

Localisation of council tax benefit

Purpose of report

For discussion and direction.

Summary

This report updates members on the key developments leading to the replacement of council tax benefit by council tax support on 1 April 2013. Among the key issues are:

1. The passage of the Local Government Finance Bill through Parliament;
2. Discussions with the Department for Work and Pensions (DWP) and the Department for Communities and Local Government (DCLG) on the total quantum for the council tax support grant;
3. The additional £100 million support announced by DCLG on 16 October;
4. Progress on local council tax support schemes.

Recommendation

Officers continue to monitor the situation and report back to the Panel at regular intervals

Action

LGA Officers to proceed as directed.

Contact officer: Mike Heiser / Piali DasGupta
Position: Senior Advisers
Phone no: 020 7664 3265/3041
E-mail: mike.heiser@local.gov.uk/piali.dasgupta@local.gov.uk

Localisation of council tax benefit

Background

1. Council tax benefit will end on 1 April 2013 when it is replaced by local council tax support schemes. The Government will cut its support by 10 per cent when compared with predicted council tax benefit expenditure in 2013-14.
2. The abolition of council tax benefit is provided for in the Welfare Reform Act 2011. The legislative basis for local council tax support is the Local Government Finance Act 2012.
3. This report summarises the debate on the Bill in Parliament. It also reports on the key issues which LGA officers and advisers on finance and benefits from member councils have been discussing with DCLG

The debate in Parliament

4. The LGA supplied extensive briefing on the Bill whilst it was in both houses of Parliament. Our lobbying efforts concentrated on additional flexibilities to enable councils to have more of a choice as they decide how best to fill the 10 per cent gap in support. This is a decision which the Government has passed to councils as one of the decisions in the 2010 Spending Review.
5. All group leaders at the LGA supported an amendment moved by Lord Tope at the third reading in the House of Lords which would have given billing authorities discretion to vary the single person discount (which of course accounts for around 90 per cent of discounts) to 20 per cent for non-pensioners. We provided evidence, using data from the Institute of Fiscal Studies, that it would give councils additional resources which, in all but a handful of councils, would enable the funding gap to be closed without penalising the very poorest working age council tax payers. However in the event the amendment fell as it commanded the support of neither the Government nor the opposition Front Benches.
6. One opposition amendment was passed in the House of Lords, which the Government subsequently opted not to reverse in the Commons. This commits the Government to put in place an independent review of local council tax support schemes within three years, including making recommendations as to whether they should be brought within Universal Credit (UC).
7. The LGA put out a press release indicating that we do not support this. The key argument is that the logic of putting council tax support in Universal Credit would mean that all resources for council tax support would eventually be part of the single payment to households which Universal Credit represents. Therefore councils would have to collect the whole of council tax from UC recipients, not just the percentages being talked about now. LGA officers understand from DCLG officials that the Government

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accepted the amendment on the basis that an independent review would not commit it in any way.

Grant support

8. Most grant support will be included within the business rates retention funding baseline. This is expected to be distributed broadly on the basis of the current predicted council tax benefit expenditure less 10 per cent. The Government has said that it will base funding on the 2013-14 forecast council tax benefit expenditure. The figures that will be used are expected to be published at the time of the Autumn Statement on 5 December.
9. However the figures published at the time of the funding consultation in May 2012 suggested a further cut of 3 per cent due to DWP forecasts of falling numbers of council tax benefit claimants. The data which the LGA has received from authorities does not suggest that they expect the number of benefit claimants to fall. LGA officers and advisers from authorities are in discussions with Government departments and with the Office for Budget Responsibility to examine the forecasts. Any developments will be reported orally to your meeting.

Transitional Grant Scheme

10. On 16 October, DCLG announced that a Transitional Grant of £100 million would be paid for 2013-14 only to those councils (both billing authorities and major preceptors such as counties) who develop local council tax support schemes which conform to a number of conditions intended to limit the effect on working age benefit recipients. The most important of these is that those who would be on 100 per cent support under current council tax benefit arrangements pay between zero and no more than 8.5 per cent of their council tax liability in any new local council tax support scheme.
11. The LGA responded that although we welcomed any additional help, the lack of flexibility for councils in implementing the benefit reduction puts them in a very difficult position. Under the proposed scheme, even with the additional money, most councils will have no choice but to ask people on lower incomes, including the working poor, to pay more council tax than they currently do. Collection rates overall are very high. But there is clear evidence that, for a range of reasons including financial difficulties, the poorer people are the less likely they are to pay council tax. These changes are a significant concern. We also did analysis which suggested that for the gap to be closed entirely around £200 million of funding was required, so that the £100 million only went half way.

Local Council Tax Support schemes

12. Before the announcement of the additional £100 support, the LGA looked at the proposals set out by 200 councils on the design of their new local council tax support schemes. The results of our review are as follows:

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<i>Options considered</i>	<i>Number of councils</i>
Minimum payment for working age	178
Minimum payment at 20 per cent or above	104
Minimum payment at 10 to 20 per cent	45
Removing Second Adult Rebate	136
Capping support at higher bands	23
Lowering the savings limit	25
Maintenance or tax credits as income	8

13. What our analysis shows is that almost 90 per cent of councils propose to introduce a minimum payment for working age claimants, generally as a fixed percentage of council tax. 50 per cent of councils propose to set the minimum payment at 20 per cent or more; about another quarter propose to set it between 10 and 20 per cent. To illustrate the impact of a minimum payment, claimants in the lowest bands may have to pay on average between £3.69 and £4.96 a week towards their council tax starting this April.
14. 80 per cent of councils considering a minimum payment are also seeking to maximise the savings available from at least one of the above elements in order to be able to set the minimum payment as low as possible, including:
- 14.1. Removing the “Second Adult Rebate”, a benefit for people who do not qualify for Single Person Discount if the other adult living in their property is on a low income.
- 14.2. Capping the level of support offered to people living in higher band properties.
- 14.3. Lowering amount of savings a person can have and still qualify for support.
- 14.4. Counting maintenance or tax credits as income.

Conclusion and next steps

15. LGA officers will continue to monitor the situation, including those authorities who decide to opt for schemes which are eligible for a share of the additional £100 million funding as they fulfil the conditions for such funding; for example those who would be on 100 per cent support under current council tax benefit arrangements paying between zero and no more than 8.5 per cent of their council tax liability

Financial Implications

16. This work will be contained within existing programme budgets.