

Item No. 6.1	Classification: Open	Date: 28 November 2012	Meeting Name: Council Assembly
Report title:		Local Council Tax Reduction Scheme	
Ward(s) or groups affected:		All	
From:		Cabinet	

RECOMMENDATIONS

That the council assembly:

1. Agree the recommendation made by Cabinet on 23 October 2012 to adopt a policy under s.13A Local Government Finance Act 1992 (as amended) which will form the basis of the regulatory framework for a local Council Tax Reduction Scheme
2. Agree the recommendation made by Cabinet on 23 October 2012 to adopt the preferred Council Tax Reduction Scheme option which will result in capping council tax support to 85 percent of current entitlement levels and abolish Second Adult Rebate for non-pensioners in 2013/14.
3. Following Recommendation 1, further agree the Council Tax Reduction Scheme finalised policy will be presented to Council Assembly in January 2013 for approval, following the publication of Prescribed Requirements regulations which are currently in draft form.

Note: Due to the size of the appendices these have been circulated separately to all councillors. They are also available on the council's website.

BACKGROUND INFORMATION

4. On 17 July 2012 a report was presented to cabinet that set out the adopted approach to developing various CTRS (Council Tax Reduction Scheme) options, including an explanation of the existing Council Tax Benefit (CTB) caseload together with narrative of the different types of claim and financial modelling that had taken place.
5. Cabinet considered several schemes but agreed that due to the shortfall in central funding, a preferred option would be presented to stakeholders for consultation. This option delivered the 10 per cent reduction in expenditure by reducing existing CTB entitlement levels across all working age claimants by 15 percent, which was considered not so disproportionately unfair to any particular claimant group as it mirrors the existing means tested scheme.
6. July's cabinet approved a consultation approach and an eight week consultation was conducted from 18 July to 12 September. The consultation enabled stakeholders to express views on the preferred option and to proffer comments and alternative views.

7. On 23 October 2012 cabinet considered a report on the Local Council Tax Reduction Scheme that reflected on the consultation response. A copy of the cabinet report and its appendices (except for Appendices G and H, for which revised versions are circulated as Appendices 2 and 3) has been circulated separately to all councillors (see Appendix 1). The decision of the cabinet is set out below:
- (1) That following the abolition of Council Tax Benefit (CTB) by government from 1 April 2013, the council is required to adopt a Local Council Tax Reduction Scheme (CTRS) in its place by 31 January 2013 with a 10 per cent reduction in funding.
 - (2) The extent and outcome of the consultation as detailed in the cabinet report attached as together with the equality analysis undertaken and proposals to further support communities.
 - (3) The strategic director for finance and corporate services closely monitors the impact of CTRS on the council tax collection fund.
 - (4) That an economic wellbeing strategy is implemented to mitigate the impact on claimants facing a reduction in benefit that includes a programme of benefit maximisation undertaken via the council's Rightfully Yours service.
 - (5) That financial inclusion and responsibility are promoted through the provision of budgeting, employment and arrears advice in partnership with relevant external organisations and support networks including London Mutual credit union, Jobcentre Plus and local advisory services.
 - (6) That officers consider how to establish a welfare hardship fund to mitigate some of the impact of the benefits changes to protect the most vulnerable, as part of the 2013/14 budget process.
 - (7) That the proposals from government in relation to the option for transitional funding (paragraphs 3 – 7 of the addendum report) be noted and that officers engage with government to clarify the qualifying conditions for securing the funding within the framework of Southwark's preferred council tax reduction scheme (CTRS).

KEY ISSUES FOR CONSIDERATION

8. Under the existing scheme, expenditure on CTB is fully funded by the DWP. However under DCLG the funding for CTRS will be ring-fenced and not demand driven. The funding in the first year is expected to equate to an overall 10 per cent reduction in the projected current expenditure on CTB.
9. At current levels of CTB expenditure a 10 per cent reduction in funding is estimated at approximately £2.7m for this council. Cabinet have concluded that the council is unable to meet what effectively is a cut in benefit expenditure, in full or in part, and must therefore pass on this cut in expenditure to the people who currently claim CTB.
10. The government has stated that people of pension age must be protected from these cuts so that if they currently receive benefit entitlement they will not lose

out under the new scheme. However, this does mean that the burden of the 10 per cent cut has to be borne by the remaining working age benefit claimants.

11. DCLG have reminded authorities that when designing local schemes, they should have regard for vulnerable groups and their statutory responsibilities in respect of child poverty, disabled people, and homelessness. In addition, the local authority has clear duties set out under the Equality Act 2010, including the duty to eliminate discrimination and advance equality of opportunity. Schemes are also required to be consistent with Universal Credit and provide incentives to work.
12. If authorities have not adopted a CTRS scheme for 2013/14 by 31 January 2013, a 'default' scheme is enacted in its place. The exact nature of the default scheme is due to be finalised by the end of November 2012, however the draft version was similar to the existing CTB scheme in many respects. Implementation of the default scheme would almost certainly mean that the whole of the financial impact of the 10 per cent funding reduction would fall to the council and its preceptors and claimants would experience no change.

Southwark's Council Tax Reduction Scheme

13. The cabinet report (Appendix 1) sets out an overview of the preferred CTRS scheme (see paragraphs 19 – 21) and a more detailed analysis (see paragraphs 61 – 68). A draft version of the accompanying CTRS policy was provided as an appendix to the cabinet report as Appendix H.
14. The Local Government Finance Act received Royal Assent on 31 October 2012; however the underlying regulations must now be laid before Parliament by the Secretary of State. The majority of these regulations are due to be laid by the end of November 2012, in particular those regulations concerning the prescribed requirements of support schemes. The appeals regulations are scheduled for February 2012.
15. Whilst authorities have the discretion to create a local CTRS scheme for working age claimants, all national schemes must adhere to Schedule 7 and 8 of the Draft CTRS Prescribed Requirements Regulations. In their draft form these regulations included a variety of provisions including method of application, start date of claims and change of circumstances.
16. Southwark's latest draft CTRS policy (see Appendix 2) has been updated to comply with the most recent draft Prescribed Requirements Regulations provided by DCLG. However until the final regulations are passed by Parliament at the end of November 2012 officers are unable to finalise the policy.
17. The Prescribed Requirements will not have a bearing on the scheme that Southwark implements as they govern the content that must be included within a local scheme, rather than the scheme itself.

Transitional funding

18. The addendum to the cabinet report of 23 October 2012 (see Appendix 1) explained the government's late offer of transitional funding around the introduction of CTRS for 2013/14. Due to a lack of information at the time of cabinet, officers were asked to engage with government to clarify the qualifying

conditions for securing the funding within the framework of Southwark's preferred council tax reduction scheme (CTRS).

19. On 1 November 2012, government published more detailed guidance on the transitional grant scheme, including the eligibility criteria that schemes must meet in order to receive the grant.
20. In order to be eligible for the grant, schemes must ensure that no claimant faces a reduction of more than 8.5 per cent under CTRS compared to their previous CTB entitlement. Under this criterion, Southwark's scheme of an 85% cap would not qualify as all working age customers face a 15% reduction.
21. Appendix 4 of this report models the impact of adapting Southwark's CTRS scheme in order to meet the eligibility criteria of the transitional funding. The model amends the 15 per cent reduction to an 8.5 per cent reduction for working age claimants. The result of this analysis shows that even with the transitional funding of £662,653, a funding gap of £535,171 would remain.
22. Whilst the transitional scheme would still leave the Council with a financial gap to manage through the administration of the scheme it is further complicated as a consultation would be required to enable any adjustments to take effect. Clearly this is restrictive given the aggressive timescales leading to implementation.
23. Furthermore, whilst the transitional funding has been offered for one year only there is no indication that implementation of a revised scheme this year will result in a cap on future years leaving the Council with a financial risk from 2014/15.

Welfare hardship fund

24. On 23 October Cabinet asked officers to consider how to establish a welfare hardship fund to mitigate some of the impact of the benefits changes to protect the most vulnerable, as part of the 2013/14 budget process.
25. Officers are continuing to investigate the feasibility of a hardship fund as well as other methods of support and advice that are available for claimants facing a reduction in entitlement.

Community impact statement

26. A community impact assessment is set out in the October cabinet report (see Appendix 1, paragraphs 52 – 59). In the report to cabinet on 23 October it was stated that an up-to-date equality analysis would be presented to Council Assembly.
27. An updated Equality Analysis is attached as Appendix 3 of this report. The updated analysis refreshes the modelling based on October 2012 data. The main changes from the previous analysis are highlighted below:
 - There has been a 2.5% reduction in caseload between July and October 2012 with the number reducing from 24,301 to 23,689.
 - A larger reduction was seen in male claimants:

	Number of male claimants	Number of female claimants
Jul 2012	8,982	14,768
Oct 2012	8,611	14,488
Reduction in October	371	280

- Despite the overall reduction in caseload, there has been an increase in households with dependent children:

	No. of households with children	No. of single parent households
Jul 2012	11,025	8,676
Oct 2012	11,102	8,763
Increase in October	77	87

- Between July and October 2012 there has been a reduction in the number of households claiming out of work benefits and an increase in the number of working households. The only exception to this is an increase in the number of households in receipt of income-related Employment Support Allowance (ESA(IR)), which is payable to households unable to work. This increase may be a result of the ongoing work capability assessments being undertaken by the Department of Work and Pensions (DWP):

	Jul 2012	Oct 2012
Working households	5,048	5,195
Income Support	8,875	7,972
Jobseeker's Allowance	5,577	5,131
ESA(IR)	2,997	3,214

Consultation

28. Within the Cabinet report (Appendix 1) the consultation approach is set out in paragraphs 23 – 27. The consultation response is detailed in paragraphs 28 – 51 along with an analysis of the main themes and messages.

Adopting the scheme

29. The determination of the level of local taxation is a matter reserved to Council Assembly in the Southwark Constitution; the adoption of the CTRS reflects an amendment to the current level of CTB and the amounts payable by residents.
30. The CTRS scheme will require entitlement to support to be shown as a discount on council tax bills from April 2013. Therefore in order to ensure that the scheme is factored into the tax base calculation for 2013/14 the local scheme will need to have been formally approved by the council no later than November 2012.
31. In addition, the timescales for implementation are extremely challenging and there are limits upon the scheme design choices available to the council at least in the short term. It will be important for the council to closely monitor the impact

of its first scheme in order to ensure that it can be refined and improved over time.

Primary timetable for local scheme implementation

32. The timetable for implementation and associated activity to date is as follows:

Activity	Lead	Date
Report to cabinet for recommendation to council assembly	Strategic director of finance and corporate services	23 October 2012
Report to council assembly to adopt local scheme	Strategic director of finance and corporate services	28 November 2012
Plan implementation for CTRS scheme following decision and DCLG regulations	Revenues and benefit officers	November 2012- March 2013
Report to council assembly to adopt local policy	Council	January 2013
2013/14 Council Tax base agreed	Council	January 2013
Implement CTRS system	Revenues and benefits officers	31 January 2013
2013/14 Budget agreed	Council	February 2013
Issue 2013/14 Council Tax Bills	Revenues and benefits	March 2013
Go Live with CTRS scheme	Revenues and benefits	April 2013

Finance implications

33. Detailed financial implications were included in the report to cabinet on 23 October 2012 (see Appendix 1, paragraphs 80 – 89).
34. The current subsidy budget for council tax benefit is £27.8m, some 22 per cent of the total council tax yield. This includes the GLA element, Southwark's share being some £20.8m. The government announced in the 2010 Spending Review that government resources to fund CTB would be reduced by 10 per cent. The government is proposing to replace CTB with grant funding. The council estimates that in consideration of our current benefit caseload and benefit trends the future grant should be £25.0m leaving a potential gap of £2.8m against the current £27.8m if the scheme continues without change.
35. The CTRS option proposed will reduce the cost of the CTRS scheme by £2.7m, this leaves a potential funding gap of £1m against the governments indicative CTRS grant figures. Provisional 2013/14 figures will not be available until the 2013/14 Local Government Finance Report is announced, which will not be until after the chancellor announces his autumn statement on 5 December.
36. Any shortfall after Southwark's 2013/14 CTRS grant is announced will be shared in proportion to council tax with the GLA; in the above scenario Southwark's share being £750k.

37. The government intend that the local scheme should be applied by way of a discount, and this will reduce the council tax base. Current estimates show that the discount will be equivalent to approximately 20,600 band D equivalent properties. In an ideal situation, the value of council tax lost from the discount would equal the CTRS grant awarded by the government; however a significant factor in this methodology is that the reduced tax base would reduce the amount that could be raised through a one per cent increase in council tax by some £188k.

Resource implications

38. The resource financial implications are set out in paragraphs 80 – 89 of the cabinet report (Appendix 1).
39. Since October's cabinet, the DWP have announced the administrative grant arrangements for 2013/14. The administrative grant for Southwark has reduced by £483,855. Further announcements are anticipated from DCLG to confirm arrangements around new burdens funding relating to CTRS.

Year	Main administration subsidy (£)	Additional administration subsidy (£)	Total (£)
2012/13	3,853,164	381,333	4,234,497
2013/14	3,573,707	176,935	3,750,642
		Reduction	£483,855

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

40. The Director of Legal Services advises that decisions relating to the budget and the setting of local taxation are reserved to Council Assembly under Part 3A of the Council's Constitution. Therefore Council Assembly is enabled to agree the recommendations in this report.

Recommendation 1

41. Council Assembly is advised that it is enabled to agree recommendation 1 on the legislative basis of s.13A of the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012 granted Royal Assent on 31 October 2012. s.13A empowers local authorities to make reductions in the amount of council tax a person is liable to pay.
42. A written policy explaining the availability of this power and criteria for assistance will minimise the risk of legal challenge by ensuring that decisions are made with reference to an agreed policy and in a transparent manner.

Recommendation 2

43. Council Assembly is advised that the legislative basis for approving the scheme in recommendation 2 derives from the abolition of Council Tax Benefit under s.33 Welfare Reform Act 2012 and the establishment of a Council Tax Support Scheme under the wider s.13A policy detailed above in Recommendation 1. Local

authorities must put in place a scheme for Council Tax support by 31 January 2013. If a scheme is not in place, a default scheme will be imposed on the Council.

44. In consideration of the proposed CTRS option, Council Assembly is referred to the outcome of the consultation exercise as detailed in the appended background and the subsequent analysis contained within the report to Cabinet.

Recommendation 3

45. Council Assembly is advised that due to the fact that the written content of the CTRS will be informed by the publication of regulations which are currently in draft form; the CTRS written policy should be returned to Council Assembly for approval in January 2013. The Department of Communities and Local Government have indicated that the Prescribed Requirements Regulations will be laid before Parliament in late November 2012.
46. In respect of all the recommendations, decision makers must provide evidence of consideration of the Equality Assessment outcomes. Council Assembly is reminded of the requirement to have due regard to the public sector equality duty set out in s.149 Equality Act 2010 in its deliberations and conclusion.
47. In advance of its deliberations on the recommendations, Council Assembly is reminded that the Council has statutory duties in respect of mitigating the effects of child poverty in the area, under the Child Poverty Act 2010.
48. In advance of its deliberations on the recommendations, Council Assembly is reminded that the Council has statutory duties to provide advice and assistance to persons who are or are at risk of homelessness under the Housing Act 1996.
49. Council Assembly will note the Council's vision for a Fairer Future for All.
50. Council Assembly is reminded that the Southwark's Children and Young Peoples Plan is in place from 2010-2013 and includes a priority to narrow the gap and ensure that children and young people in the borough have the same opportunities.

Strategic Director of Finance and Corporate Services

51. Supplementary advice is set out in the cabinet report of 23 October (see appendix 1, paragraphs 102 - 106).

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Local Council Tax Reduction Scheme - Cabinet report and Appendices – 23 October 2012: <ul style="list-style-type: none"> • Appendix G – Equality analysis • Appendix H – Council tax reduction policy scheme 	Constitutional Team, 160 Tooley Street, London SE1 2QH	Paula Thornton 020 7525 4395

APPENDICES

Note: Due to the size of the appendices these have been circulated separately to all councillors. They are also available on the council's website.

No.	Title
Appendix 1	<p>Local Council Tax Reduction Scheme - Cabinet report and Appendices – 23 October 2012:</p> <ul style="list-style-type: none"> • Appendix A: Southwark Council Tax Section 13A Policy Discretionary Relief • Appendix B(i): Consultation plan • Appendix B(ii): Consultation questions • Appendix C: GLA response • Appendix D(i): Consultation response matrix • Appendix D(ii): Engagement activity • Appendix E: Analysis of preferred scheme (85% cap on CTB entitlement) • Appendix F: Round up of all current welfare reform-related activity (19.08.2012) • Appendix I: Southwark Legal Advice Network consultation response
Appendix 2	Revised Southwark's Council Tax Reduction Scheme (CTRS) policy (updated November 2012)
Appendix 3	Equality Analysis (November 2012)
Appendix 4	Transitional Grant modelling

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report Author	Dominic Cain, Assistant Director (Revenues & Benefits)	
Version	Final	
Dated	15 November 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	15 November 2012	