
Subject:	COUNCIL TAX REDUCTION SCHEME
Meeting and Date:	Council – 30 January 2013
Report of:	Andrew Stevens, Assistant Director EK Services and Mike Davis, Director of Finance Housing and Community
Portfolio Holder:	Councillor Mike Conolly, Portfolio Holder for Corporate Resources and Performance
Decision Type:	Council Decision
Classification:	Unrestricted

Purpose of the report: **To approve the Council Tax Reduction Scheme to apply from 1 April 2013**

Recommendation: That, in accordance with Section 13A of the Local Government Finance Act 1992 as inserted by section 10 of the Local Government Finance Act 2012 and the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 the Council makes a local council tax reduction scheme with effect from 1 April 2013 adopting as a scheme the text of the default scheme as set out in the Council Tax reduction Scheme (Default Scheme) (England) Regulations 2012 (as the present text is amended from time to time) subject to the modifications detailed in sub-paragraphs 3.1 (c) (i) to 3.1 (c) (vi) below.

1. Summary

- 1.1 The report presented to Cabinet on 7 January 2013 (see Attachment 1) addresses the main changes to the substance of the current Council Tax benefit scheme, and the associated amendments to exemptions from Council tax which have been proposed in order to fund the new regime.
- 1.2 However, approval of these changes in themselves does not constitute approval of a complete new scheme as required by the legislation.
- 1.3 It is therefore proposed that Dover District Council adopts the default scheme as drafted by DCLG and contained in regulations but amended to reduce support to claimants by 6%.

2. Introduction and Background

- 2.1 The Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012 provides for billing authorities to design and run local council tax reduction schemes from 1 April 2013. Existing council tax benefit provisions under social security legislation will be replaced from 1 April 2013 (although some provisions will be retained for older cases – for example, those currently being appealed in the courts).
- 2.2 The Local Government Finance Act 2012 requires the Council to make, by 31 January 2013, a local council tax reduction scheme. The scheme must specify the

reductions the council will apply to council tax and the persons or classes of persons whom the authority considers are in financial need. In addition, the council must administer the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 in any scheme adopted which must include provision for pensioners.

- 2.3 The legislation envisages that billing authorities may not, at least in the first year, decide to design a scheme from scratch, and therefore makes provision for a default scheme to take effect if a billing authority does not put in place its own scheme by 31 January 2012.
- 2.4 The default scheme assumes billing authorities will not, at this stage, have time to re-design their IT or other systems. The default scheme therefore assumes no change in substance to the current system, other than the switch from a benefit based scheme to a scheme based on discounts.
- 2.5 In order to meet the requirements set out, it is recommended to adopt the text of the default scheme with the necessary amendments to give effect to the local scheme that this Council wishes to implement.
- 2.6 By adopting the text of the default scheme, (as opposed to adopting the default scheme itself), the local scheme can continue even if the statutory default scheme is revoked. In due course it will be necessary for the executive to delegate powers to draw up any necessary processes and procedures which will sit below the scheme and enable it to be operated – but these processes and procedures are part of the scheme itself.

3. Identification of Options

3.1 The three options identified are:

- (a) Option 1 – do not adopt a local council tax reduction scheme. This is the “do nothing” option.
- (b) Option 2 – adopt the default scheme.
- (c) Option 3 – adopt the default scheme, subject to the following modifications:-
 - (i) Calculation of award for working age applicants has the result reduced by 6%
 - (ii) Second Adult Rebate (Alternate Maximum Council Tax Reduction) is removed for working age applicants
 - (iii) War pensions are fully disregarded as they have been under local provisions under Council Tax Benefit
 - (iv) An amendment on how Extended Payments for movers are dealt with
 - (v) A provision to end reduction periods under the scheme should the award be reduced to nil
 - (vi) A provision relating to carrying out an annual review of applicable amounts and non-dependant deductions.

4. Evaluation of Options

- 4.1 Option 1 - do not adopt a local council tax reduction scheme. The Local Government Finance Act 2012 requires the Council to make, by 31 January 2013, a local council tax reduction scheme. If the Council fails to do this, then the default scheme described in Option 2 will automatically apply. For this reason this is not a recommended option.
- 4.2 Option 2 – adopt the default scheme. The default scheme would permit the Council to amend discounts for empty properties and second homes, but would not permit the Council to reduce the benefit to working age claimants. As a result the scheme would not be financially balanced.
- 4.3 It is estimated that, if the default scheme were adopted, with no other changes for empty properties, second homes etc, then the costs to the Dover area would be £1,164k. So the costs to the authorities would be circa:
- (a) DDC, 11.6% of the total, which is £135k (plus the loss of £125k grant from KCC, Police and Fire for admin costs and in addition the underwriting of growth in claimant numbers.
 - (b) KCC, 73.8% of the total, which is £859k
 - (c) Kent Police, 9.8% of the total, which is £114k
 - (d) Kent Fire and Rescue, 4.8% of the total, which is £56k.
- 4.4 With the removal of empty property discounts and second homes discounts, the losses in the Dover area would be £268k. So the costs to the individual authorities would be circa:
- (a) DDC, 11.6% of the total, or £31k (plus the loss of £125k grant from KCC, Police and Fire for admin costs and in addition the loss of underwriting by KCC, of any costs of growth in claimant numbers.
 - (b) KCC, 73.8% of the total, or £198k
 - (c) Kent Police, 9.8% of the total, or £26k
 - (d) Kent Fire and Rescue, 4.8% of the total, or £13k.
- 4.5 If option 2 was adopted, then the loss to DDC would be £31k + £125k = £165k (equivalent to 2.4% of Council Tax), plus all of the risk of any growth in claimant numbers. For these reasons this is not a recommended option.
- 4.6 Option 3 – adopt the default scheme, subject to the modifications set out in paragraph 3.1(c) above. This option will enable the Council to implement a financially balanced scheme that has a comparatively low impact on working age claimants, but also minimises the financial impact on services and other Council Tax payers. It also complies with the requirements of the Kent authorities and they will underwrite the scheme which means they will provide £125k of admin support and also bear the financial risks from growth in claimant numbers. For these reasons this is the recommended option.

5. **Corporate Implications**

- 5.1 Comment from the Section 151 Officer: The Section 151 Officer has been involved in the production of this report and has no further comment to make (MD).
- 5.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted and has no additional comment to make (HR).
- 5.3 Comment from the Equalities Officer: See paragraph 5.3 of the 7 January Cabinet report attached.

6. **Background Papers**

Attachment 1 – Cabinet report, agenda item 7, “Council Tax Benefit Localisation”, 7 January 2013.

Contact Officer: Mike Davis, Director of Finance, Housing and Community