

DECISION-MAKER:	CABINET
SUBJECT:	LOCAL COUNCIL TAX SUPPORT – PROPOSED SCHEME FOR CONSULTATION
DATE OF DECISION:	21 AUGUST 2012
REPORT OF:	CABINET MEMBER FOR RESOURCES
STATEMENT OF CONFIDENTIALITY:	
Not applicable.	

BRIEF SUMMARY:

The current Council Tax Benefit (CTB) scheme is to be abolished from April 2013 and replaced with a Local Council Tax Support scheme. People of pensionable age are protected, but the Council must design its own scheme for people of working age. This report proposes a draft scheme for Southampton that can be issued for consultation.

Following the consultation process the legislation will require Full Council to adopt a Local Council Tax Support Scheme by the end of January 2013 – to be implemented for the following financial year starting 1st April 2013 it is anticipated that Special meeting of full Council will therefore need to be arranged for January 2013.

The Government’s guidance to local authorities is that the schemes must:

- Support the Government’s welfare reform process and compliment rather than compromise the new Universal Credit
- Include elements which support and make people better off in work
- Ensure that vulnerable groups are considered and protected as appropriate.

The Council will receive at least 10% less from central government to fund the new scheme and there will be additional costs in collecting the tax. Given the Council’s financial position, there is no alternative but to pass on that impact to affected households in the city by restricting the amount of Council Tax Support granted. There are other financial pressures arising from the change for which a prudent allowance must be made including: a possible increase in the council tax in April; an increase in take-up and the likelihood of a lower collection rate. To contain these effects without impacting on the Council’s other services the proposed Council Tax Support scheme is designed to be self-funding. This means that people of working age can expect to receive 25% less towards their council tax – many having to pay for the first time.

RECOMMENDATIONS:

- (i) To note the Draft Council Tax Reduction Schemes (Default Scheme) Regulations (the Default Scheme Regulations) as issued by the Department for Communities and Local Government as set out in Appendix 1.
- (ii) To approve the draft Southampton City Council ‘Council Tax Support Scheme’ (the Default Scheme as set out in Appendix 1, with the variations and additions set out in Appendix 2) for the purpose of public consultation.

- (iii) To delegate authority to the Head of Finance and IT, following consultation with the Cabinet Member for Resources, to do anything necessary to publish and consult on the draft Scheme as approved.
- (iv) To delegate authority to the Head of Finance and IT, following consultation with the Cabinet Member for Resources, to amend the draft Scheme to take into account consultation responses received, Impact Assessments conducted by the Council or changes required to give effect to any new legal requirements or statutory guidance published in relation to Local Council Tax Support Schemes, prior to recommending a Scheme for approval by Council.
- (v) To note that it is proposed that a special meeting of Council will be arranged in January 2013 to agree the final scheme for implementation from 1 April 2013.
- (vi) To note the implementation timeline as set out in Appendix 5.

REASONS FOR REPORT RECOMMENDATIONS:

1. Subject to the Local Government Finance Bill completing its passage through Parliament, the Council will be required to adopt a Council Tax Support Scheme by the end of January 2013. Before that it must publish a draft scheme and have consulted major preceptors and other people who may have an interest in the operation of the scheme.
2. Given the tight timescales for implementation, and the facts that legislation is not yet in place and guidance is still being received; it is necessary to allow for some flexibility in the design of the scheme and in the consultation, which is achieved by the delegation to the Head of Finance and IT in consultation with the Cabinet Member for Resources in recommendation (ii).

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED:

3. The option of fully or part funding the scheme to reduce the impact on households has been considered but rejected because of the financial cost and the consequent impact on other Council services.
4. Various options for the design of the Council Tax Support scheme (set out in appendix 4) have been considered and rejected as:
 - Introducing unacceptable inequalities in their impact.
 - Reducing the incentive to work or save.
 - Bringing additional financial risks.
 - Resulting in additional administration.

DETAIL (Including consultation carried out):

5. The Welfare Reform Act 2012 abolishes both Housing Benefit (which will gradually be replaced by Universal Credit) and Council Tax Benefit (CTB). The Local Government Finance Bill, which is currently working its way through Parliament, provides for the introduction of local Council Tax Support (CTS) schemes as a replacement for CTB to be administered by Local Authorities from 1st April 2013.
6. The Council must adopt a CTS scheme by the end of January 2013. Before then it must consult major preceptors (for Southampton this is the Police and Fire and Rescue authorities), publish a proposed scheme and consult other people it considers are likely to have an interest in the operation of the

scheme. If the Council fails to adopt a scheme then a “default” scheme is imposed by the Department for Communities and Local Government (DCLG). Effectively this is the same as the current CTB scheme.

7. CTB has previously been fully funded by the Department for Work and Pensions. However, under the new arrangements, that funding will be reduced by 10% based on anticipated expenditure in 2013/14. In Southampton this reduction is expected to be around £1.9 million, although the final figure is not yet known.
8. There is the option to implement a local scheme which does not pass on this funding cut to those currently eligible for CTB. However, the cost of this protection would fall on the General Fund and either be borne by council tax payers, or reduce the funding available for other services. These are seen as unacceptable alternatives.
9. The Government’s aims in localising council tax support are:
 - As part of the wider policy of decentralisation, to give local authorities increased financial autonomy and a greater stake in the economic future of their local area;
 - To give local authorities a strengthened financial stake in ensuring that local schemes lift the poorest off benefits and support them into work. Delivering the positive incentives to work that will reduce poverty and reliance on council tax support in the long term.
10. The Council is not permitted to reduce council tax support for people of pensionable age. The Government is retaining default national rules for pensioners with eligibility and rates defined in broadly similar regulations as those for CTB. This means that any reductions in support to enable a scheme to be self-funding have to fall disproportionately on people of working age.
11. In designing schemes for people of working age, the Government has reminded authorities of their statutory responsibilities, including:
 - The Equality Act 2010;
 - The Child Poverty Act 2010;
 - The Armed Forces covenant;
 - Housing Act 1996
12. The Council has 27,622 Housing Benefit (HB) and Council Tax Benefit (CTB) claimants. Most of these are joint claims for both benefits and 24,100 include claims for CTB. Of these 15,000 are working age. This means that approximately 15% of all households in Southampton will be affected. Generally HB and CTB are claimed jointly and this will continue for the first year of CTS. After this, Universal Credit will start being rolled out and separate claims may be needed.

Designing a Council Tax Support Scheme for Southampton.

13. To avoid undesirable impacts on other services the proposed Southampton Council Tax Support Scheme is designed to be self-funding. In achieving this aim the following have been taken into account:
 - The reduction in Government funding of £1.9million;
 - An allowance for a potential increase in council tax of up to 3.5% (the

maximum allowed in 2012/13 without calling a referendum under the Local Government Finance Act 1992 as amended by the Localism Act 2011– the 2013/14 figure is not yet known);

- An allowance for a reduced council tax collection rate as more money is to be collected from the poorest households in Southampton;
- An allowance for increased take up due to the additional publicity surrounding the new scheme.

For each of these factors we do not yet have actual figures and have worked on prudent best estimates.

14. The timescale allowed for the implementation of CTS is very challenging. Designing a complex scheme is risky and in any event our software suppliers (in common with the rest of the market) have been clear that a scheme that departs substantially from the current CTB rules cannot be implemented in time. The Southampton scheme has therefore been designed to be as straightforward as possible to implement and is closely based on the existing Council Tax Benefit scheme by using the DCLG default scheme as its basis.
15. Consideration has been given to whether there should be protection from the scheme changes for individuals or groups (other than people of pensionable age who are already protected by the legislation). If the fundamental principle of the scheme being self-funding is maintained, it is important to understand that any protection given must inevitably result in a reduction in the support given to other claimants.
16. The only group protected in this proposal are those in receipt of a war pension or war widow's pension (or an equivalent benefit). Currently the Council exercises its discretion to disregard some income for this group and this will continue and their level of support will be maintained.
17. The proposed Southampton Council Tax Support Scheme is formally set out in Appendix 2, but is in brief:
 - The level of support will be calculated in accordance with the Government default scheme but then reduced by 25% so as to achieve the self-funding as set out in paragraph 13 above.
 - Claimants in receipt of a war pension or war widow's pension will have that income disregarded and will not have their Council Tax Support reduced by the 25%. They will therefore be unaffected by the introduction of the new scheme.

Appendix 3 gives a table which shows the impact of the scheme on a range of claimant groups.

18. There will also be a discretionary fund to ensure that the most vulnerable can access additional support in exceptional circumstances.
19. Appendix 4 sets out other options for the scheme that were considered but rejected.

20. In addition to the requirements set out in paragraph 11, it is recognised that the combined effects of the wider reform package on residents of the city require a robust Equalities Impact Assessment. An initial assessment has been drafted which will be developed and honed throughout the consultation period and a completed Equalities Impact Assessment will be included with the proposed final scheme which is anticipated will be determined by full Council in January.
21. The Council may amend its Council Tax Support scheme annually and it is recommended that the proposed scheme is reviewed for the 2014/15 financial year. By this time there should be more options open to the Council in the scheme design and there will be hard information available on the caseload and collection rate impacts.

The Consultation and Communication Process

22. The legislation sets out the consultation process as:
- Consult any major precepting authority which has the power to issue a precept to it;
 - Publish a draft scheme in such manner as it thinks fit and
 - Consult such other persons as it considers are likely to have an interest in the operation of the scheme.

The Council must take these steps in the order set out.

23. Informal consultation with the Police and Fire and Rescue authorities has already started and this will be formalised prior to the scheme being published immediately following this Cabinet meeting. Wider consultation will then commence during September and a period of 12 weeks will be allowed for this part of the process.
24. Basic details of the Southampton draft scheme will be provided to all consultees and it will be made clear that full details will be available on the Council's web site or can be provided as a hard copy or in other formats on request. It is anticipated that all affected CTB recipients will be sent a letter to alert them to the proposals. Other persons who are likely to have an interest and so will be included in the consultation include:
- Landlords
 - Advice agencies
 - Southampton Connect
 - Members of the Anti-Poverty network
 - Representatives of any special interest groups not already covered.

The consultation mechanisms are still to be finalised.

25. Following the consultation process, the Head of Finance and IT, following consultation with the Cabinet Member for Resources, will amend the draft scheme as necessary taking account of:
- The consultation responses received;
 - The Equalities Impact Assessment;
 - The latest information from the DCLG on the funding to be provided;

- Any amendments made to relevant legislation;
- The best available estimates of caseload and collection rate.
- The anticipated increase in council tax (if any).
- Any upratings of welfare benefits proposed by the Government which take effect on or after 1st April 2013.

It is anticipated that the revised scheme will then be considered at a special Council meeting to be held in January 2013. A timeline setting out the main activities is attached as Appendix 5.

26. An article designed to raise awareness of the change has been included in the next edition of CityView. There are many other changes to welfare provision over the months leading up to the next financial year and a coordinated communication plan is being designed and implemented.

Administration of the Scheme

27. There are a number of administrative aspects to be considered before the scheme is implemented, some of which require more detail from the Government before arrangements can be completed. As examples these include: requirements for evidence; notification letters; claim periods and the operation of appeals. A project team is in place to handle these matters through to implementation.
28. Similarly the working of the discretionary fund needs to be further developed before implementation. Currently it is envisaged that decisions on eligibility will be made by the group of officers currently responsible for Discretionary Housing Payments and that they will follow similar criteria. The discretionary fund does not form part of the Council's CTS scheme and so will not be subject to the same rights of appeal.
29. The Government has been clear that it intends to allow CTB recipients to be automatically transferred to CTS on 1st April 2013, without having to make a further claim.
30. During 2013/14, the Council will still be administering Housing Benefit. The majority of claimants currently receiving Housing Benefit also receive Council Tax Benefit and the two are generally administered together. It is considered cost effective to continue to use the same processes and rules as far as possible for the assessment of both benefits until Housing Benefit is abolished in a few years time.
31. For the moment, the familiar schemes of Department of Work and Pensions (DWP) means-tested benefits – Income Support, income-based Jobseeker's Allowance and income-related Employment and Support Allowance – continue. The present Council Tax Benefit scheme uses the means test carried out for these benefits rather than carrying out a second means test and people on these benefits are "passported" to Council Tax Benefit. It is considered best to continue to use the results of DWP means-testing as far as possible rather than carry out an additional full Council means test., To ease administration and the need for people to repeatedly provide the same information to various public bodies, the Government intends to allow data sharing with the DWP. The extent to which this will be possible has not yet been fully determined.

RESOURCE IMPLICATIONS:

Capital/Revenue:

32. As set out in the paragraphs above, CTB has previously been fully funded by the Department for Work and Pensions and the Council's grant will be reduced by 10% based on anticipated expenditure in 2013/14. In Southampton this reduction is expected to be around £1.9 million although the final figure is not yet known.
33. The scheme itself is designed to be self-funding through reductions in the level of Council Tax Support payable, compared to the Council Tax Benefit currently awarded. However there are some risks that must be acknowledged. These are:
- The potential for an increased caseload due to the economic climate. DCLG projections are that caseload will be reducing over the next few years as the effects of the recession recede. This is far from certain and as a contingency, it has been assumed that the number of people entitled will remain static. However, the possibility that the recession will deepen remains.
 - The potential for increased take-up. Council Tax Benefit is the most under-claimed benefit, particularly amongst pensioners. The publicity around this change may result in an increase in claims. It is difficult to project what this may mean but as a contingency an increase in caseload has been assumed.
 - A reduction in the council tax collection rate. The amount that must be paid by some of the poorest people in our community will be increase and many people will be asked to pay council tax for the first time. There is no way to know for sure how much of this additional debt will be collectable.
34. The DCLG has awarded an implementation grant of £83,000 to all authorities to assist with implementation costs and a further grant is expected in future, although the amount is not yet known. Based on past experience, it is currently anticipated that our implementation costs will be covered by these grants, subject to the design of the final scheme adopted.

Property/Other:

35. There should be no implications for Property.

LEGAL IMPLICATIONS:

Statutory power to undertake proposals in the report:

36. The requirement to introduce a local council tax support scheme is contained in the Local Government Finance Bill which is currently progressing through the Parliamentary process. Royal Assent is expected in October. The detailed requirements of the schemes will be contained in regulations, drafts of which have been issued by the Department for Communities and Local Government.

Other Legal Implications:

37. As set out in the detail section of the report

POLICY FRAMEWORK IMPLICATIONS:

38. The reduction in income of a substantial proportion of the poorest households in Southampton is likely to impact on some of the plans and strategies that make up the Policy Framework in ways that are difficult to anticipate in advance. For example, the Children and Young People's Plan has as a priority "we will significantly reduce the number of children and young people living in poverty". The change from CTB to CTS is likely to be detrimental to that aim. A final decision in relation to any Policy Framework Implications will be addressed in the report to Council in January 2013.

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KEY DECISION? Yes

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices:

1.	Draft Council Tax Reduction Schemes (Default Scheme) Regulations
2.	Draft Southampton City Council Tax Support Scheme.
3.	Proposed Council Tax Support Scheme for Southampton:- Impact on claimant groups compared to existing Council Tax Benefit Scheme (CTB).
4.	Other scheme options considered.
5.	Timeline to Implementation

Documents In Members' Rooms:

1.	None.
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at Local Taxes and Benefits Team, 4th Floor, One Guildhall Square, Southampton, SO14 7FP:

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	<p>DCLG publications:</p> <ul style="list-style-type: none"> • Localising support for council tax: Explanatory Note on Draft Regulations • Localising support for council tax: Draft Council Tax Reduction Schemes (Default Scheme) Regulations • Localising support for council tax: Draft Council Tax Reduction Schemes (Prescribed Requirements) Regulations • Localising support for council tax: A statement of intent on information sharing and powers to tackle fraud • Local Government Finance Bill: Localising support for council tax - Updated impact assessment • Localising Support for Council Tax - Taking work incentives into account • Localising Support for Council Tax Vulnerable people - key local authority duties • Localising Support for Council Tax: A Statement of Intent • Localising Support for Council Tax: Funding arrangements consultation • Localising support for council tax in England: Consultation • Localising support for council tax in England: Government's response to the outcome of consultation 	
2.	<p>Management Board of Directors report on Local Council Tax Support 24th July 2012</p>	