
Meeting of the Cabinet – 20th June 2013

Report of the Director of Corporate Resources

Localised Council Tax Reduction Scheme 2014/15

Purpose of Report

- 1 To update members on the timetable for approving the localised council tax reduction scheme for the financial year 2014/15.
- 2 To seek approval to undertake consultation on scheme options for 2014/15 in advance of final decision-making by Full Council later in the municipal year.

Background

- 3 The Council's Benefits Section currently administers the council tax reduction scheme. Means-testing for low income households can result in a reduction to their council tax liability. In 2013/14 it is estimated that the Council will award approximately £24 million worth of reduction in liability to about 33,500 council tax payers, the average amounting to £13.54 per week (£704 per year).
- 4 In April 2013 the old *national* council tax benefit (CTB) scheme was abolished and replaced by *localised* council tax reduction (CTR) schemes. Council tax support is also used as an alternative term for CTR.
- 5 For 2013/14 each of the 326 local authorities in England had to devise their own local CTR schemes for low-income families within the following framework :
 - a) Government funding was reduced by 10% nationally (around £2.4m for Dudley).
 - b) The funding changed from being demand-led subsidy to annual cash limited grants to local authorities (LAs) and major precepting authorities (ie. Fire & Police). Consequently in a changing economic climate the expenditure could be higher or lower than the amount of grant received.
 - c) Pensioners had to be protected and a pensioner CTR scheme (equivalent to the old CTB) was prescribed in regulations.
 - d) Councils are expected to observe their duty to protect certain other vulnerable groups although these are not defined in regulations.
 - e) Schemes should support incentives to work and avoid disincentives to move into work.
 - f) To provide certainty for claimants, schemes may be revised from one year to the next but not within year.
 - g) Consultation is required with precepting authorities who are also affected by any new scheme that reduces their council tax income

- 6 In developing new schemes councils had to make tough choices on whether all or some of the funding cuts should be passed onto benefit claimants (ie. by increasing their council tax liability) or whether increasing income / reducing expenditure in other areas could match the difference in funding.
- 7 As a consequence of local budget pressures and the requirement to protect pensioners some LAs commenced their consultation last year based on significant reductions in benefits for working age claimants (in excess of 30% in some cases). To mitigate this central government in October 2012 announced a transitional (one-off) grant to any LAs which satisfied certain criteria of a '**well-designed**' scheme (an extra £100m nationally making up approximately 20% of the original funding shortfall for each LA). The most significant of the qualifying criteria for the grant was that any claimant who previously received 100% CTB (ie, paid no council tax at all) should not pay any more than 8.5% of their bill under a new CTR scheme. No transitional grants have been announced for year 2.
- 8 Early in the CTR design process, Dudley was one of the first councils to declare their intention to retain the eligibility and calculation rules of CTB for their new scheme. In a House of Lords debate on 16th October 2012 about council's doing the right thing, Dudley was specifically quoted as a good example of a '*non affluent council*' struggling to continue the default scheme as wishing '*to protect their poorer citizens*'.
- 9 After undertaking a public consultation last year, in November 2012 Dudley Council members voted to protect all of it's benefit claimants by adopting the government's default scheme (equivalent to CTB) for it's 2013/14 localised council tax reduction scheme, and incorporated plans for the reduction in government funding into it's Revenue Budget Strategy for 2013/14.
- 10 Some local authorities amended their scheme proposals as a result of the transitional grant but others continued with their original plans. Dudley was one of the 58 councils in England who retained the CTB scheme rules (with another 15 councils only making very minor changes). 232 councils introduced a minimum CTR payment, with half of these setting the figure at 8.5% in order to gain the year 1 transitional grant. A summary of the national picture for adopted 2013/14 schemes is attached as Appendix 1.
- 11 If Dudley wishes to amend it's Council Tax Reduction Scheme for 2014/15 it must undertake consultation with it's precepting authorities and the public on the proposed scheme and have the new scheme approved by a full council meeting before the end of January 2014. Transitional arrangements (protection) must also be considered at the same time.

- 12 The following timetable is therefore proposed :-

Cabinet Approval the timetable / basis for consultation	Jun 2013
Corporate Performance Management, Efficiency and Effectiveness (CPMEE) Scrutiny Committee work	Jun – Sept 2013
Consultation commences with Fire / Police	Jun 2013
Public Consultation	Jul – Sept 2013
Update Cabinet on consultation / scrutiny outcomes	18 th Sep 2013
Refine / document scheme and any transitional arrangements	Sep - Oct 2013
Cabinet approves scheme to submit to Full Council	30 th Oct 2013
Cabinet response to CPMEE Scrutiny Committee	20 th Nov 2013
Full Council approves scheme	5 th Dec 2013
Deadline for 2013/14 CTR scheme approval	31 st Jan 2014

- 13 The estimated breakdown of reductions to be granted under the current 2013/14 scheme is as follows :-

<i>Data as at 01/05/13</i>	Pension Age	Vulnerable (Disabilities)	Vulnerable (Lone parent, Child under 5)	Working Age Employed	Working Age Other	TOTALS
Number of claims with non-zero awards	15892	4114	2448	1809	9087	33350
Average weekly reduction	£13.69	£14.66	£12.54	£9.81	£13.80	£13.54
Total annual awards	£11,349,729	£3,146,803	£1,610,817	£937,793	£6,544,476	£23,589,618

- 14 As part of the recent “Big Question” consultation on the budget, the Council sought the views of the public on the services that they would want to cut or protect. The results of that exercise indicated a relatively high level of support for cutting benefits and other welfare services. However, in view of the breakdown of claimants set out above, it is relevant to note that there was a relatively high level of support for protecting disabilities and mental health for children and adults as well as child protection and family support. (There was also a relatively high level of support for protecting older people but these are in any case protected by the mandatory scheme for pensioners.)
- 15 Early indications from other authorities who have reduced eligibility suggest that recovery of council tax from low-income families is proving challenging, both in terms of administration and lower levels of collection. Experience from other LAs will also be incorporated into the consultation exercise to inform the decision making process, as will all other examples of good practice that emerge.

Options for Dudley's Local Scheme year 2

16 The following assumptions have been used in setting out the options below:-

- All calculations are based on current caseloads, 2013/14 Council Tax levels with no annual upratings applied
- **Savings quoted are maximum if all extra council tax is collected – This is unlikely.**
- Additional costs for collection and administration are not included
- The ranges given below depend on the level of protected categories. The lower range includes protection for all households with adult or child disabilities plus single parents with a child under 5. The higher range is with no protected groups.

Option 1: Continue with the current council tax reduction scheme which matches the benefit eligibility and calculation rules of the old CTB scheme for working age claimants and protects all low-income families from a rise in council tax.

(Premiums and allowances would still be annually uprated in line with the pensioner scheme and equivalent Housing Benefit regulations).

Number of affected households	0
Average increase in weekly CT	£0
Annual saving to LA	£0

Option 2: Reduce CT reductions by 8.5 %

Number of affected households	10678 - 17218
Average increase in Weekly CT	£1.14 - £1.15
Annual saving to LA	£632k - £1,036k

Option 3: Reduce CT reductions by 20%

Number of affected households	10680 - 17221
Average increase in Weekly CT	£2.67 - £2.72
Annual saving to LA	£1,488k - £2,439k

The Council is required to consult on the basis of a preferred scheme. Taking into account government guidance, the schemes adopted by other councils and the results of the "Big Question" survey, it is proposed that the Council consults primarily on the basis of Option 2 with protection for vulnerable groups. However, it is also proposed that Options 1 and 3 remain on the table and that any other options suggested by the response to consultation may also be considered and further consulted upon if appropriate.

Finance

- 17 In 2013/14 it is estimated that £24m in council tax reductions will be granted under our current scheme for low-income families. This is funded by £21.3million from central government, £0.6million in 'one-off' transitional grants, and a contribution from Dudley and its major precepting authorities (Fire & Police) of £2.1million. The breakdown of these figures is 88% Dudley Council, 8% West Midlands Police & Crime Fire Commissioner and 4% West Midlands Fire Service. No further transitional funding has been announced for 14/15.
- 18 Although provision for funding the Dudley contribution to the scheme was made in the budget for 2013/14, (assisted by the one-off transitional grant), any savings made in the costs of the 2014/15 scheme will contribute to meeting other budget pressures.
- 19 If introducing a new scheme that requires collection of small amounts of council tax from a larger number of tax payers, the additional cost of collection and potential lower collection rates (based on Community Charge experience) will also need to be factored in to the budget setting process for 2014/15. Although official collection rate statistics are not published mid-year we are planning to gather evidence throughout the consultation period from other local authorities who have already implemented less generous schemes and will feed this into the Autumn decision making.

Law

- 20 The Local Government Finance Act 2012 introduced local council tax reduction schemes to replace council tax benefit from April 2013.
- 21 The Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012 (Statutory Instrument 2012 / 2885) contains the mandatory elements for any local scheme and details the scheme that must be adopted for pensioners.
- 22 The Council Tax Reduction Scheme (Default Scheme) (England) Regulations 2012 (Statutory Instrument 2012 / 2886) contains the default council tax reduction scheme that can be adopted by authorities either by choice or it is imposed in the event that no local scheme is set by 31st January. Our chosen current scheme follows this with the addition of extra income disregards for war and war widow pensions.

Equality Impact

- 23 The Government has stated that local schemes should provide support for the most vulnerable. The Government has not prescribed the protection that local authorities should provide for vulnerable groups other than pensioners. Guidance was however issued in May 2012 regarding the existing duties local authorities must take into account in relation to vulnerable groups in designing their schemes. These cover the following:
- the public sector equality duty set out in section 149 of the Equality Act 2010
 - the duty to mitigate child poverty under the Child Poverty Act 2010, and
 - the duty to prevent homelessness under the Housing Act 1996.

The guidance does not tell local authorities what they must do in their schemes to be compliant with these duties, but states that this needs to be tailored to their own specific circumstances.

- 24 There are equality implications that will need to be considered and integrated into the consultation and decision making process for a revised local scheme. This will include the completion of equality impact assessments and consultation with appropriate groups with protected characteristics who may be affected by changes to entitlement. We will also use the equality impact assessments to identify any unintended consequences for vulnerable groups to ensure that our local scheme is fair and equitable.
- 25 There has been no specific involvement of children and young people in developing the proposals in this report.

Recommendations

- 26 That Cabinet note the timetable required to develop a revised council tax reduction scheme for 2014/15 (see 12 above)
- 27 That cabinet agree that consultation will commence based on the options in this report (see 16 above).



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Appendix 1 - Summary of LA schemes adopted for 13/14 (published March 2013)



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Links to Background Information

[Local Government Finance Act 2012](#)

[The Council Tax Reduction Scheme \(Prescribed Requirements\) \(England\) Regulations 2012](#)

[The Council Tax Reduction Scheme \(Default Scheme\) \(England\) Regulations 2012](#)

[The Council Tax Reduction Schemes \(Prescribed Requirements and Default Scheme\) \(England\) \(Amendment\) Regulations 2012](#)

Background to the independent research included in the Appendices is also available on the following websites:-

<http://counciltaxsupport.org/the-story-so-far/>

<http://www.npi.org.uk/>