

Meeting of the Cabinet – 20th June 2012

Report of the Director of Corporate Resources

Localised Council Tax Support (Rebate) Scheme 2013/14

Purpose of Report

- 1 To update members regarding the Coalition Government's proposals for a new, localised council tax support (rebate) scheme from April 2013.
- 2 To seek approval to consult on a preferred scheme for Dudley for 2013/14 in advance of final decision-making by Full Council later in the municipal year.

Background

- 3 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.
- 4 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.
- 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 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.

Options for Dudley's Local Scheme

- 7 Legislation, when passed, will place few restrictions on the design of local schemes except for the protection of pensioners. In designing a local scheme however the Council will need to have regard to other groups it considers to be vulnerable.
- 8 Claims from pensioners make up around 50% of our existing caseload and expenditure. As their current level of entitlement will be protected by law, the reduction in grant if passed on through a local scheme would effectively result in an overall reduction in the council tax benefit payable to working age claimants of at least 20%, which would rise to 25% if a decision were made to protect the entitlement of claimants with a disability. Any additional extension of protection to other groups would further increase the share of the grant reduction to be borne by non-protected working age claimants.
- 9 One option for our local scheme would be to continue with the current council tax benefit eligibility rules for working age claimants at least for the first 12 months. This would however create a spending pressure, estimated to be £2.4m which would have to be found from elsewhere, i.e. by increasing income or decreasing expenditure on other services.
- 10 Every council will have to make the same difficult choices about how to fund the 10% reduction in grant. In addition to the option of continuing with the current eligibility rules, the other options considered in some detail, all of which carry inherent problems and risks, include:
 - Spreading the 10% grant reduction equally across ALL working age claimants. This would mean that all current claimants, including those who currently pay no council tax, will pay at least 20%. (20% of the current band A council tax = £169 per annum);
 - As the previous option EXCEPT protect the entitlement of claimants considered vulnerable (see para 8 above);
 - Protect those receiving 100% benefit and spread the grant reduction over partial benefit cases e.g. claimants in low paid or part time work;
 - Limit the maximum benefit entitlement to a percentage of the council tax due, e.g. 70%, which would mean all current claimants, including those who currently pay no council tax, would pay at least 30%
 - Limit the maximum benefit entitlement to that applicable to a band A property, leaving those in higher banded properties to fund the difference;
 - Removing or reducing entitlement if a working, non-dependant adult (such as a lodger) is resident in the household.

- 11 Most of the above options would not achieve the 10% grant cut by themselves and it might well be necessary to combine a number of the options. A variety of other options also exist including reducing capital limits or reducing income disregards. It should be recognised that due to the very tight implementation timescales involved, IT suppliers have warned that there will be limited scope for any local schemes that are not largely based upon the rules of the current council tax benefit scheme.
- 12 Members will need to consider the Public Sector Equality Duty and have due regard to any adverse equality implications arising from whatever approach they adopt, and given that persons with the relevant protected characteristics are likely to feature highly within council tax benefit claimant profiles, it is reasonable to expect that any different approach could have some adverse equality implications. Should the 10% funding cut be passed on, in whole or part, in the form of reductions in benefit entitlement this will increase the number of council tax bills that have to be issued, there may well be knock on effects in terms of collection rates, cost of collection, cash flow and bad debt provision.
- 13 Eligibility will be only one of many factors to be decided as part of the scheme design in what is a very challenging timescale. Other issues such as how and when people claim, evidence requirements, the appeals process, periods of award and arrangements for investigating alleged fraud will all have to be determined.
- 14 The time constraints, the scale of work required to design new rules and the potential impact on low-income households are issues that would need to be addressed in developing any new scheme. These factors have been assessed against but, subject to further consultation, are considered to outweigh the financial impacts on the Council and precepting authorities set out below. Consequently the preferred option is to match the eligibility rules and award levels of the existing council tax benefit scheme for at least 2013/14. Potential to develop the scheme for future years can then be considered during 2013/14.

Finance

- 15 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. Furthermore, as the Government grant will be cash limited, then under any of the options the Council will be exposed to the impact of any increases (or benefit from any reductions) in the number of eligible claimants. These impacts and risks will need to be taken into account in the development of the Budget and Medium Term Financial Strategy for 2013/14 onwards.
- 16 It should also be noted that the preferred option will impact on the resources available to precepting authorities as well as the Council. These authorities would have to absorb their proportion of the reduction in funding by increasing income or decreasing expenditure on services (approx £0.2m for the Police Authority and £0.1m for the Fire Authority). If all billing authorities in the West Midlands were to adopt the same preferred option as Dudley the overall impact would be around £1.9 m and £0.9m for the Police and Fire Authorities respectively. Government guidance requires the Council to consult with preceptors prior to undertaking public consultation.

Law

- 17 The Welfare Reform Act 2012 and the Local Government Finance Bill 2012 contain provisions for the abolition of council tax benefit in its current form and pave the way for new localised council tax support schemes.
- 18 Regulations and associated guidance regarding localised support schemes are not expected until late summer / autumn this year and consultation on the Council's preferred scheme will need to commence in advance of the regulations being issued.
- 19 Consultation needs to take place with all interested parties starting with major precepting authorities. Although the Government's code of practice on consultation states that normally 12 weeks is appropriate, they have also stated that authorities can consider the appropriate length of their consultation depending on the impact of their proposals and the ability to complete the consultation exercise within budgetary timetables.
- 20 Following consideration of the outcomes of consultation, councils are required to have formally approved their schemes by 31/1/13.

Equality Impact

- 21 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.
- 22 As made clear in the report, 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 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.
- 23 There has been no specific involvement of children and young people in developing the proposals in this report.

Recommendations

- 24 That Cabinet agree that the Council's preferred option for our 2013/14 localised council tax support scheme is to match the eligibility rules and award levels of the existing council tax benefit scheme and that consultation proceeds on this basis.



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List of Background Papers

[The Welfare Reform Act 2012](#)
[The Local Government Finance Bill 2012](#)

Further information can also be found on the following website :-

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