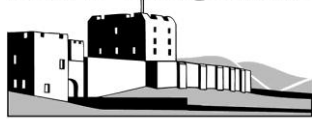


**CARLISLE**  
CITY COUNCIL



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# **RESOURCES OVERVIEW AND SCRUTINY PANEL**

## ***Panel Report***

**Public**

**Date of Meeting:** 29th March 2012

**Title:** WELFARE REFORM AND THE LOCALISATION OF COUNCIL  
TAX SUPPORT

**Report of:** The Director of Community Engagement

**Report reference:** CD 30/12

**Summary:** The Welfare Reform Bill and The Local Government Finance Bill are currently receiving Parliamentary consideration and the implications will mean significant changes for Revenues and Benefits Services within the Council.

**Questions for / input required from Scrutiny:**

**Recommendations:** Members will need to be aware of the forthcoming changes and the short timescale for implementation.

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Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

## 1. INTRODUCTION

1.1 . There are three main blocks to these reforms:

- Benefits Welfare Reform – including:
  - Localised Support for Council Tax
  - Introduction of Universal Credit and Working Age Benefit Reforms
- Retention of Business Rates
- Council Tax Discount and Exemption Changes

## 2. BENEFITS WELFARE REFORM

2.1 Under the Welfare Reform Bill, Council Tax Benefit will be abolished and replaced by Localised Support for Council Tax. Housing Benefit and Local Housing Allowance will be abolished and replaced by Universal Credit: for working age claimants. Pension Credit will remain for claimants of pension age and a new Housing Credit introduced. Many other changes to means-tested benefits will occur in order to prepare for the full implementation of Universal Credit.

### 2.2 Localised Support for Council Tax

2.2.1 Localisation of Council Tax Benefit is one part of the wider set of reforms designed to improve the incentives to work and ensure resources are targeted more effectively at reducing worklessness and ending the culture of benefit dependency.

2.2.2 The Spending Review 2010 announced expenditure for localisation of Council Tax support would realise a 10% reduction in overall expenditure.

2.2.3 The Billing Authority is responsible for the design, approval and implementation of the scheme but it has to contain certain elements:

- Persons of pensionable age will be protected by a set of national rules which will mean, in essence, they will not lose or gain support relative to their current Benefit entitlement.
- The Council will have a duty to define and protect the most vulnerable within the locality and to ensure it includes the Council's legal responsibilities e.g. child poverty.

2.2.4 The local scheme must be adopted by the Council before 31<sup>st</sup> January 2013 to be fully operational from 1<sup>st</sup> April 2013: the day after Council Tax Benefit is abolished.

2.2.5 There are risk considerations in designing and implementing local scheme:

- Financial – profiling, modelling, forecasting, estimating, claiming and spending within tight financial limits: mindful of external risks and pressure on the Council's financial resources.
- I.T. – ability to resource and deliver

- Fairness and equality in design
- Political sensitivities
- Reputational - meeting and delivering against tight deadlines involving multi-stakeholder interests and a period of public consultation.

## 2.3 Introduction of Universal Credit and Working Age Benefit Reforms

2.3.1 The Government will replace the main income-related benefits, for working age people, with a single benefit, called Universal Credit (UC). Also introduce a range of amendments to existing benefits, including Housing Benefit, over the next few years.

2.3.2 UC will commence on 1<sup>st</sup> October 2013 for new claimants who are 'out of work'. Claims for new claimants who are 'in work' will commence from 1<sup>st</sup> April 2014 and the migration of existing Benefit claimants will happen through a change in their circumstances or as part of a managed transition throughout the period 1<sup>st</sup> October 2013 to 30<sup>th</sup> September 2017: the date Housing Benefit is abolished.

2.3.3 Besides introducing Universal Credit and related measures, the Bill makes other significant changes to the benefits system. Key areas include:

- Introducing Personal Independence Payments to replace the current Disability Living Allowance
- Restricting Housing Benefit entitlement for social housing tenants whose accommodation is larger than they need
- Uprating Local Housing Allowance rates by the Consumer Price Index
- Amending the forthcoming statutory child maintenance scheme
- Limiting the payment of contributory Employment and Support Allowance to a 12-month period
- Capping the total amount of benefit that can be claimed.

2.3.4 Housing Benefit expenditure, subsidy and administration grant is dependent on caseload and any reduction in caseload would impact adversely on funding.

2.3.5 There are risk considerations involved in implementing these Benefit reforms:

- Financial – linked to complexity, accuracy and subsidy qualification. Also costs associated in managing workforce amendments.
- Human Resources – significant resources required to support through the transitional period.
- Failure to grasp opportunity to deliver services locally and/or offer facilities for partner service delivery.

### **3. RETENTION OF BUSINESS RATES**

- 3.1 Provisions within the Local Government Finance Bill enable powers for local authorities to retain revenue as a result of changes within the local area. Recognition is given to the influence councils can have through planning and investment in infrastructure, as a means of stimulating growth within the private sector.
- 3.2 There are safeguards to maintain fairness given the very different local economic and business environments across England.
- 3.3 Currently, the amount of business rates received by an authority therefore has no connection with the amount raised locally. From 2013/14, authorities will retain the growth in business rates but will also take the risk if rates fall or have slow growth. Mechanisms are proposed so that authorities with very high business rate growth would pay some of the gains into a fund to protect any authorities otherwise suffering large losses.
- 3.4 There are risk considerations involved in introducing the new scheme:
- Financial – estimation, forecast and realisation compares with the actual realised.
  - Economic -direct ability to control/influence economic growth in current financial climate and geographical make-up e.g. semi rural. Also, willingness of partners to support and competition from other areas with greater incentives or infrastructure to draw new businesses.

### **4. COUNCIL TAX DISCOUNT AND EXEMPTION CHANGES**

- 4.1 Provisions within the Local Government Finance Bill are intended to provide greater flexibility to address levels of empty properties and to give scope to impose additional liability to encourage owners to take appropriate action to bring properties back into use. The changes take effect in April 2013.
- 4.2 However, the ability of charge payers to bring properties back into use may be affected by the current financial climate.

### **5. RECOMMENDATIONS**

- 5.1 The scale and extent of the changes as a result of this legislative programme are substantial. The very tight timescale over which the new requirements will be introduced hits hard in April 2013 and represents a major change to the services delivered to many of the citizens within the city and surrounding area. Members will need to be aware of the forthcoming changes and the short timescale for implementation.

5.2 Acknowledgement should be made of the implications of the proposed legislative changes which are expected to be implemented from April 2013 onwards. They will require extensive review of the services delivered through the partnership arrangements.

**Impact assessments**

**Does the change have an impact on the following?**

<b>Equality Impact Screening</b>	<b>Impact Yes/No?</b>	<b>Is the impact positive or negative?</b>
Does the policy/service impact on the following?		
Age	<b>Yes</b>	<b>Negative</b>
Disability	<b>Yes</b>	<b>Positive</b>
Race	<b>No</b>	
Gender/ Transgender	<b>No</b>	
Sexual Orientation	<b>No</b>	
Religion or belief	<b>No</b>	
Human Rights	<b>No</b>	
Health inequalities	<b>No</b>	
Rurality	<b>No</b>	

**If you consider there is either no impact or no negative impact, please give reasons:**

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**If an equality Impact is necessary, please contact the P&P team.**

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