

Meeting of the Cabinet – 13th October 2011

Report of the Director of Corporate Resources

Proposals for a Localised Council Tax Rebate Scheme in England - Consultation

Purpose of Report

- 1 To inform members of the Government's proposals for a new, localised council tax rebate scheme, and seek approval for a response to the Consultation.

Background

- 2 The Council's Benefits Division currently administers council tax benefit on behalf of the Department for Work and Pensions and receives subsidy for the benefit it pays out. In addition a separate administrative subsidy is received for the cost to the Council of administering the system. In 2010/11 the Council awarded approximately £24 million of council tax benefit to about 34,000 council tax payers.
- 3 The Department for Communities and Local Government (DCLG) issued the Consultation "Localising support for council tax in England" on 2 August 2011. The formal Consultation period ends on 14 October 2011. The Consultation details proposals for localised council tax rebate ('support') schemes to replace the current national council tax benefit scheme.
- 4 In its 2010 Spending Review, the Government announced that it would localise council tax rebates from April 2013, alongside reducing council tax rebate expenditure by 10 per cent. This will involve the abolition of the national council tax benefit scheme and the introduction of new localised council tax rebate schemes designed and administered by individual local authorities.
- 5 Localising support for council tax is part of a wider Government policy of decentralisation, aimed at giving councils increased financial autonomy and a greater stake in the economic future of their local area. This supports the Government's wider agenda to enable stronger, balanced economic growth across the country.
- 6 The Government is committed to ensuring that local authorities continue to provide support for council tax for the most vulnerable in society, including pensioners. The localisation of support for council tax is taking place within a wider programme of welfare reform which is intended to help 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 and the Consultation also raises whether other vulnerable groups should similarly be protected.

- 7 The Government also expects localised schemes to support the positive work incentives that will be introduced through its plans for Universal Credit for people of working age. It is seeking views on how this can be achieved in a way which is consistent with localisation.
- 8 This consultation sets out proposals on key elements of a framework for local support for council tax. This framework will be established in a local government finance bill, and in regulations.
- 9 The aims of localising support for council tax are to:
- Give local authorities a greater stake in the economic future of their local area.
 - 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.
- 10 This consultation forms part of the Local Government Resource Review in England, which is looking at several key areas of local government finance, including local retention of business rates (see separate report).
- 11 The proposed responses to the Consultation are set out in Appendix A and reflect our main concerns regarding:
- the ‘challenging’ implementation timescale. Our response recommends that implementation should be delayed and consideration should be given to including council tax rebate within Universal Credit,
 - the 10% cut in expenditure (to be managed by local authorities). Protection for pensioners will mean reductions in entitlement of over 20% for working age claimants over and above other reductions in (housing) benefit announced in April 2011, and
 - the level of local authority rebate expenditure will be determined by local need but funded by a specific (cash limited) Government grant

Finance

- 12 At present, central government reimburses local authorities directly for awarding council tax benefit to claimants. The proposal contained within this consultation is to switch the funding of the costs of these awards through the payment of a specific grant. This transfers the risk of future increases in benefit levels to local authorities. The grant will be 10 per cent less than current benefit levels. This would require an amendment of the eligibility criteria to meet the 10 per cent shortfall or face additional resourcing pressures. The 10 per cent shortfall for Dudley would be approximately £2.4 million.

Law

- 13 On 17 February 2011 the Government published the Welfare Reform Bill, containing provisions for the abolition of council tax benefit in its current form and paving the way for new localised council tax rebate schemes.

Equality Impact

- 14 There are equality implications that will need to be considered and integrated into the consultation and decision making process for a local scheme. This will include the completion of equality impact assessments. 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.

With regard to Children and Young People:

- As this is a response to consultation, the proposals in this report have no specific implications for children and young people.
- There has been no specific involvement of children and young people in developing the proposals in this report.

Recommendations

- 15 That Cabinet approves the proposed response to the consultation questions, as set out in Appendix A.



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List of Background Papers

DCLG 'Localising Support for Council Tax in England' consultation paper
The Welfare Reform Bill 2011