

## **Council tax support**

### ***To understand how the Council Tax Reduction Scheme will be funded***

What are the views of local government on the levels of funding provided by the Welsh Government in support of the Council Tax Reduction Schemes (CTRS)?

The Welsh Government provided additional funding of £22m for the CTRS to make up the shortfall that was passported through with £222m from the UK Government. This was entirely consistent with the wishes of the WLGA, SOLACE and other practitioner groups. The latest annual report shows the scheme cost £247m which leaves local government to pick up the tab on around £3m. The report shows that caseload is falling off slightly. However it is unlikely that this continued trend will be enough to compensate for the cost inflation that will arise as consequence of increasing council taxes. As last year's evidence to the Finance Committee showed, around a third of council tax increases will be swallowed up by the CTRS. At some point it will become unsustainable.

To what degree will local government be able to fund CTRS if the Welsh Government support ceases?

For support to cease the WG would have to reduce the £244m that is currently in the settlement. As stated above there are other ways for the scheme to become unsustainable. Should such a situation materialise then WG and LG may have to consider making it more affordable by limiting entitlement – as originally envisaged by WG at a 90% level – or seeking alternative sources of funding by tweaking or dispensing with other exemptions such as the Single Person Discount. Such an approach was considered by WG-commissioned work by the Institute of Fiscal Studies.

## **Setting of fees and charges, and the use of reserves**

### ***To identify which services may be subject to fees and charges***

Which services are most likely to be the subject of fees and charges by local authorities in the future and is this supported by the results of public consultation and engagement?

Budget consultation continues to improve and is now more important than ever in setting priorities as well as testing out council tax increases and charging proposals. The WG recently published good practice in budget processes, setting out the approaches a number of councils are taking. The most likely areas for charging are already appearing in the media, so areas like school transport for some pupils, garden waste and day care services have been highlighted. It is likely that higher charges would be sought for some non-statutory services like sports

and leisure facilities that often compete with the private sector. Charging is a likely strategy for services transferred to trusts.

Although there will be local variation, can you assess what the likely impact on demand will be if fees and charges are increased?

It will decrease, it is a cast iron law of economics.

Could you explain and provide examples of how reserves are used to maintain existing services?

Reserves should not be used to finance day to day expenditure on services and any Section 151 officer who did would be in breach of their statutory obligations. The majority of 'usable' reserves are earmarked for specific one-off liabilities. Much of these are capital related programmes such as 21 Century Schools, asset renewals and invest-to-save initiatives. The best guide to local authority reserves is a WAO publication from 2011.

## **Preparation for the Wales Bill**

### ***To understand the financial impact of the Wales Bill on Local Government budgets***

WLGA's consultation response notes that the devolution of tax powers under the Wales Bill could increase the volatility in the Welsh Government's budget. How significant could this problem be for local government?

It could, but on reflection this assertion may be overstated in terms of the balance of funding of between the tax take and the grant funding from the UK government.

Could local authorities provide an efficient option for administering the collection of devolved taxes?

They could and I'm sure the WLGA could make a sound case for keeping the income too. Local government revenues teams are efficient and effective. The latest Statistical Bulletin shows council tax collection rates at the highest level since the tax was introduced and the highest for UK unitary authorities. Benchmarking by CIPFA shows the costs around two thirds of English costs. In a recent paper to the IWA, Gerry Holtham made a case for local authorities to collect devolved taxes.

The case for centralised tax collection is less convincing. Recently published data on HMRC 'tax gaps' show a widening chasm between what should be collected and what is nationally. Last year the LGA calculated that if HMRC were as effective at collecting national taxes as local government was at collecting local taxes then the exchequer would be better off to the tune of £20bn. HMRC contend that the tax gap is not the same as a collection rate.