



RECORD OF EXECUTIVE DECISIONS

The following is a record of the decisions taken at the meeting of **CABINET** on **19 December 2012**.

The decisions will come into force and may be implemented from **3 JANUARY 2013** unless the Overview and Scrutiny Management Committee or its Committees object to any such decision and call it in.

Local Council Tax Support Scheme, Review of Discretionary Council Tax Discount on Unoccupied Properties & Calculation of Council Tax Base 2013/14

Key Decision: Corp/R/12/02

Summary

The Cabinet considered a report of the Corporate Director, Resources on the outcome of the consultation on the Local Council Tax Support Scheme (LCTSS) and the proposed changes to Council Tax discounts on empty properties, including second homes, plus the withdrawal of the 'double taxation' payments currently provided to some parish and town councils. The report made recommendations to Council with regard to the Local Council Tax Support Scheme to be implemented from 1 April 2013. The report requested that Cabinet considered implementing changes to a number of Council Tax exemptions and discounts relating to empty properties and second homes in order to generate additional council tax income for the Council with effect from 1 April 2013. Cabinet were requested to consider the withdrawal of double taxation payments currently made to 69 of the parish and town councils and to determine the Council's Council Tax Base for 2013/14, taking into account the impact of the Local Council Tax Support Scheme and changes to discounts on empty properties and second homes.

Government funding for the LCTSS will only be 90% of the forecast costs which will result in approximately a £5.5m loss of Government funding in total. The expectation is that Governments will recover the shortfall by reducing benefit entitlement to working age claimants.

In Durham, the overall aim of the recommended LCTSS in 2013/14 is to provide the same level of support to council tax payers as the current Council Tax Benefit Scheme would have done. In so doing, the scheme will protect vulnerable households at a time of great uncertainty over the impact of the wider Welfare Reforms agenda and the ongoing difficult economic conditions in County Durham.

There is a statutory requirement to publish and consult on the Council's proposals with regards to the new Local Council Tax Support Scheme (LCTSS), which must be approved by Council before 31 January 2013.

On 12 September 2012 Cabinet agreed to undertake consultation on its proposals for the Durham LCTSS and on withdrawing the council tax discounts currently awarded for Class A, C and L empty properties, plus removing the remaining 10% discount on second homes and charging an empty property premium on properties that are long-term empty (i.e. 2 years or more) of up to 150% of the full council tax from 1 April 2013.

Subsequent to the Cabinet report on 12 September, the Government has firmed up their proposals with regard to giving councils greater discretion over council tax discounts. There are no provisions within the Statutory Instrument issued 30 November 2012 for billing authorities to amend the Class L exemption, so class L exemptions have been excluded from consideration in this report.

The Council's Hardship Relief Policy has also been updated to take into account the potential for more hardship cases should the council tax discount changes be implemented.

Parish and town councils have been consulted on the proposed removal of the 'double taxation' grants currently paid to 69 of them.

The Equality Impact Assessment has been updated in line with feedback and evidence gathered during the consultation period and is appended to this report.

Since the September Cabinet report, a number of Government policy changes, together with the revised forecast of LCTSS grant and technical changes have had a significant impact on the original financial projections. Updated forecasts of the additional council tax yield and LCTSS grant receivable next year are shown in the body of the report.

The updated financial forecasts for 2013/14 are considered robust and prudent for budget setting purposes and the forecasts include a provision for LCTSS caseload growth of 1% next year. The forecasts are shown below:

- Loss of Council Tax yield from Council Tax Base reductions linked to the introduction of the LCTSS = -£42.784m;
- Council element of the forecast LCTSS Grant 2013/14 = +£37.394m;
- Additional Council Tax yield from Council Tax Base increases linked to removal of discounts and general growth in the tax base in year = +£5.465m;
- Net Impact on MTFP in 2013/14 = Balanced (after allowing for a £75k contingency)

The report includes details of the Council and parish and town Council Tax Bases for 2013/14. Setting and agreeing the tax base is a statutory requirement and these figures are an important component in the budget setting process. The Council Tax Base for the whole county has been calculated to be 128,205.0 Band D equivalent properties in 2013/14.

The actual cost of the LCTSS will be kept under continuous review and the scheme will be reviewed again ahead of 2014/15 budget setting. Any changes to the LCTSS will need to be consulted on and, should any changes be proposed, a report would need to be brought back to Cabinet in September 2013 before embarking on consultation in autumn 2013.

As agreed at the September Cabinet, officers have consulted with parish and town councils on the withdrawal of the double taxation grants currently paid to 69 local parish and town councils. The proposal is to withdraw these payments in 2013/14, realising MTFP savings for the Council of circa £246,000 next year. The impact on individual parish and town councils' budgets ranges from between £16 a year to £38,475 a year. For the parish and town councils to make up this shortfall from council tax payers would mean an increase in council tax within a range of less than 1 pence a week to a maximum of 24 pence a week per Band A household.

The report includes an overview of the impact of these decisions on individual parish and town councils. Discussions are ongoing with representatives from parish and town councils to see how the formula applied to the distribution of the parish element of the LCTSS grant can be best used to offset reductions across the sector. In line with Government guidance, the Council will passport 100% of the parish element of the LCTSS grant to parish and town councils in 2013/14

Decision

The Cabinet agreed:-

- (i) to note the content of the report, particularly the outcomes of the consultation process, updated equality impact assessments and the revised financial forecasts;
- (ii) to recommend to Council, adoption of a Local Council Tax Support Scheme in 2013/14 that seeks to protect entitlement to the new discount in line with the level of Council Tax Benefit that would otherwise have been granted had the Council Tax Benefit system continued;
- (iii) that the Scheme be introduced for one year only and be kept under continuous review with a further decision for 2014/15 to be considered by Cabinet in September 2013;
- (iv) to recommend to Council the withdrawal of the discounts currently awarded at Class A and C, plus the removal of the remaining 10% discount on second homes and introduction of an empty property premium on properties that are long-term empty (i.e. 2 years or more) of 150% of the full council tax from 1 April 2013;
- (v) to passport the parish element of the LCTSS grant, as notified in the Local Government Finance Settlement in December, to local parish and town councils and The Charter Trust for the City of Durham in full and to work with colleagues in these authorities as to the best method of apportioning / allocating this grant;

- (vi) to the withdrawal of double taxation grants to parish and town councils with effect from 1 April 2013;
- (vii) to approve the updated Council Tax Discretionary Reduction Policy and Business Rates Hardship Relief Policy attached to the report
- (viii) to approve the Council Tax Base for the financial year 2013/14 for the County, which has been calculated to be **128,205.0** Band D equivalent properties.

Medium Term Financial Plan (3), Council Plan and Service Plans 2013/14 – 2016/17

Key Decision: Corp/A/10/12/1

Summary

The Cabinet considered a joint report of the Corporate Director, Resources and Assistant Chief Executive that provided an update on:-

- a. Autumn Statement and Local Government Finance Settlement
- b. 2013/14 Budget.
- c. Development of the 2013/14 – 2016/17 MTFP (3) Model.
- d. MTFP consultation to date.
- e. Equality Impact Assessments.

The council continues to face significant challenges in setting a balanced budget for 2013/14 and planning effectively across the medium term financial plan due to still awaited key local government finance policy changes. This, along with uncertainty in public finances generally across the medium term due to the ongoing economic recession, is placing all councils in a very difficult position when planning budgets.

The impact of austerity cuts upon local authorities continues to be uncertain. The Chancellor of the Exchequer's Autumn Statement announcement on 5 December included further funding reductions for local authorities as detailed below:

- (i) An additional 2% cut in funding for local authorities in 2014/15. This equates to an estimated further £4.5m funding reduction for the Council in 2014/15 increasing the forecast Government grant reduction to £21.9m.
- (ii) Government funding reductions will continue until at least 2017/18. An assumption in this regard will need to be taken into account when the Cabinet considers its next medium term financial plan for 2014/15 to 2016/17 - MTFP 4.

Although the council is forecasting a balanced budget for 2013/14, the level of savings to be achieved needs to increase from the £20.3m reported to Cabinet on 10 October 2012 to £22.1m. Over the four year MTFP (3) period the savings required have increased from the £89m reported to Cabinet on 10 October 2012 to £97.9m mainly as a consequence of the additional £4.5m funding cut in 2014/15 following the chancellor's autumn statement.

Having taken these further adjustments into account, the council will have needed to achieve savings across the 2011 – 2017 period of £190.9m which equates to 44% of the council's 2010/11 Net Revenue Expenditure budget. Following the autumn statement, additional savings will also be required in 2017/18 due to continued Government cuts which is likely to result in savings exceeding £200m in total. Although a wide range of savings plans are in place across the MTFP period, savings of £53.0m are yet to be identified for the period 2014/15 to 2016/17.

The two issues detailed below typify the challenges faced by councils at the present time:

- (i) **Local Government Finance Settlement** – usually the Government's finance settlement is received by the first week in December. Disappointingly, this year the Government only released the content of their Autumn Statement on 5 December with the Finance Settlement not expected until 19 December. This late announcement has left the council with very little time to critically analyse the major changes in local government funding being implemented in 2013/14, due to the introduction of the Business Rate Retention (BRR) scheme and the introduction of the Local Council Tax Support Scheme (LCTSS). This position will be further exacerbated if individual government departments delay publishing their specific grant allocations to the council until January.
- (ii) **Council Tax Freeze Grant and Council Tax Referendum Levels** – the government have recently announced a further council tax freeze grant of 1% for 2013/14 which will be paid up to 31 March 2015, the final year in the current comprehensive spending review period. This announcement was also very late in the council's financial planning cycle and all of the council's financial plans have been based upon a 2.5% council tax increase across the medium term financial plan. The government has also announced that the council tax capping limit for 2013/14 has reduced from 3.5% to 2%. This means that councils can only increase council tax levels by higher than 2% if they gain the support of council tax payers in their area through a referendum process. The council's medium term financial planning up till now has been based upon a 2.5% council tax increase year on year but this has now been replaced by 2% thus reducing the availability of funding by £0.8m in every year from 2014/15.

These two major issues above illustrate how the inconsistency and late timing of government policy announcements continue to hinder the council's financial planning processes and how options available to the council to decide council tax levels are being limited.

Decision

The Cabinet agreed :-

- (i) To note the impact of the Autumn Statement announcements on 5 December upon MTFP 3.
- (ii) To note that it is expected that the local government finance settlement could be announced as late as 19 December 2012;
- (iii) To agree the adjustments in relation to the 2013/14 budget and the current expectation that additional 'corporate' savings will be brought forward to balance the £2m budget shortfall;
- (iv) To note the revised MTFP shortfall for the period 2014/15 to 2016/17 of £53.0m;
- (v) To note the update in relation to the Business Rate Retention scheme;
- (vi) To note the update in relation to Equality Impact Assessments.

Welfare Reform update

Key Decision: Corp/A/12/12/2

Summary

The Cabinet considered a report of the Assistant Chief Executive that provided an update on policy developments and the action the council is taking to prepare for the implementation of the reforms and sought approval to the proposed approach to the localisation of the Social Fund in County Durham.

The government brought forward the Welfare Reform Act 2012 to implement the Coalition's commitment to simplify the benefits system, make it fairer and to encourage people into work.

As reported to Members in May, the scale of reform is significant and involves over 40 changes. There is no single point of contact or document for the changes which makes it difficult to analyse the overall impact.

The Department for Work and Pensions is now at the stage where it is mapping out the detail of its initial policy reforms and since the last report to Members in May 2012, the government has made a number of further policy announcements relating to welfare reform, in particular:

- a) Localisation of Council Tax Support funding allocations, statement of intent and draft regulations on default schemes;
- b) pilots and guidance and draft regulations relating to the introduction and operation of Universal Credit;

- c) indicative funding allocations for 2012/13 to 2014/15 to replace the Social Fund;
- d) proposed assessment criteria and guidance for Personal Independence Payments and policy proposals relating to the future of the Independent Living Fund;
- e) consultation on Discretionary Housing Payments and proposals relating to the removal of subsidised rents from high income households living in subsidised social housing ('Pay to Stay');
- f) Benefit Cap guidance for local authorities.
- g) limits to the future uprating of benefits to achieve £3.7 billion of savings in 2015/16, announced in the Chancellor's Autumn Statement. The Chancellor's Autumn Statement made on 5 December 2012, confirmed welfare expenditure reductions to 2015/16 only, by limiting future increases in benefit payments. Confirmation and detail are therefore still awaited on whether, when and how these future policy suggestions may be implemented.

Independent commentators such as the Institute for Fiscal Studies are still suggesting that further reductions in welfare will be required to avoid significant spending reductions in other government departments and the Chancellor has confirmed that a spending review will be held in the first half of next year to determine departmental spending limits for 2015-16 and 2016-17.

In relation to the abolition of the Social Fund, it is clear that this will leave a gap in assistance of last resort for vulnerable people in times of need, unless the council intervenes to provide help. It is at the council's discretion whether it should do so, however in the light of the withdrawal of the Social Fund, it is suggested that the council should step in to provide assistance of last resort to people in need, within the available funding devolved from government.

The proposed changes to welfare will have a significant impact on people in the county when they are implemented from April 2013 onwards.

The Council estimates that half of all households in the county, amounting to around 120,000 households will be affected and will have to re-apply for support under the new system of benefits and potentially experience a change in their entitlement:

- Universal Credit will affect 32,000 existing benefit claimants and a further 24,000 Incapacity Benefit claimants may be affected depending on the further development of the scheme.
- Changes to Families Tax Credits will affect 58,000 families and 47,000 people will be affected by changes to Housing Benefit entitlements. 8,300 will be affected by the under-occupancy charge.
- Currently, there are 63,000 Council Tax Benefit claimants in the county who will be affected by the introduction of a local Council Tax Support scheme. In spite of a reduction in government funding, the council is however seeking to ensure that existing claimants are not detrimentally

affected during the transition, as outlined in the more detailed report on local Council Tax Support elsewhere on this agenda for Cabinet.

- Although as yet to be confirmed, the proposal to remove Housing Benefit from people under 25 would affect around 4,400 people.
- Currently, there 21,000 working age people claiming Disability Living Allowance who would be affected by the move to Personal Independence Payments. Estimates suggest that 40 per cent may experience a reduction in assistance, which indirectly may increase the costs incurred by the council in providing social care and support.

Overall, it is estimated that the quantum impact of the government's welfare reforms will lead to a loss of £150 million to the local economy in 2013/14.

This is based on the confirmed current national reduction in welfare expenditure of £18 billion within the current spending period and does not take into account the additional £3.7 billion welfare savings in 2015/16 announced in the Autumn Statement.

In spite of the uncertainty and as best it can, the council is anticipating and planning for the implementation of the reforms through the programme management approach described in the report.

In addition, it is clear that the abolition of the Social Fund, will leave a gap in assistance of last resort for vulnerable people in times of need, unless the council intervenes to provide help.

It is at the council's discretion how it designs such a scheme if it chooses to do so, and the council needs to be mindful of the amount of funding to be devolved compared with current estimates of government expenditure on Social Fund schemes. Officers have taken this into account, in designing the eligibility criteria in the draft Welfare Assistance Fund policy and the associated equality impact assessment attached to the report.

Decision

The Cabinet agreed:

- a) to note the contents of this report and further developments in government welfare reform;
- b) to note the latest assessment of impacts and implications for residents in the county;
- c) that in the light of the abolition of the Social Fund, the council should step in to provide assistance of last resort to people in need, within the funding devolved from government;
- d) to introduce the draft Welfare Assistance Fund policy and criteria as set out in the report.

- e) to seek external support to assist with the administration of the proposed Welfare Assistance Fund;
- f) to delegate authority to the Assistant Chief Executive in consultation with the Leader, to make any final amendments to the proposed scheme and agree the method of delivery in line with the commencement date of 1 April 2013.

Decision made in Part B of the meeting – report contains exempt or confidential information

Sale of Land at Pont Lane, Leadgate

Summary

The Cabinet considered a report of the Corporate Director, Regeneration and Economic Development that sought authority to exchange a parcel of land at Watling Wood, Villa Real, Consett which is currently held in a statutory capacity for a parcel of land lying to the north east of Fourth Street, Leadgate (otherwise known as land at Pont Lane, Leadgate, Consett).

Decision

The Cabinet approved the recommendations in the report.

Colette Longbottom
Head of Legal and Democratic Services
21 December 2012