

POLICY NOTE

THE COUNCIL TAX REDUCTION (SCOTLAND) REGULATIONS 2012

SSI 2012/303

1. The above instrument is made in exercise of the powers conferred by sections 80 and 113 of, and paragraph 1 of Schedule 2 to, the Local Government Finance Act 1992. It is subject to the negative procedure.

Policy Objective

2. The UK Government's abolition of Council Tax Benefit from April 2013 will transfer responsibility for assisting the vulnerable to meet their Local Taxation liabilities to the Scottish Government. This will be associated with a transfer of funds from the UK Government to the Scottish budget equivalent to the expected costs of Council Tax support, minus 10%. As of May 2012, 565,630 people in Scotland received Council Tax Benefit.

3. The Scottish Government and COSLA have agreed to mitigate that 10% funding cut for 2013/14. This, along with the budget to be transferred from the UK Government, provides the budgetary cover for a policy to deliver the equivalent level of support as the present Council Tax Benefit. Specifically, the policy objective is for entitlement to support for Council Tax to reflect, insofar as possible, the present entitlement to Council Tax Benefit.

4. These Regulations implement this policy by establishing a scheme of reductions to Council Tax using powers in the Local Government Finance Act 1992, which allow Scottish Ministers to make regulations to reduce individuals' Council Tax liabilities. The Regulations ensure that recipients of Council Tax Benefit will not be disadvantaged by its abolition and will receive the same level of support, provided that their circumstances remain the same, by way of a reduction in liability for Council Tax. Therefore, existing entitlement criteria are adopted as much as is possible.

5. The Regulations make provision for a reduction in liability for Council Tax, based on status and means, for persons of Working Age. A further set of Regulations for persons who have reached the qualifying age for State Pension Credit will be laid separately.

6. The Regulations set out the conditions which determine who is entitled to Council Tax reduction and identify 4 categories of persons who are not entitled – specifically; students, absentees from a dwelling, persons treated as not in Great Britain and persons subject to immigration control. They set out methods for determining how the reduction is calculated, the maximum reduction which can be awarded, and the circumstances in which entitlement can be extended. The Regulations also set out how the applications process will work, when entitlement begins, and when a change of circumstances takes effect.

Consultation

7. As the policy intention is to replicate existing entitlement to Council Tax support in 2013/14, formal consultation was not considered to be necessary as there will not be a

material change in net Council Tax liability for those presently entitled to Council Tax Benefit, unless their circumstances change.

8. Throughout the development of the Regulations, the Convention of Scottish Local Authorities (COSLA), the Institute of Revenues, Rating and Valuation (IRRV), local authority software suppliers and local authority revenue and benefits practitioners have provided advice and assistance to the Scottish Government. In addition, regular updates on the new arrangements for localised Council Tax support have been provided to the Scottish Government's Welfare Reform Scrutiny Group, the Housing Benefit Advisory Group, Local Authority Directors of Finance and the wider local government practitioner community.

Financial Effects - Scottish Government and Local Government

9. Council Tax Benefit is presently funded by the Department for Work and Pensions (DWP) and administered by Scottish Local Authorities, who receive payments directly from DWP in relation to each valid claim. Local Authorities presently bear the financial risk of meeting any invalid claims. In 2011/12, the total Council Tax Benefit expenditure in Scotland was £383.5 million with the total DWP payment to Local Authorities in respect of valid claims being around 5% less.

10. Based on projections from DWP, the 10% cut in funding for 2013/14 corresponds to approximately £40m. The Scottish Government and COSLA agreement to mitigate this 10% reduction in 2013/14 is based on respective contributions of £23m and £17m. This £23 million, which will be made available in 2013/14, represents the impact of implementing these regulations to the Scottish budget and follows the Cabinet Secretary for Finance and Sustainable Growth's announcement in February this year that the 2012 budget set aside "*around £20 million in 2012-13 – until the [Welfare Reform] picture becomes clearer*". Confirmation of the final amount to be transferred by the UK Government to the Scottish budget for localised Council Tax support in 2013/14 is expected to be given by the UK Government in its Autumn Budget Statement.

11. The Scottish Government will transfer the budget received from the UK Government, plus its own contribution of £23 million, to Local Authorities by pre-existing means and according to a distribution agreed with COSLA based on historic shares of Council Tax Benefit payments. This direct grant will therefore be in place of the direct payments of Council Tax Benefit to Local Authorities and will, along with Local Government's own contribution of £17 million, provide overall budgetary cover to Local Government in Scotland equivalent to present levels of Council Tax Benefit payments made by DWP.

12. Council Tax Benefit is currently administered by local authorities simultaneously with Housing Benefit, and administration costs are subsidised by DWP. Following the abolition of Council Tax Benefit, Local Authorities will administer applications for Council Tax reductions and Housing Benefit separately from April 2013. DWP will continue to fund the administration of Housing Benefit claims by Local Authorities, but will not subsidise the administration of localised council tax support. However, DWP have indicated that they will pay an administrative subsidy to Local Authorities in 2013/14 for the operation of Housing Benefit at a level equivalent to the present subsidy for operating both Council Tax Benefit and Housing Benefit.

Financial Effects - Individuals and Households

13. The policy intention to introduce a scheme which reflects existing entitlement to Council Tax support in 2013/14 means that there will be no negative impact on individuals or households as a result of the 10% cut in funding from the UK Government. Those currently in receipt of Council Tax Benefit – whether this amounts to some or all of their Council Tax liability – will not experience a material difference in their net Council Tax liability unless their circumstances change. Whereas previously such individuals' had some or all of their Council Tax paid by DWP, under the new arrangements their liability will be reduced by an identical amount.

Impact Assessments

14. The policy will have potential equalities impacts and therefore an Equalities Impact Assessment (EQIA) has been undertaken. The results of the EQIA will be published on the Scottish Government's website. Equalities impacts will be reviewed and evaluated during the implementation of the new arrangements for localised Council Tax support from April 2013 onwards.

15. As the policy has no direct impact on business or the third sector, no Business and Regulatory Impact Assessment (BRIA) is required.

16. As there is no impact on the environment, or on environmental issues, no Strategic Environmental Assessment (SEA) is required.

17. Although implementation of the policy will involve the use and/or storage of personal data, this data will not be handled, processed or stored by the Scottish Government. This role will be undertaken, as is currently the case for Council Tax Benefit, by individual Local Authorities and the UK Government. Therefore, no Privacy Impact Assessment (PIA) is required.