

**MAIDSTONE BOROUGH COUNCIL**  
**RECORD OF DECISION OF THE CABINET**

Decision Made: 25 July 2012

**Localisation of Council Tax Support**

**Issue for Decision**

To consider the options available to the Council in developing a local discount to replace the existing council tax benefit scheme. To endorse the principals of the recommended scheme and approach to consultation.

**Decision Made**

That the Council undertakes a formal consultation, as outlined under point 5 of the report of the Director for Regeneration and Communities, identifying option 6 (set out in Appendix A to the report of the Director for Regeneration and Communities) as the preferred scheme for implementation.

**Reasons for Decision**

Background

The current national scheme for council tax benefit will cease on the 31<sup>st</sup> March 2013 and be replaced by a new locally determined discount scheme. The new local scheme is intended to be administered in a similar way to other discounts, such as the single person discount, as opposed to a benefit payment; albeit that the scheme will at least initially still retain an element of means testing as part of its qualifying criteria.

With responsibility for funding the scheme transferring from the Department for Work and Pensions to the Department for Communities and Local Government, a 10% saving is assumed by the Treasury in the overall cost of the scheme. Funding will also be awarded in the form of a fixed grant as opposed to being demand led, with the cost currently met in full.

As a discount, the cost of the scheme has the effect of reducing the council tax base and thus affects all tiers of authorities, including Parish Councils and Major Preceptors.

In addition to the changes within the benefit system, the Local Government Finance Act, which is currently progressing through Parliament, also provides new local discretion in relation to the discounts and exemptions provided for empty properties and second homes.

This includes the option to remove the current 10% discount that is provided for second homes and replace the current mandatory exemptions for the following categories of properties with a reduced level of discount.

- Properties that are empty and in need of substantial refurbishment or repair (Class A)
- Properties that are empty for up to 6 months (Class C)
- Properties where the mortgagee is in possession (Class L)

Whilst further work is required in relation to the wider opportunities to be introduced through the Local Government Finance Act, consideration has been given to how the changes could support and help mitigate the full impact of the changes to council tax benefit, whilst reducing the period that properties remain empty within the Borough.

As a consequence, Kent County Council has been actively involved in coordinating a number of options, which have been modelled and discussed at officer level through the Kent Finance Officers Group, Kent Benefit Managers Group and at Member level through the Kent Forum. These options are set out within Appendix A to the report of the Director of Regeneration and Communities.

There are 6 primary options which have been considered, with option 6 representing a variation to a County wide scheme (option 5) that was proposed jointly by Kent County Council and other major preceptors.

Option 6 has been identified as the preferred scheme on the basis that it supports;

- The policy aim of the welfare reform agenda to make work pay and reduce benefit dependency
- Households currently in receipt of Council Tax Benefit by mitigating in part the reduction in Government funding for the scheme.
- The wider public interest by avoiding the reduction in Grant being met through a general increase in council tax or reduction in local services.
- The aim of reducing the length at which properties remain empty within the Borough.
- The financial standing of the Council by limiting the financial impact of any increase in demand and cost for the scheme, whilst recognizing and contributing to the anticipated cost of collection.

The scheme outlined within option 6 will provide for a 13% reduction in current council tax benefit entitlements, whilst otherwise retaining the existing rules and criteria. It will also use the new discretion to be introduced through the Local Government Finance Act to remove the 10% discount provided for second homes and reduce the exemption that empty properties receive from 6 to 3 months.

The financial impact of each option is shown in Appendix B to the report of the Director of Regeneration and Communities.

The issue that requires a decision is 'what option would be most appropriate for the people of Maidstone?'

The Council needs to decide whether it will absorb the 10% reduction in funding or develop a scheme that can be maintained within the reduced level of funding.

If the Council decides to meet the anticipated shortfall in grant it will place an additional burden on the level of council tax charged across the Borough or requires a reduction in spending on services.

If a local scheme is developed which reflects the reduction in grant, those households currently receiving support in the form of council tax benefit will have a reduction in the level of financial support provided, increasing the contribution which they are required to make towards the payment of council tax.

Residents of pensionable age are identified by government as a group to be protected from any adverse change or reductions in benefit as a result of implementing a new local scheme. No other groups have been identified.

#### Who will we consult following the decision

Following agreement as to the principle of the scheme to be adopted, a formal consultation will be undertaken with residents, local businesses, landlords, voluntary sector partners and precepting authorities.

The consultation is planned to start on the 6<sup>th</sup> August and close on the 5<sup>th</sup> October 2012.

An outline of the proposed scheme and details of its impact will be provided within the consultation document. The consultation will be sent by post to key stakeholders and households directly affected by the change, with wider comments invited through the consultation pages of the Councils website. The final decision, taking account of the consultation responses will be taken by Full Council later this financial year.

#### **Alternatives considered and why rejected**

It is not possible to devise a completely new scheme by April 2013 and software suppliers have indicated that only limited changes to the current software may be possible.

Should the Council fail to adopt a local scheme by the 31<sup>st</sup> January 2013 the Council would by default be required to continue a scheme based on the current rules regarding entitlement, requiring it to absorb the 10% reduction in grant funding.

The modelling of alternative schemes can be progressed in the future

but the timescale, software changes required and delay in the regulations for the new local scheme severely limit the options available in designing a scheme for April 2013. The other major constraint is the requirement to fully protect pensioners so that they receive the same level of support as they receive under the current system, whilst achieving a 10% reduction in the overall funding of the scheme.

Further, the Government is encouraging authorities to consider the impact of proposed schemes on other vulnerable groups and not to devise schemes that act as a disincentive to work.

A summary of the options, their benefit and limitations is shown at Appendix A to the report of the Director of Regeneration and Communities.

## **Background Papers**

DCLG Publications and Guidance:-

Statement of Intent  
Funding Arrangements Consultation  
Taking Work Incentives into Account  
Vulnerable People – Local Authority Duties

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| Should you be concerned about this decision and wish to call it in, please submit a call in form signed by any two Non-Executive Members to the Head of Change and Scrutiny by: xxxxxxxxxx. |
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