

## **Meeting of the Council – 26<sup>th</sup> November 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
- 2 Following consideration of the consultation results and equality impact assessment, to approve the adoption of the government's default scheme, as laid out in regulations, as Dudley Council's local Council Tax Reduction Scheme for 2013/14, together with a local provision of full income disregards for war disablement and war widows pensions.

##### **Background**

- 3 The Council's Benefits Section currently administers council tax benefit (CTB) 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 CTB to about 33,000 council tax payers, the average award of benefit amounting to approximately £720 per year.
- 4 In its 2010 Spending Review, the Government announced that it would localise CTB from April 2013, alongside reducing the subsidy it pays to Councils by 10 per cent. This will involve the abolition of the current national CTB scheme and the introduction of new localised 'council tax support' schemes designed and administered by individual councils.
- 5 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.
- 6 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 CTB.
- 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.

- 7 At a 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 CTB scheme and that consultation should proceed on this basis.
- 8 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 are 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](#).
- 9 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.
- 10 Although consultation is still ongoing in some neighbouring authorities, 4 out of the 7 West Midlands metropolitan boroughs are currently proposing to also replicate the eligibility rules and award calculations of the current CTB scheme in their reduction schemes for 2013/14.
- 11 The Welfare Reform Act 2012 and the Local Government Finance Act 2012 (LGFA) contain provisions for the abolition of CTB in its current form and pave the way for new localised council tax reduction schemes.
- 12 The LGFA received Royal Assent on 31<sup>st</sup> October 2012 and states billing authorities have to formally gain approval from Full Council for their council tax reduction schemes by 31/1/13.
- 13 As stated in the LGFA, the Secretary of State will issue two sets of regulations (for English billing authorities only):-

- a. **The Prescribed Requirements** - Elements that must be included in any council tax reduction scheme
  - b. **A Default Scheme** – this will automatically become a billing authorities' scheme if they fail in their duty to approve a local scheme by the January deadline.
- 14 Under the current CTB regulations, authorities have local discretion on disregarding (ignoring) some or all of any War Disablement or War Widow's pensions for the purposes of calculating income. The definition of payments, pensions or allowances falling under the definition of War Disablement pensions (WDPs) and War Widow's pensions (WWPs) is prescribed by the government and this also includes payments made under the Armed Forces Compensation Scheme. Currently all prescribed WDPs and WWPs are fully disregarded for the purposes of calculating CTB.
- 15 Due to the late issue of the regulations (expected end of November) it is proposed to proactively adopt the government default scheme as Dudley's Council Tax Reduction Scheme for 2013 / 14 with the addition of the full income disregards for WDPs and WWPs.
- 16 The government default scheme will replicate the eligibility and calculation rules of the current CTB regulations and will already satisfy the 'Prescribed Requirements'.
- 17 The default scheme will contains uprated applicable amounts (allowable living expenses) in line with the Consumer Price Index (CPI) as published in September 2012 ie. a 2.2% increase. This is the same methodology currently used for annual uprating in CTB and consistent with other social security benefits (eg. Housing Benefit).
- 18 Non-dependant charges are contributions expected from other adults living in a household who are not dependant on the claimant or partner for financial support. In the prescribed requirements (see section 13a above) these levels will be set for pensioner claims and in the default scheme the levels will be exactly the same for working age claims (as is currently the case in CTB).
- 19 Although the default scheme is intended for use where authorities fail to set a scheme, proactive adoption of the default scheme as Dudley's scheme will lessen the risk of legal loopholes in the documentation.

## **Finance**

- 20 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**.
- 21 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. Adopting the default scheme as the council's own scheme will satisfy the criteria for the additional funding which will be £511,221 for the council, £45,177 for West Midlands Police and £21,727 for West Midlands Fire.

## **Law**

- 22 The Welfare Reform Act 2012 (Royal Assent on 8<sup>th</sup> March 2012), contained provision for the abolition of CTB.
- 23 The Local Government Finance Act 2012 (Royal Assent on 31<sup>st</sup> October 2012) amends the Local Government Finance Act 1992 to introduce localised council tax reduction schemes.
- 24 The Housing Benefit and Council Tax Benefit (War Pension Disregards) (Amendment) Regulations 2009 updates the definitions contained in The Housing Benefit and Council Tax Benefit (War Pension Disregards) Regulations 2007.

## **Equality Impact**

- 25 The Government has stated that local schemes should provide support for the most vulnerable. The Government have not prescribed the protection that local authorities should provide for vulnerable groups other than for 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.

- 26 An Equality Impact Assessment has been undertaken, the outcomes of which are attached in Appendix 2.
- 27 There has been no special consideration for children and young people in developing the proposals in this report.

## **Recommendations**

- 28 After considering the outcomes of the consultation and the equality impact assessment, approval is given to adopt the government's default scheme for our 2013/14 localised council tax reduction scheme, with amendments for the full disregard of all war disablement and war widows pensions.
- 29 That the Director of Corporate Resources be authorised to make any required amendments to the scheme arising from the publication of the government regulations expected in November following consultation with the Leader, the Leader of the Opposition Group and the Cabinet Member for Finance subject to the details of any amendments made being reported to all Members of the Council.



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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 Act 2012](#)  
[The Housing Benefit and Council Tax Benefit \(War Pension Disregards\) \(Amendment\) Regulations 2009](#)

Further information regarding council tax reduction scheme can also be found on the following DCLG website :-

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