

**Meeting of the Cabinet – 31<sup>st</sup> October 2012**

**Report of the Director of Corporate Resources**

**Localised Council Tax Reduction Scheme 2013/14**

**Purpose of Report**

- 1 To update members regarding the Coalition Government's proposals for the new localised council tax reduction schemes from April 2013 (previously referred to as council tax support schemes)
- 2 To update members on the results of the consultation exercise that was approved by the Cabinet meeting held on 20<sup>th</sup> June 2012.
- 3 Following consideration of the consultation results and equality impact assessment, to gain agreement that the Cabinet's preferred option remains unchanged (ie. to match the current calculation and eligibility rules of the current Council Tax Benefit scheme (CTB) for it's 2013/14 Council Tax Reduction Scheme.

**Background**

*For information paragraphs 4 – 7 are replicated from the cabinet report of 20<sup>th</sup> June*

- 4 The Council's Benefits Section currently administers council tax benefit on behalf of the Department for Work and Pensions and receives subsidy for the benefit it pays out. Council tax benefit is means tested and is paid to low income households to help them meet their council tax liability. In 2011/12 the Council awarded approximately £24 million of council tax benefit to about 33,000 council tax payers, the average award of benefit amounting to approximately £720 per year.
- 5 In its 2010 Spending Review, the Government announced that it would localise council tax benefit from April 2013, alongside reducing the subsidy it pays to Councils by 10 per cent. This will involve the abolition of the current national council tax benefit scheme and the introduction of new localised 'council tax support' schemes designed and administered by individual councils.
- 6 Localising support for council tax is part of the wider Government policy of decentralisation, intended to give councils increased financial autonomy and a greater stake in the economic future of their local area. The localisation of support for council tax is taking place within a wider programme of welfare reform with the stated aim of helping move people back into work. However, there are certain low-income groups, in particular pensioners, whom the Government does not expect to work to increase their income. The Government therefore intends to protect pensioners from any change in award as a direct result of this reform. It is for individual councils to decide whether to protect other 'vulnerable' groups for example households including someone with a disability or families with young children.

- 7 Councils are expected to develop their local schemes within the following framework :
- a) Grant allocation will be reduced by 10% nationally (estimated at around £2.4m for Dudley).
  - b) The cost of support granted will be determined by local need but funded by a cash limited Government grant (so expenditure may be higher or lower than the amount of grant received).
  - c) Pensioners will be protected and must receive the same level of support as currently through council tax benefit.
  - d) Councils will be expected to observe their duty to protect certain other vulnerable groups although these are not defined.
  - 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.

8 At the meeting held on 20<sup>th</sup> June, the Cabinet resolved that the Council's preferred option for our 2013/14 localised council tax reduction scheme is to match the eligibility rules and award calculations of the existing council tax benefit scheme and that consultation should proceed on this basis.

9 Consultation on Dudley's preferred option commenced on 21st June with emails to our major precepting authorities (Fire and Police). The key points arising from this consultation are as follows:-

- Resource levels (funding) for precepting authorities is affected by the proposals of 7 separate West Midlands authorities with potentially different schemes and consultation / approval timescales (Police).
- Scheme development timescales may conflict with policy decisions as a result of the Police and Crime Commissioner elections in November 2012 (Police).
- Other changes in the Local Government Finance Bill relating to discretion over empty home discounts / exemptions can be used to offset some of the funding reduction and therefore seen as linked to the proposals (Fire).
- Acceptance of challenging timescales and why the authority has chosen it's preferred option (Police).

A full transcript of the email correspondence can be viewed here:-

[http://online.dudley.gov.uk/council/LSCT\\_Preceptor\\_Consultation.pdf](http://online.dudley.gov.uk/council/LSCT_Preceptor_Consultation.pdf))

- 10 Public consultation took place for 8 weeks from 1<sup>st</sup> August 2012 to 25<sup>th</sup> September 2012, the results of which are included in Appendix 1.
- 11 Although consultation is still ongoing in neighbouring authorities, 5 out of the 7 West Midlands metropolitan boroughs are consulting on the basis that their preferred option is to also replicate the eligibility rules and award calculations of the current Council Tax Benefit scheme in their reduction schemes for 2013/14.
- 12 The Welfare Reform Act 2012 and the Local Government Finance Bill 2012 (LGFB) contain provisions for the abolition of council tax benefit in its current form and pave the way for new localised council tax reduction schemes.

- 13 The LGFB is (at the time of writing this report) at the Lords Report Stage in it's passage through Parliament. It is expected to receive Royal Assent in mid-November (at the earliest).
- 14 Following Royal Assent, the Secretary of State will issue two sets of regulations (for England billing authorities only):-
- a. Elements that must be included in any council tax reduction scheme
  - b. A default scheme that will automatically become a billing authorities' scheme if they fail in their duty to approve a local scheme by 31<sup>st</sup> Jan 2013

The government have stated that it's default scheme (b above) will be written to include the prescribed requirements (a above) and will replicate the current council tax benefit regulations in it's design.

Although currently available in draft form, these regulations are still subject to another redraft in October and an estimated publication in late November.

- 15 As a consequence of 14 above it is not possible to issue a Dudley council tax reduction scheme at this time, although subject to approval of recommendation 1, we propose to use the default scheme (when issued by the Secretary of State) as the rules for our own scheme, adjusting only :-
- a. presentation and layout as necessary.
  - b. addition of our local scheme rules for war pension disregards (as under CTB)
  - c. updating of any index-linked applicable amounts, disregards (as under CTB)
  - d. clarification of the treatment of incomes not currently included in our current CTB scheme (eg. the new universal credit to be phased in from Oct 13)
  - e. additional administration / procedural rules if required

- 16 The current wording of the LGFB states billing authorities have to formally gain approval from Full Council for their council tax reduction schemes by 31/1/13.

- 17 Although the timescales are very tight it is proposed that the Dudley's scheme will be presented for approval at the full council meeting on 26<sup>th</sup> November 2012, but any delays in the primary or secondary legislation may necessitate an emergency council meeting.

- 18 On 16<sup>th</sup> October the Secretary of State announced additional grant funding of £100million to be allocated between authorities who limit the financial impact of their new council tax reduction schemes on working age claimants. Although details of eligibility and individual amounts are yet to be released it is likely that we would be eligible for some additional transitional funding based on our current proposals.

## **Finance**

- 19 The preferred option set out in this report means that the Council will have to absorb the impact of the reduction in government grant (approx £2.4m) by increasing income or decreasing expenditure on other services. These impacts and risks have now been taken into account in the development of the **Revenue Budget Strategy 2013/14** (see separate Agenda item for this meeting)

## **Law**

- 20 The Welfare Reform Act 2012 (Royal Assent on 8<sup>th</sup> March 2012), contained provision for the abolition of Council Tax Benefit.
- 21 The Local Government Finance Bill 2012-2013 (in current passage through Parliament) proposes changes to the Local Government Finance Act 1992 to introduce localised council tax reduction schemes.

## **Equality Impact**

- 22 The Government has stated that local schemes should provide support for the most vulnerable. The Government has confirmed that it does not intend to prescribe the protection that local authorities should provide for vulnerable groups other than pensioners, but issued guidance in May 2012 on 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.

- 23 An Equality Impact Assessment has been undertaken, the outcomes of which are attached in Appendix 2.
- 24 There has been no specific involvement of children and young people in developing the proposals in this report.

## **Recommendations**

- 25 After considering the outcomes of the consultation and the equality impact assessment, that Cabinet agree that the Council's preferred option for our 2013/14 localised council tax reduction scheme is to match the eligibility rules and award levels of the existing council tax benefit scheme.
- 26 That Cabinet note the timescale issues relating to the passage of the legislation, the scheme approval deadline of 31<sup>st</sup> Jan 2013 and our Cabinet and Full Council meeting schedule.



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**Appendix 1 – Summary of outcomes from customer consultation**

**Appendix 2 – Equality Impact Assessment**

### **List of Background Papers**

[The Welfare Reform Act 2012](#)

[The Local Government Finance Bill 2012](#)

Further information (including the draft regulations for the default council tax reduction scheme) can also be found on the following website :-

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>