?

7e: Are there circumstances where Government should require an authority other than the billing authority to lead on either developing of administering a scheme?

Section 8 – Managing Risk

8a: Should billing authorities normally share risks with major precepting authorities?

8b: Should other forms of risk sharing (for example between district councils) be possible?

8c: What administrative changes are required to enable risk sharing is used appropriately?

8d: What safeguards do you think are necessary to ensure that risk sharing is used appropriately?

Section 9 – Administrating Local Schemes

9a: In what aspects of administration would it be desirable for a consistent approach to be taken across all schemes?

9b: How should this consistency be achieved? Is it desirable to set this out in Regulations?

9c: How should local authorities be encouraged to use these approaches (run-ons, advance claims, retaining information stubs) to provide certainty for claimants?

9d: Are there any other aspects of administration which could provide greater certainty for claimants?

9e: How should local authorities be encouraged to incorporate these features into the design of their schemes?

9f: Do you agree that local authorities should continue to be free to offer discretionary support for council tax, beyond the terms of the formal scheme?

9g: What, if any, circumstances merit transitional protection following changes to local schemes?

9h: Should arrangements for appeals be integrated with the new arrangements for council tax appeals?

9i: What administrative changes could be made to the current system if council tax support for pensioners to improve the way support is delivered (noting that factors determining the calculation of the award will be prescribed by central Government)?

Section 10 – Data Sharing

10a: What would be the minimum (core) information necessary to administer a local council tax benefit scheme?

10b: Why would a local authority need any information beyond this "core", and what would that be?

10c: Other than the Department for Work and Pensions, what possible sources of information are there that local authorities could use to establish claimants' circumstances?
Would you prefer to use raw data or data that has been interpreted in some way?

10d: If the information were to be used to placed the applicants into categories, how many categories should there be and what would be the defining characteristics of each?

10e: How would potentially fraudulent claims be investigated if local authorities did not have access to the raw data?

10f: What powers would be local authorities need in order to be able to investigate suspected fraud in council tax support?

10g: In what ways could the Single Fraud Initiative Service support the work of local authorities in investigating fraud?

10h: If local authorities investigate possible fraudulent claims for council tax support, to what information, in what form would they need access?

10i: What penalties should be imposed for fraudulent claims, should they apply nationally, and should they relate to the penalties imposed for benefit fraud?

10j: Should all attempts by an individual to commit fraud be taken into account in the imposition of penalties?

Section 11 – Funding

11a: Apart from the allocation of central government funding, should additional constraints be placed on the funding councils can devote to their schemes?

11b: Should the schemes be run unchanged over several years or be adjusted annually to reflect changes in need?

Section 12 – Administrative Costs

12a: What can be done to help local authorities minimise administration costs?

12b: How could joint working be encouraged or incentivised?

Section 13 – Transitional & Implementation Issues

13a: Do you agree that a one-off introduction is preferable? If not, how would you move to a new localised system while managing the funding reduction?

13b: What information would local authorities need to retain about current recipients / applicants of council tax benefit in order to determine their entitlement to council tax support?

13c: What can Government do to help local authorities in the transition?

13d: If new of amended IT systems are needed what steps could Government take to shorten the period for design and procurement?

13e: Should applications, if submitted prior 1 April 2012, be treated as if submitted under the new system?

13f: How should rights accrued under the previous system be treated?

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