

Item No. 12.	Classification: Open	Date: 23 October 2012	Meeting Name: Cabinet
Report title:		Local Council Tax Reduction Scheme	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

FOREWORD - COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY

This report considers the impact of the government's decision to abolish Council Tax Benefit, as part of its wide-ranging changes to the welfare state, and the council's role in providing the new local Council Tax Reduction Scheme to replace it. The government is only providing funding for this scheme at 90% of the expenditure needed in the past to provide Council Tax Benefit, at a time when the number on benefits is rising.

Clearly, the council does not welcome these changes, in particular the shortfall in government funding, given the other pressures being placed on those in receipt of benefits and given the continuing recession.

However, government has told the council that unless we develop a proposal for a local Council Tax Reduction Scheme (CTRS) in time to inform our considerations in the New Year for the 2013/14 budget, a default scheme will be implemented that reflects the existing Council Tax Benefit scheme. The default scheme will not deliver the 10% saving and the council would have to fund the gap from elsewhere within its budget. Given that government's annual settlements with the London Borough of Southwark have decreased substantially since May 2010 and are set to decrease significantly further in future years, the council is unable to cover the estimated shortfall in funding of at least £2.8m without impacting on either services or the level of Council Tax.

As government has directed that pensioners should see no reduction in support under the replacement scheme, the council can only afford to give 85% Council Tax Support to claimants of working age without detriment to services or the level of Council Tax. It should be noted that many London boroughs facing similar pressures are considering lower levels of Council Tax Support for recipients than the level proposed for Southwark.

It is also important that the council takes steps to ensure that those current beneficiaries that are eligible for Council Tax exemptions, for example as a result of their disabilities, take up those entitlements.

We have now completed an eight-week consultation exercise that sought views from every Council Tax Benefit recipient, community groups and groups advocating for those sections of our community most likely to be affected.

The proposals set out in this report seek cabinet approval and recommendation to Council Assembly in November of a decision to adopt the following:

- A revised Section 13A Discretionary Policy, which sets out the process by which

- a reduction can be sought under this legislation
- Southwark's local Council Tax Reduction Scheme.

RECOMMENDATIONS

That Cabinet note:

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 together with the equality analysis undertaken following approval of the approach on the 17 July 2012 and proposals to further support communities.

That Cabinet recommends to Council Assembly:

3. That the Section 13A Local Government Finance Act 1992 Policy (to be amended by the Local Government Finance Bill 2012) which forms the basis of the regulatory framework for the scheme is adopted.
4. To adopt the preferred CTRS (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.
5. That the strategic director for finance and corporate services closely monitors the impact of CTRS on the council tax collection fund.
6. 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.
7. 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.

BACKGROUND INFORMATION

8. Since the introduction of council tax in 1993, the council has administered a housing and council tax benefit scheme in accordance with national legislation, under direction of the Department for Work and Pensions (DWP). The purpose of the Council Tax Benefit (CTB) element was to assist those on low incomes pay their council tax by way of a means tested assessment.
9. The government announced in the Spending Review 2010 that support for council tax would be localised with a 10 per cent reduction in funding. On 8 March 2012 the Welfare Reform Act 2012 received Royal Assent. The Welfare Reform Act contains the provisions for the abolition of CTB, paving the way for new localised schemes to be introduced from April 2013 through forthcoming legislation.

10. Funding for local schemes will be provided by the Department for Communities and Local Government (DCLG), by way of a grant to billing and precepting authorities in proportion to their share of the council tax payable. The funding in the first year will equate to an overall 10 per cent reduction in the projected current expenditure on CTB. Under the existing scheme expenditure on CTB is fully funded by the DWP, however under DCLG the funding will be ring-fenced and not demand driven.
11. At current levels of CTB expenditure a 10 per cent reduction in funding is estimated at approximately £2.8m for this council, (£2.1m Southwark element and £0.7m GLA precept). On 17 July 2012, cabinet 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.
12. Under the forthcoming provisions of the Local Government Finance Bill 2012 (which will amend the LGFA 1992) a requirement under Section 13A will be for the council to amend our policy on the power for councils to reduce the amount of tax available. The policy will include the new S13A(2) local council tax reduction scheme (CTRS), which in its administration and application recognises and provides for the 10 per cent reduction in benefit expenditure. The policy is shown at appendix A.
13. 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 since the burden of the 10 per cent cut has to be borne by the remaining working age benefit claimants, the overall cut equates to a 15 per cent reduction for working age claimants.
14. The following tables capture the split between working age and non-working age claimants in Southwark and provide an analysis of working age claimants.

Council Tax Benefit (CTB) Caseload – September 2012 data

Figure 1.

Caseload type	All ages	Working Age	Non-Working Age
Number of claimants	35,878	23,689	12,189
Expenditure	£27,840,154	£18,274,205	£9,565,949

Working Age (WA) caseload analysis - September 2012 data

Figure 2.

Passported benefit	Non-passported benefit	Claimant or partner working	Claims with children	Lone parents	Households with a disability
16,317	7,372	5,195	11,102	8,763	4,262

15. 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.

16. In the report presented to cabinet on 17 July 2012, cabinet were informed of the approach that had been adopted to develop various scheme options, including an explanation of the existing CTB caseload together with narrative of the different types of claim, e.g. passported and non-passported.
17. Cabinet were also informed that detailed modelling activity had been undertaken using the existing working age CTB data, enabling an analysis of individual benefit entitlements to identify household groups, how many claims are made from those groups, income types and income levels. This information enabled the council to determine which strategies could be used to deliver the necessary savings and support a local scheme.
18. The report presented to cabinet in July also set out some of the IT constraints the council faced in developing a local scheme, brought about by the lack of clarity at the time on what was deliverable through the existing software provider.

KEY ISSUES FOR CONSIDERATION

The Preferred Option

19. On 17 July 2012 cabinet considered several model 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 across working age claimants which was considered not so disproportionately unfair to any particular claimant group as it mirrors the existing means tested scheme.
20. The scheme headlines are captured in the table below.

Figure 3.

Scheme or Element	Saving achieved	Customer Impact
85% cap applied to current award of Council Tax benefit. Cap equates to a 15% reduction of current benefit award across all working age customers.	£2,741,131	Cap equates to an average loss of £115.71 in annual benefit award across all working age customers, but ranges from £0.08 to £304.72
Abolition of Second Adult Rebate for working age claimants	£57,846	Cap equates to an average loss of £227.74 in annual benefit award across 254 working age customers

21. The preferred CTRS scheme is based upon existing CTB rules; these recognise and provide for additional benefit to be paid to claimants with children and claimants with disabilities. In addition, retention of the existing Extended Payments mechanism for people moving into employment supports the incentive to work principle through provision of a four week 'run-on' of benefit at the previous rate of entitlement.

22. Before adopting a local scheme for CTRS or changing a scheme once adopted, it is a statutory requirement to consult with local taxpayers, stakeholders and major preceptors. On 17 July cabinet approved the consultation approach and an eight week consultation period which commenced on 18 July and ended on 12 September. The consultation enabled stakeholders to express views on the preferred option and to proffer comments and alternative views. The consultation approach and the questions which formed the basis of the consultation are captured in Appendix B.

Consultation

23. The consultation approach consisted of two separate strands to maximise coverage and visibility to Southwark residents. The first strand consisted of an online consultation open to all residents and representative organisations. The consultation asked for feedback on the preferred CTRS scheme and asked for any enhancements that could be made.
24. Promotion of the online consultation consisted of writing directly to all 36,080 existing CTB claimants, advising that CTB for working age claimants was to change from 1 April 2013 and signposting them to the online consultation pages via a direct link. Paper copies of the consultation were made available and promoted through the Customer Service Call Centre, One Stop shops, Libraries and 3rd sector partner organisations. Throughout the consultation period the promotion of the consultation at the One Stop Shops and Libraries was reviewed and additional marketing material introduced to increase public awareness and engagement. The consultation was also promoted via a number of media channels including conventional and new media such as articles in Southwark Life, the South London Press, Twitter and web pages.
25. The second key strand of the consultation strategy involved direct engagement with stakeholders and representative groups through attendance at twenty public events including Community Councils, Housing Forums, Financial Inclusion workshops, Tenant Councils and other stakeholder forums. These events were attended by a total audience in excess of 600 and included CTB recipients, community representatives, members of the advocacy sector and landlords. Issues raised, comments and feedback were captured at these sessions and formed part of the subsequent consultation analysis.
26. The proposed scheme was shared with the Greater London Authority (GLA) and the Mayor of London as prescribed; The Mayor of London's office confirmed that the GLA would be responding on their behalf and this was received on 12 September 2012. The response is included in appendix C of this report. A summary of their reply and the council's response is set out in paragraph 49.
27. Full detail of the consultation process is given in appendix D and includes:
- the log of responses received
 - the schedule of direct engagement activity and attendance

Consultation response

28. In total, **153** consultation responses were received. Of this total:
- **127** completed forms were received online
 - **26** paper forms were received via post, One Stop Shops or libraries

- Of these, 137 were from individuals, 7 were from voluntary organisations and 9 were from landlords
 - In addition to the 153 responses received, a further 31 forms were returned without comment
29. A separate written response to the consultation was received from Southwark Legal Advice Network (SLAN) on 11 September 2012 and can be found in appendix I of this report. SLAN is a group that builds on the existing Southwark Community Legal Services Partnership, which includes voluntary sector advice providers, private practice solicitors, community and statutory agencies. To reflect SLAN's local prominence and the number of stakeholders they represent in Southwark, a separate council response is set out in paragraph 50.
30. A consistent approach to analysing the outcomes of the online and direct consultation was used. All direct responses and engagement activity were recorded in a matrix allowing officers to identify all themes that emerged. This enabled a high level view of the main concerns and issues that were being raised through both consultation strands to be formed.

Consultation response - Main themes and issues raised

31. The main themes and messages from the online consultation and direct engagement are detailed below:

Issues and Themes	Number of times raised through Online consultation	Number of times raised through Direct engagement
Low income / poverty / means testing	91	15
Disability	47	5
Wider welfare reform	26	12
Other	20	0
Not able to work	16	0
Family	14	0
Local economy	9	0
Recovery approach	11	8
Migration	6	0
Vulnerability including addictive behaviour	8	0
Adverse impact on service	5	2
Opposed to pensioner protection	4	1
Fraud	3	0
Reduce Council expenditure and fraud	0	3
Non-dependent pensioners	0	2
Migration	0	2
Council Tax increase / amend discounts	2	0

32. The three most frequently raised issues through consultation were poverty, disability and wider welfare reform and the following paragraphs capture representative responses from the consultation exercise. In addition, concerns around the impact on families and children are included as these issues were often connected by responders to other themes such as poverty. The Equality Analysis conducted into CTRS also highlighted that this group could be impacted by the scheme.

- **Poverty / Low income**

33. The issue of poverty and income levels was raised as a concern by 91 individual responders, two representative groups and at direct engagement sessions attended by 478 attendees. Some of the direct comments received are detailed below:

Responder type	Quote
CTB recipient	"I am on JSA and only have £10.47 per week after paying utilities so can only afford to eat 5 days a week if I have to pay some CT the only way I can afford it is to cut down further on food money."
CTB recipient	"I receive £71 a week J.S.A, and out of this I need to pay per week £26 water/hot water charges, £9 (reduced) bus fares. £12 Utilities bills, Total £47...This leaves me with £24 a week for food, clothes, toiletries etc. Approx = 1/3 of my allowances (J.S.A). Even If I was asked to pay £4 a week, this for me would be huge loss. By the Government passing Council Tax to local councils they are keeping the rich and making poor even poorer! Can this be right and ethical."
CTB recipient	"Income support and other supports from the government are just too low to meet rising costs of basic things: with rising living costs (water, gas etc) coming to around £23 per week."
CTB recipient	"This will be affecting my weekly income and I will have to cut back on some of the basic necessities and needs to meet this shortfall in Funding. I will have to cut back on my weekly basic food expenses and other needs. Thanks."
CTB recipient	"I find this shocking considering I receive only £142 every 2 weeks jobseekers' allowance and you are proposing to take money off that tiny amount towards Council Tax. This will result in even more significant financial difficulties for me and others in my position. £142 every 2 weeks is barely enough to get by without you adding to the burden by taking more off it."
Registered Social Landlord	"This will impact on the low wage workers. One possibility may be to increase the Council Tax on expensive properties to compensate for those on low income."

- **Disability**

34. Disability was raised as a concern by 47 individual responders, two representative groups and at direct engagement sessions attended by 100 attendees. Some of the direct comments received are detailed below:

Responder type	Quote
CTB recipient	"Disabled residents should continue to receive 100% discount under the new scheme if they are currently in receipt of Council Tax benefit."
CTB recipient	"As a disabled person I feel that I should not have to use my disability benefits to pay for my Council Tax."
CTB recipient	"I am of working age but unable to work dues to my medical status. I have cancer which has spread in my body and my treatment for this makes me extremely tired and unwell . I receive DLA & ESA higher support rate because of these. I hope that I would be able to pay any charge levied on my but I cannot increase my capacity to work, it is not expected that my health will improve. People in similar circumstances will be distressed by these new council proposals."
CTB recipient	"I am disabled and receive E.S.A .and the amount of money I get is worked out by the government to be precisely what I need to live on each week. If in future I cannot get full Council Tax benefit and have to take the shortfall from my other benefit payments, would the government be in default of its contract with me? The money I would be then have to live on would be less than amount agreed upon? Could I seek a judicial review?"

Responder type	Quote
CTB recipient	"Not all working age claimants can work. People who are currently in receipt of DLA are going to have their benefits halved in the autumn of 2013 when the mobility component is stopped. A charge for Council Tax, no matter how small, will impact most on this group who are also losing a large proportion of their income."
Voluntary organisation	"It is completely unfair to squeeze the unemployed and disabled further by blaming government changes and cuts. Money could be clawed from some of the vast amounts spent on road humps for example. In fact there are many council departments like maintenance that waste vast amounts of money far in excess of 2.8 million per year."

- **Wider welfare reform**

35. Wider welfare reform was raised as a concern by 26 individual responders, one representative group and at direct engagement sessions attended by 323 attendees. Some of the direct comments received are detailed below:

Responder type	Quote
CTB recipient	"Before cutting or decreasing any benefits the government should think about people too. The prices are rising, benefits are cut, no profits for the family. I have been living on the low income, but after this new offers I see that I won't have enough money for myself as well as for the baby. I suggest to rise income support as much as decrease any benefits."
CTB recipient	"I think this is a disgrace. As well as the fact that we will have to pay 14% of our rent as we are deemed to be under-occupied, I don't know how we are going to be able to live."
CTB recipient	"It will make things even more difficult given that other benefit levels will be going down over the next few years because the government has changed the way annual increases are pegged to inflation. It feels like all the cuts are being dumped on the poorest."
CTB recipient	"It will be a very difficult situation for many, as in reality the total amount of support may fall much more. Without knowing the exact impact of the so called universal credit for example, it may well be that some people on low incomes will face an impossible situation. Also the DLA review will put many people out of reach of automatic Council Tax benefits. If this government reform will save as much as they think a similar saving in the Council Tax benefits should be available to the council, without having to make everybody suffer. I would have thought the idea behind the government plans is to simplify all benefits and how they affect each other - Southwark method of solving the shortfall would work totally against it."
Charitable Trust	"We consider this Consultation is flawed because it fails to address the impact of housing benefit caps and the position of people who will be faced with the choice of paying either the increase in rent occasioned by the HB cap or paying the minimum 15% to be demanded by Southwark. Which should a person pay? We consider that all persons affected by the caps eligible for full CTB continue to receive it. People cannot be expected to absorb the effect of two caps in benefit simultaneously."

- **Families / Child poverty**

36. Families and Child Poverty were raised as a concern by 14 individual responders. Some of the direct comments received are detailed below:

Responder type	Quote
CTB recipient	"Some people could probably swallow this up, i.e. the single person without children, or indeed families on limited income. Other areas can not swallow it at all and will become a greater burden on already stretched and too small living budgets."
CTB recipient	"It may encourage some people to find or take paid work to help support their families. On the other hand it will hit hard those families who are already working and are on low income substantially. And those who struggling to make ends meet through no fault of their own."
CTB recipient	"I've been on income for one year now, single mum to two children, one going through assessments for DCD,ADHD,ASD. I would not be able to work right now with these assessments so don't feel it's right to punish me for this when I had worked from age 14 to 29."
CTB recipient	"I am a single parent already trying to support my family on a low income by working part-time. I have been committed to bringing up my children without state benefit if possible, but feel this is not taken in to consideration and am constantly anxious about managing financially for the future."
Landlord	"This change will affect many people (people who really need) I hope that the government purposes to better use the money since it will take the budgets of families."

Council's response to main themes and issues raised

37. The council understood when the consultation commenced that any proposed change away from existing entitlements available under the existing CTB scheme would be highly challenging for local residents, irrespective of the fact that the changes were being introduced as a consequence of government legislative change. The council had considered alternative schemes, but only the application of an 85 percent cap on CTB entitlement was felt to deliver the savings required whilst not being disproportionately unfair to any particular group. A full Equality Analysis of the impact of the proposal has been completed to inform this decision, the details of which are summarised in the Community Impact Statement at paragraph 51 of this report.
38. The greater weight of response from the representative groups and online response draws attention to low levels of income, disabled claimants or households with children. They suggest that a reduction in benefit and a requirement to pay council tax of over £5 per week in some cases will only add to the financial burden already faced by these groups. There is no doubt that challenges may be faced by claimants in these groups, particularly if they have not paid council tax in the past. In responding to this understandable concern, the council will need to ensure that maximum support is available to these groups so that they are informed about their individual changes and to direct them to support partners who are able to deliver appropriate support including budgeting, financial and debt management.
39. The proposed scheme itself is based upon existing CTB legislation which makes provision for claimants with children and / or disabilities to receive a greater level of financial support compared to working age households that fall outside of those groups. By adapting the CTB scheme, this principle is retained within the preferred CTRS scheme and as a result, households with children and / or disabilities will continue to receive proportionately more benefit than other working age claimants. This detail is demonstrated at Appendix E

40. Similarly the government's stated intention of encouraging claimants in to work is also supported by the Extended Payments principle which is retained under the new CTRS scheme.
41. A plan of engagement with the above groups will therefore need to be developed and together with our third sector partners encourage and direct affected claimant groups to support centres and events in run-up to March 2013 and thereafter. These actions are in line with those identified in our Equality Analysis and include:

Issue	Mitigating action	Working with
Financial inclusion	We will continue to work with third parties including credit unions and advice agencies to identify opportunities to increase the provision of financial education and budgeting support.	<ul style="list-style-type: none"> • Credit Unions • Advice sector • Voluntary organisations • Rightfully Yours
Recovery of Council Tax	We will review recovery policies and procedures to ensure that they are fair and reflect the shift in behaviour that is required from tax payers previously not liable for any Council Tax.	Other L/A's to ensure a consistent approach
Community engagement	As part of the operational roll-out of CTRS, due regard will be given to affected groups to ensure that engagement and communications are targeted to offer relevant support and advice.	<ul style="list-style-type: none"> • Advice sector • Voluntary organisations • Adult Social Care • Rightfully Yours
Severely Mentally Impaired (SMI) take-up	Tax Payers with a severe mental impairment are entitled to a full exemption from Council Tax. A take-up campaign for SMI exemptions will be implemented in the run-up to April 2013 through Southwark's Rightfully Yours service. This will ensure that people who fulfil the criteria are exempt from paying Council Tax and will therefore not be subject to the 15% reduction.	<ul style="list-style-type: none"> • Rightfully Yours • Adult Social Care • 3rd Sector Agencies
Disability Living Allowance take-up	A take-up campaign for Disability Living Allowance will be implemented in the run-up to April 2013 through Southwark's Rightfully Yours service. This will ensure that people who qualify will be more likely to receive a greater level of support under CTRS and will be exempt from some of the wider welfare reforms coming into affect from April 2013.	<ul style="list-style-type: none"> • Rightfully Yours
Disregarded incomes	In line with CTB, CTRS will disregard War pensions / War Disablement Pensions as income.	N/A
Equality analysis	Following the introduction of CTRS, further equality analysis will be conducted to measure the impact of this policy and whether this has had any unanticipated, disproportionate affect on any particular groups.	N/A

42. Welfare reform was the third most common issue identified through consultation. A range of activities are taking place across the authority in response to the government's welfare reform agenda. This activity is set out in appendix F, and a plan will be developed to enable affected groups to access relevant support and advice through appropriate channels.

Consultation response – removal of second adult rebate

43. The abolition of Second Adult Rebate was commented on by 111 individual responders and six representative groups. At the direct engagement sessions, some attendees commented on its abolition but this was not a source of significant discussion. Some of the direct comments received are detailed below:

Responder type	Quote
CTB recipient	"As Southwark resident I was not aware of the 2nd adult rebate scheme."
CTB recipient	"This will affect many families in Southwark on low income. Many young adults living in a family may be forced onto the streets."
CTB recipient	"Second adult rebate should be available on the local Council Tax support scheme especially on those on low income."
Council Tax Payer	"I am concerned that this will discourage true carers from be able to look after loved ones and/or encourage single motherhood status. Why can there not simply be a cap so that after jobseekers allowance and all the other non-Council Tax benefits, the addition of Council Tax benefit can not cause the total benefits to be in excess of that?"
CTB recipient	"This part of the proposal is perfectly acceptable, at least for now; when the economy does pick up in the future then the situation should be reviewed."
CTB recipient	"I would support this measure. But I don't agree that older persons should have protected status."
Council Tax Payer	"Daylight robbery."

Council's response to consultation on removal of second adult rebate

44. Second Adult Rebate is currently paid to 254 claimants. Although claimed by the person liable for council tax, the rebate is based on the income of the 'second adult', who is usually a grown up child or elderly parent residing with the claimant. The rebate is designed to refund the liable person for the Single Person Discount they lose in allowing a second adult with a low income to live with them.
45. A smaller response was received through consultation on this aspect of the scheme. Amongst some responses there was confusion about what Second Adult Rebate is and what the effects of removing this entitlement may be, particularly on low income households
46. Although it is proposed that Second Adult Rebate is abolished for working age cases, Southwark's preferred CTRS scheme will continue to support households with a low income.
47. Accordingly, officers will contact recipients of this rebate prior to April 2013 advising them to make an application for CTRS based on their own income rather than their second adult.

Issue	Mitigating action	Working with
CTRS take-up	Contact all Second Adult Rebate recipients prior to April 2013 to inform them of the implications of CTRS and to offer them the opportunity to make a claim based on their household income levels.	N/A

Consultation response – alternative enhancements and suggestions to scheme

48. A wide range of alternative comments to the scheme were identified through consultation. Below are some of the direct comments that were received:

Responder type	Quote
CTB recipient	“All cuts should be borne across the whole area of the council activities and not have just one particular council service adversely affected. The whole budget should be set so that everyone can see that it is fair and just. The council itself should also look to reduce the impact of any cuts by reducing the operating costs of the council and rooting out waste and inefficient operations. I am not convinced that the proposed scheme is the way forward and would vote against it.”
CTB recipient	“The right thing to do. But the council must reduce its expenditure as well. Do not cut jobs this is not the way. But try to save. I see so much waste in my area that I could not enumerate it here.”
CTB recipient	“I believe the Children’s and Families division of Southwark Council needs to have a larger budget reduction. In addition the demolition of Mabel Goldwin House and the Spa Road Complex has brought in enough money to be able to ease this process. Why does Southwark Council sell off its property that it owns and then rents 160 Tooley St. This seems mad. I was a Southwark employee in Facilities management for 21 years so I know my stuff.”
CTB recipient	“I think you should have some means testing scheme in place to help people get extra benefit or grant direct from the government. As there are lots of people who can not afford to pay part or full Council Tax. as it is not possible for them to do so.”
Council Tax Payer	“I think benefit cheats should be properly looked into in order to strengthen the proposed introduction so as not to give room for any financial constraint.”
CTB recipient	“It should be engineered so that present claimants in receipt of full rebate should be protected and continue to benefit.”
CTB recipient	“The council could consider other streams of revenue to seek funds to make up for the government cuts, such as parking fees and fines, rather than expecting disability welfare recipients to make up for it from an already low income.”
Charitable Trust	“... Southwark should not lose sight of the fact that under the Local Government Finance Act 1992 the Council Tax is designed as a property tax ultimately payable by owners, and consideration should be given to ways of increasing the amount levied on properties in bands G and H and empty properties and second homes not by reducing support to the poorest in the community.”
Voluntary organisation	“Letting people know now that they will be making up the 15% difference so that they can prepare.”

49. Many of the suggestions and enhancements received through consultation covered similar topics allowing officers to summarise them. Below is a summary of the suggestions received, along with a council response to each.

Enhancements to scheme	Number of times raised	Council response
Means test CTRS	25	Southwark's CTRS scheme will be means tested and as a result offer more support to households with a lower income level.
Support the disabled	25	Southwark's CTRS scheme will be means tested and as a result offer more support to households with a lower income level. By adapting the existing CTB scheme, CTRS will also offer more support to disabled households than their non-disabled equivalents.
Do not apply a Benefit Cap	24	In order to achieve the £2.8m saving required, it is the councils' view that a cap is the fairest approach so that no one group is disproportionately affected. A number of options were considered and modelled earlier in the year but an 85% cap emerged as the preferred scheme.
Support those on benefits	23	Southwark's CTRS scheme will be means tested and as a result offer more support to households with a lower income level; this includes households already in receipt of benefits. By adapting the existing CTB scheme, CTRS will also offer more support to disabled households than their non-disabled equivalents.
Support those with low earnings	16	Southwark's CTRS scheme will be means tested and as a result offer more support to households with a lower income level. This includes households in receipt of low earnings. Southwark's CTRS scheme has also retained Extended Payments which supports work incentives and help people back into employment. Southwark has also opted not to amend the income taper or earnings disregards that already exist within CTB.
Support families	11	Southwark's CTRS scheme will be means tested and as a result offer more support to households with a lower income level. This includes families in receipt of low earnings. By adapting the existing CTB scheme, CTRS will also offer more support to families than households without children.
Increase Council Tax	7	The council has made a commitment to freeze Council Tax.
Prevent homelessness	7	Southwark's CTRS scheme will be means tested and as a result offer more support to households with a lower income level. However there is no direct correlation between CTRS and homelessness as Council Tax arrears do not lead to eviction.
Increase the level of support	5	We will continue to do all we can to support our most vulnerable residents; however the council is not in a position to meet the £2.8m reduction in funding from central government. Southwark's CTRS scheme will remain a means tested discount and as a result offer more support to households with a lower income level including disabled households and families.

Enhancements to scheme	Number of times raised	Council response
Do not protect pensioners	7	The council has no discretion over this element of the scheme and is required by central government legislation to ensure that pensioners see no reduction in the level of support they currently receive under the existing CTB scheme.
Reduce fraud	4	The council has a range of controls in place to prevent, detect and investigate benefit fraud. We also rely on the vigilance of the community to help us detect the fraudsters. In July 2012 The Department of Communities and Local Government published a statement of intent detailing the necessary powers, offences and penalties, to allow local authorities to investigate and tackle potential fraudulent CTRS claims. ¹
Support long-term unemployed	3	Southwark's CTRS scheme will be means tested and as a result offer more support to households with a lower income level. This includes households in receipt of various out-of-work benefits. Southwark's CTRS scheme has also retained Extended Payments which supports work incentives and help people back into employment. Southwark has also opted not to amend the income taper or earnings disregards that already exist within CTB.

GLA response

50. Detailed below are some of the key points raised in the GLA response (appendix C), along with the council's response:

GLA response	Council reply
"In the GLA's view final decisions on local Council Tax support schemes should not be divorced from those taken in respect of the technical reforms."	Officers welcome this comment and work is already underway to model the potential impact of technical reform of council tax in Southwark. The final decision on adoption of these must be made by Council Assembly and consideration will be given as to how collectible these new sums would be and the impact on the council's housing revenue account on any potential savings.
"The GLA notes that Southwark's draft scheme does not provide for any additional protection to any working age claimant group – although pensioners would continue to receive Council Tax support on the same basis as at present in line with the national framework set by central Government. In the Council's view to offer protection to all disabled and family groups for example would	The modelling contained within this report and accompanying Equality Analysis demonstrates that by adapting the existing CTB scheme, Southwark's CTRS scheme continues to offer a greater level of support to disabled households and households with children. Officers acknowledge the GLA comments received and welcome the view that Southwark's scheme is in compliance with the national policy framework.

¹ <http://www.communities.gov.uk/publications/localgovernment/localisingcounciltaxstatement>

GLA response	Council reply
<p>disproportionately impact upon the remaining small group of working age claimants.</p> <p>Ultimately the decision as to which groups are designated as vulnerable is a matter for local determination having regard to the potential impact on other working age claimants or Council Taxpayers and service users more generally. We recognise that Southwark has complied with the policy framework set by central government in deciding not to offer protection to specific categories of claimant.”</p>	
<p>“The GLA considers that a key priority for the design of a localised Council Tax support scheme is to ensure that it does not disincentivise those in work or those seeking to move into work. In order to ensure that schemes meet this objective billing authorities should therefore take particular care in determining their policies on earnings disregards and extended payment periods (i.e. run ons).</p> <p>We would encourage the Council to consider how its final scheme could be designed in a way which does not disincentivise work.”</p>	<p>Officers acknowledge the comments made here and recognise the importance of incentivising work.</p> <p>In recognition of this, Southwark’s CTRS scheme has maintained the existing Extended Payment arrangements affording claimants an extra four weeks of benefit at previous entitlement levels when they make the move into employment.</p> <p>In addition, contrary to some other local authority approaches Southwark has opted not to amend the income taper or earnings disregard that already existed in CTB to maintain the existing incentives that formed part of the former scheme.</p>
<p>“The GLA would encourage the Council to provide it with an indicative Council Tax base forecast as soon as options are presented to members for approval in December or January (if not before) in order that it can assess the potential implications for the Mayor’s budget for 2013-14. This should be accompanied ideally by supporting calculations disclosing any assumptions around collection rates and discounts granted having regard to the final Council Tax support scheme design.”</p>	<p>The information specified will be shared with the GLA at the earliest opportunity.</p>

Southwark Legal Advice Network’s (SLAN) response

51. Detailed below are some of the key issues and enhancements raised in SLAN’s response to the consultation (appendix I), along with the council’s responses:

SLAN response / enhancement	Council reply
<p>“One of the ways in which the shortfall of £2.8m might be covered is to continue to improve collection rates. If Southwark’s collection rate of 94.5% (2011-12) could reach 97% then the bulk of the shortfall would be</p>	<p>Maximising council tax collection is an important priority for the council as demonstrated by the 2011/12 collection rate of 94.5%, which represented a 1.8% increase in collection from the previous financial year. This year a review of Single Persons’ Discount is underway with the aim of increasing collectible council tax by a further £0.5m.</p>

SLAN response / enhancement	Council reply																						
covered.”	<p>There are however extraordinary economic pressures being placed on all council tax payers, not just CTB recipients, including low levels of employment, high rent levels and wider economic factors.</p> <p>Modelling work is currently underway in partnership with a third party to try and understand tax payers’ propensity to pay next year so that we can ensure that collection is maximised.</p>																						
“Phased introduction of the scheme – e.g. maximum payment in Year 1: 5%, Year 2: 10%, Year 3: 15%.”	<p>Whilst a phased introduction might offer some transitional protection to current benefit recipients, it would not deliver the savings necessary to operate the scheme.</p> <p>Given that government’s annual settlements with the London Borough of Southwark have decreased substantially since May 2010 and are set to decrease significantly further in future years, it is unable to cover the estimated shortfall in funding of at least £2.8m without impacting on either services or the level of council tax. However, the Council will continually review the impact of the scheme and the future strategy.</p>																						
“Ceiling support based on B and D or E (i.e. those living in higher bands not to receive higher support).”	<p>A liability cap at band C was explored as part of the modelling activity that took place earlier in the year. Modelling demonstrated that capping at band C delivered a saving of £380,395, far short of the £2.8m required.</p> <p>Capping at band C would also lead to some significant reductions in financial support for certain benefit recipients, with some households set to lose over £900 per year:</p> <p><u>Impact of Band C cap (value of annual financial support lost):</u></p> <table border="1" data-bbox="826 1420 1275 1783"> <thead> <tr> <th>Amount of annual CTRS lost</th> <th>Number of claims affected</th> </tr> </thead> <tbody> <tr> <td>£0 - £99.99</td> <td>576</td> </tr> <tr> <td>£100 - £199.99</td> <td>680</td> </tr> <tr> <td>£200 - £299.99</td> <td>120</td> </tr> <tr> <td>£300 - £399.99</td> <td>14</td> </tr> <tr> <td>£400 - £499.99</td> <td>429</td> </tr> <tr> <td>£500 - £599.99</td> <td>11</td> </tr> <tr> <td>£600 - £699.99</td> <td>58</td> </tr> <tr> <td>£700 - £799.99</td> <td>3</td> </tr> <tr> <td>£800 - £899.99</td> <td>0</td> </tr> <tr> <td>£900 or more</td> <td>13</td> </tr> </tbody> </table> <p>(Based on July 2012 data)</p> <p>The modelling also showed that the banding of a property bears little relation to the income of the household, with some households affected in receipt of Income Support and Jobseeker’s Allowance. The impact of the cap on these groups could therefore be extremely disproportionate and their ability to make up this shortfall</p>	Amount of annual CTRS lost	Number of claims affected	£0 - £99.99	576	£100 - £199.99	680	£200 - £299.99	120	£300 - £399.99	14	£400 - £499.99	429	£500 - £599.99	11	£600 - £699.99	58	£700 - £799.99	3	£800 - £899.99	0	£900 or more	13
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SLAN response / enhancement	Council reply
	would therefore be limited.
<p><i>“Increased allowances for non dependants living in household (i.e. when calculating income).”</i></p>	<p>The impact of doubling existing non-dependant deductions was explored as part of the modelling activity that took place earlier in the year. Modelling demonstrated that doubling deductions would deliver a saving of £309,764, far short of the £2.8m required.</p> <p>At the time modelling took place, the number of claims with non-dependent deductions stood at 1,173.</p> <p>A consideration in future years for increasing non-dependent deductions would be that they rely on the non-dependent making a contribution to the claimant’s household in order to make up the shortfall in rent and Council Tax. A risk associated with increasing these deductions is that non-dependents on very low income will simply be unable to make up the shortfall from their income leading to the claimant falling into arrears.</p>
<p>“Aligning capital ceiling with £8,000 proposed for Universal Credit (i.e. no ‘taper’ between £8,000 and £18,000).”</p>	<p>As part of our modelling activity earlier in the year we explored a range of capital ceilings from £6,000 up to £15,000. None of the modelling conducted achieved a significant saving due to the small number of claims that have capital of this level.</p> <p>A further consideration was that having different capital levels for Housing Benefit and CTRS could create additional confusion for claimants.</p> <p>In addition, implementation of this option would rely on our software provider being able to deliver different capital calculations for Housing Benefit and CTRS, presenting a significant risk to the scheme implementation should this option not be available.</p>
<p>“Creation of a sizeable hardship fund (e.g. for backdating support for those on lowest income).”</p>	<p>We are currently reviewing our approach to a discretionary hardship payment in light of the localisation of the social fund from April 2013; however there will be severe financial restrictions in place.</p>
<p>“100% support for households with someone with severe disability.”</p>	<p>Offering full protection to disabled households was explored as part of the modelling activity that took place earlier in the year.</p> <p>The modelling demonstrated that this approach would leave a shortfall of over £516,000 as the 15% reduction imposed on other claims was not great enough to cover the £2.8m funding shortfall. We established that in order to achieve the necessary saving, non-disabled working age households would need to face a 19% reduction in their current benefit levels, which would bring the average reduction for this group to £144.91p.</p> <p>A further risk associated with awarding protection to disabled households is that there is not a full record of how many disabled households are within our caseload. Under</p>

SLAN response / enhancement	Council reply
	<p>the current assessment regime it is not necessary to record a disability status on claims that are 'passported' and there are therefore likely to be more disabled households than we are currently able to identify. With over 68% of our caseload receiving a passported status, there is a significant risk that the £2.8m saving required would not be achieved should the number of disabled households increase. The subsequent percentage reduction imposed on non-disabled households would then have to be even greater.</p> <p>Further analysis of Southwark's CTRS scheme offers a comparison between the protection offered to disabled households under the existing CTB scheme and that offered under CTRS. It demonstrates that by adapting the existing CTB scheme, disabled households will on average receive a higher award of CTRS than non-disabled households. Therefore whilst these groups will see a 15% reduction in financial support they will still receive greater levels of financial support under CTRS.</p>
<p>"100% support for single parents with children under 5 years."</p>	<p>As part of our modelling activity earlier in the year we explored the impact of protecting single parents with children under 5 years of age.</p> <p>The modelling demonstrated that this approach would not achieve the required £2.8m saving required and would therefore put pressure on other groups including single parents with children over 5 and other family groups. Southwark's CTRS scheme adapts the existing CTB scheme and therefore retains the family premium and dependant's allowance.</p> <p>Further analysis of Southwark's CTRS scheme offers a comparison between the protection offered to single parents under the existing CTB scheme and that offered under CTRS. It demonstrates that by adapting the existing CTB scheme, single parents will on average receive a higher award of CTRS than non-parents. Therefore whilst single parents will see a 15% reduction in financial support they will still receive greater levels of financial support under CTRS than claimants without children.</p>
<p>"Does the local authority intend to revisit its collection and recovery of arrears provision?"</p>	<p>This has been identified as one of our mitigating actions within this report.</p> <p>Although Council Tax collection and recovery must remain robust, we recognise that this activity must be fair, transparent and proportionate.</p>
<p>"We don't know how well it is known that people with severe and enduring mental illness do not need to pay Council Tax, or how many exemptions there are in Southwark. Perhaps it will be helpful if more people in this category</p>	<p>This has been identified as one of our mitigating actions within this report.</p> <p>Southwark's Rightfully Yours team will conduct a promotional campaign around this exemption and explore joint working activities with the NHS.</p>

SLAN response / enhancement	Council reply
can be helped towards exemption.”	

Community impact statement

52. An updated Equality Impact Assessment on localising support for council tax was published by the Department of Communities and Local Government in June 2012.² There is a requirement from DCLG for the council to carry out its own equalities assessment.
53. An Equality Analysis (EA) has been completed for the proposed CTRS scheme and can be found at appendix G of this report. The EA document provides a comprehensive analysis of the equality implications arising from the proposed scheme and the related mitigating actions.
54. The EA identified that over and above those CTB recipients of pensionable age who receive favourable treatment as a consequence of government policy the proposed scheme does not discriminate against any individual or group of beneficiaries.
55. The EA modelled a number of outcomes in relation to different recipients and households and most importantly highlighted that alternative models would have resulted in creating a higher impact on those not protected or protected less favourably.
56. The EA modelled offers an analysis of the impact on CTRS and disabled households. It identifies that even with a 15 percent reduction in support, these households will continue to receive a higher level of benefit as a result of retaining the disregards and premiums that form part of the current CTB scheme.
57. The EA identified that there is limited information in relation to the level of entitlement by racial group due to the absence of this data in the benefit assessment system. The approach adopted however will reflect the existing council tax benefit scheme profile therefore no community will receive differential treatment.
58. The EA sets out a series of mitigating actions that will be taken in response to the impacts identified by the analysis, including financial support and advice.
59. The EA will be presented in full as part of the report put to council assembly later in the year for consideration and reflection at the decision making stage.

Resource and operational implications

Default scheme

60. If authorities have not adopted a CTRS scheme for 2013/14 by 31 January 2013, then the current ‘default’ council tax benefit scheme will continue as the default position. This is legislative provision set out in the Local Government Finance Bill 2012 currently before Parliament. This would mean that the whole of the

² <http://www.communities.gov.uk/publications/localgovernment/lgfblocalisingcounciltax>

financial impact of the 10 per cent funding reduction would fall to the council and its preceptors and claimants would experience no change.

Detail of the scheme

61. Under Section 13a of the Local Government Finance Act 1992 (“the 1992 Act”) (to be inserted by the Local Government Finance Bill 2012), each Billing Authority in England is required to make a council tax reduction scheme specifying the eligibility for reduction which are to apply to amounts of council tax payable by persons, or classes of persons, whom the authority considers to be in financial need. These reductions are to be shown as discounts on future council tax bills.
62. The council has developed a local CTRS scheme, a full version of which is set out within appendix H. The prescribed requirements to be included in the scheme are set out in the 1992 Act and the draft Council Tax Reduction Schemes (Prescribed Requirements) Regulations 2012. As both the amended 1992 Act and the draft regulations are not yet in force, the scheme is in draft form. The 1992 Act is due to be amended once the LG Finance Bill 2012 receives Royal Assent in late October / November, and enables the Secretary of State to make Regulations accordingly.
63. The scheme rules set out how the scheme is to be administered for both pensioner age and working age recipients. For pensioners these are prescribed by The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012. The prescribed requirements regulations have thus far only been published in draft form. For working age claimants these are local rules developed as a requirement of The Local Government Finance Act 2011, with certain elements of the working age scheme also prescribed by The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012.
64. The council’s local rules for the working age recipients replicate as far as is possible the current council tax benefit regulations and therefore capture the application process, method of application, the detailed basis of the calculation, means testing of income and the decision making process.
65. Those claimants in receipt of council tax benefit as at March 2013 will automatically qualify for CTRS without the need to make a new claim, saving residents the burden of applying again in the same year. With the exception of those of pensioner age, entitlement will be capped at 85 percent from 1 April 2013 and liability for the balance will therefore be shown upon council tax bills issued in March 2013 for the 2013/14 financial year.

Proposed application process from 2013

66. Under Universal Credit, housing benefit will begin to be phased out from October 2013 at the earliest and housing costs will then be addressed under Universal Credit from April 2014.
67. The requirement under the local scheme is that CTRS shall be a means tested discount, therefore as applications for housing benefit will continue “as is” in 2013 the existing processes and systems can be adapted. The advantages of this are numerous both for the claimant and the council including established access channels, systems and processes and staff familiar with processing.

68. It is not proposed therefore to develop a new application process at this time. The existing application process will remain in place, however this position will remain under review in 2013/14 as the plans for the introduction of Universal Credit emerge.

Impact on technology

69. As a result of the very limited time available for implementation of a local scheme by April 2013 the advantage of Southwark's preferred CTRS scheme is that it can be based on the current software system. Our supplier is already working on a range of expected changes to ensure the IT system is capable of delivering the scheme together with any changes to core entitlements in preparation for this date. A full testing programme will form part of the established end of year and annual billing processes.
70. There is significant risk attached to the implementation of an IT solution in time for April 2013, which is not helped by the fact that final regulations are yet to receive Royal Assent making it very difficult for IT providers to build the system architecture. The risk attached to this work stream is being monitored and mitigation put in place where possible. We will continue to work closely with our software provider; however delivery of a suitable solution is dependent on them.

Impact on revenues and benefits operations

71. The changes referred to in this report constitute part of a wider range of government reforms relating to revenues and benefits policies and procedures. Whilst in principle the proposals outlined in the report minimise the impact of procedural changes given that assessment criteria are consistent with those currently applied in the operation. However, these will require close scrutiny and in particular the assistant director will wish to closely monitor any new pressures on administration arising from payment behaviours and any subsequent recovery action necessary.
72. Consideration will need to be given in the context of wider system changes and the movement of external resource from a capacity basis to a flexible resilience approach.
73. While the service will continue to seek ways in which it can streamline operations and reduce support costs services will need to be maintained at least at current levels. Given the nature and scale of changes in revenues and benefits systems great care will need to be taken in removing any costs within operations in the short term.

Impact on council tax collection and recovery

74. Analysis is currently underway with a third party into the impact that CTRS is likely to have on the council tax collection fund. In particular, customers' propensity to pay will be analysed and will inform our recovery strategy going forward.

Adopting the scheme

75. The determination of the level of local taxation is a matter reserved to council assembly in the constitution; the adoption of the CTRS reflects an amendment to the current level of CTB and the amounts payable by residents.
76. Officers are of the view that subject to the considerations discussed, the proposed CTRS scheme should be adopted. Cabinet is advised to agree the recommendations set out above.
77. 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.
78. 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. This review will be linked to further Equality Analysis, which is a commitment set out in our mitigating activities.

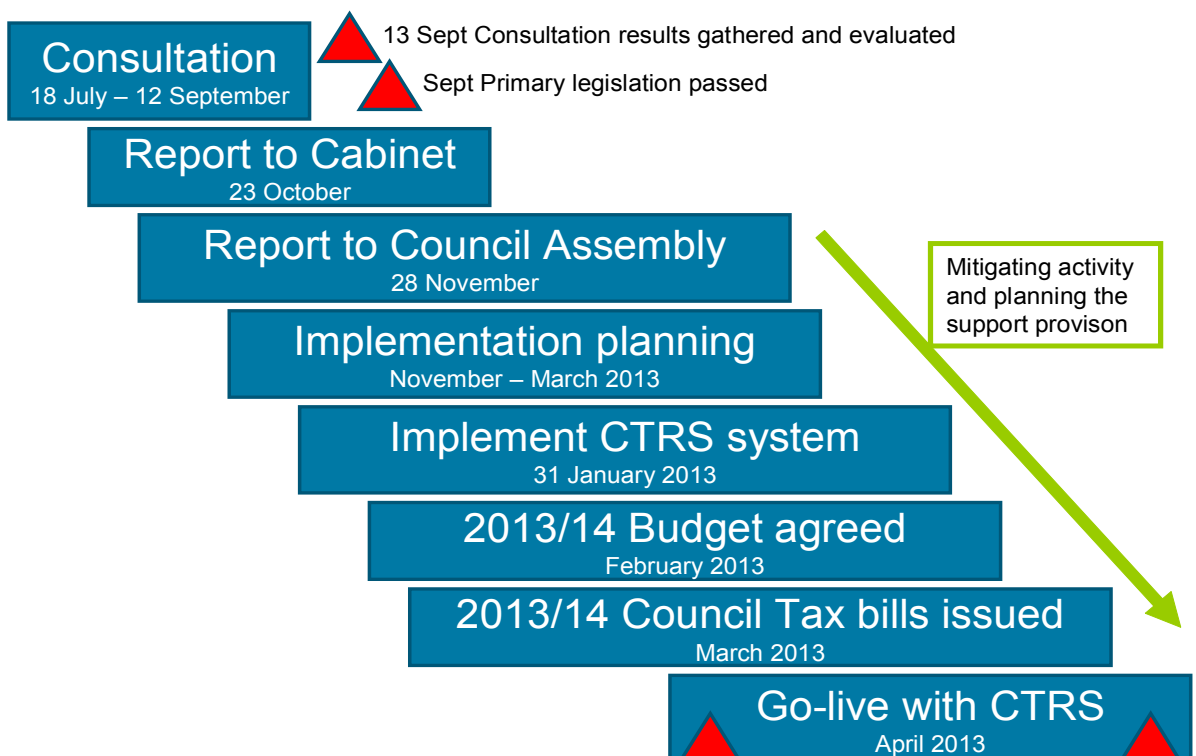
Primary Timetable for Local scheme implementation

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

Figure 4.

Activity	Lead	Date
Develop scheme proposals	Revenues and benefits officers	May –June 2012
Model scheme impacts	Revenue and benefits officers	May- June 2012
Develop consultation approach	Revenues and benefit officers/legal and communications	June 2012
Prepare consultation material	Revenues and benefits officers	June/July 2012
Equality Assessment	Revenues and benefit officers	June – Sep 2012
Share CTRS scheme with GLA	Revenues and benefits officers	10 July 2012
Report to cabinet to agree proposed CTRS scheme and consultation approach	Strategic director of finance and corporate services	17 July 2012
Confirm decision with GLA	Revenues and benefits officers	18 July 2012
Consultation period	Revenues and benefits officers	18 July – 12 September 2012
Consultation results gathered and evaluated		September to 20 September 2012

Activity	Lead	Date
Primary Legislation passed	DCLG	September 2012
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
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



Financial implications 2013/14

80. 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.
81. The government announced in the 2010 Spending Review that government resources to fund council tax benefit would be reduced by 10 per cent. The government is proposing to replace council tax benefit 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.
82. The latest government projections however suggest that this grant will be £24.1m, (£18.0m Southwark and £6.1m GLA), leaving a potential larger funding gap of £3.7m against the current £27.8m if the scheme continues without change. Officers are currently unable to reconcile the government figures and in the absence of confirmed regulations it is unclear how the government has approached their calculations and projections. Officers will continue to keep this under review and will continue to press government for justification of their projections.
83. The government suggests it has based its proposed level of funding for 2013/14 on our projected level of spend and this is lower than our actual spend in 2011/12. The level of spend will be determined by the number of claims made for CTRS in payment, influenced by the number of pensioner and working age claimants, therefore there is an assumption within government that our caseload will decrease, this is not however representative of our caseload or caseload trends. If this assumption is proved wrong and there is a significant increase in claims from working age claimants the council will be required to meet this additional cost.
84. The options 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.
85. Any shortfall after Southwark's 2013/14 CTRS grant is announced will be shared in proportion to council tax with the GLA, Southwark's share being £750k.
86. The approach for the localised scheme provides for the deficit being fully funded through reduced benefits to working age claimants.
87. There is a risk that council tax arrears will increase as a result of this new scheme as less support will be available to residents on a low income which will affect their ability to pay the balance outstanding.
88. An initial tranche of £84k in New Burdens funding has been given to Southwark and the DCLG has indicated that additional funding may follow to assist with one-off implementation costs, transition costs and the recurring costs for the first three years in operation of the system. The initial grant will be used towards the

immediate costs associated with implementation of the new system, consultation, process re-design and any associated staff training.

89. 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.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

90. Cabinet is aware that recommendations 3-7 are within the ambit of Cabinet to agree.
91. Cabinet is advised 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 cabinet is enabled to agree to recommendations and refer to the next assembly meeting for approval.
92. In respect of Recommendations 3 and 4, cabinet is alerted to the fact that the recommendations to council assembly are predicated upon legislation that has not yet been passed through Parliament. The parliamentary timetable indicates that the Bill will be enshrined in legislation before the default date of 31 January 2013, and before the January Council Assembly date and possibly before the November 2012 Council Assembly. Cabinet is advised that it may agree the recommendation to council assembly in spite of the absence of the legislation; the decision as to whether to agree the proposals rests with council assembly under the constitutional framework.

Recommendation 3

93. Cabinet is asked to note the legislative basis for the introduction of a policy relating to support for residents in paying their council tax. The Local Government Finance Bill is before Parliament and due to report on 10 October 2012 prior to a 3rd reading in the House of Lords. The Bill provides for the insertion of s.13A into the Local Government Finance Act 1992 which empowers local authorities to make reductions in the amount of council tax a person is liable to pay.
94. A written policy explaining the availability of this power and criteria for assistance will help the council minimise the risk of legal challenge by ensuring that decisions are made with reference to an agreed policy and in a transparent manner. Cabinet is therefore advised to agree the recommendation to council assembly that a policy is adopted under s.13A. of the 1992 Act

Recommendation 4

95. Cabinet is advised that the legislative basis for the introduction of a support scheme derives from the abolition of the existing council tax benefit under s.33 of the Welfare Reform Act 2012. The Local Government Finance Bill ("the Bill") provides

for the establishment of a Council Tax Support scheme (CTRS) under the wider s.13A policy detailed above in Recommendation 3. 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.

96. Cabinet is advised that in considering whether to make the recommendation to adopt the proposed scheme of reduction; decision makers must consider the outcome of the consultation exercise and demonstrate they have taken on board the views expressed by stakeholders. If cabinet are not able to agree with particular views they must provide cogent reasons as to why in their decision.
97. Cabinet is further advised that decision makers must consider the outcomes of the Equality Impact Assessment in advance of decision making. In the event that cabinet is minded to agree the recommendation, it must provide evidence of consideration of the EqIA outcomes in its decision. Cabinet 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.
98. In advance of its deliberations on the recommendations, cabinet 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.
99. In advance of its deliberations on the recommendations, cabinet 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.
100. Cabinet is also 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.
101. Cabinet is advised that it may agree to refer the linked proposal to remove the current second adult rebate from the proposed CTRS scheme, to council assembly. As with the advice relating to the recommendations above, cabinet is advised to consider the stakeholder response to the consultation on the entire scheme, the relevant equality implications as well as the statutory requirements of the council.

Strategic Director of Finance and Corporate Services

102. The strategic director of finance and corporate services notes the recommendations to this report, and that the option proposed will reduce the amount of CTRS by £2.8m by applying an 85 per cent cap on benefit awards to all working age claimants.
103. It is also noted that officers will continue to seek clarification on the continued uncertainty regarding the precise nature of any gap between the indicative grant announced by the government and the cost of CTRS if the proposed option is approved.
104. The strategic director of finance and corporate services also notes that the figures based in this report are based on current workloads that may change before final decisions are made in November not least given the current pressures arising from the general economic climate.

105. The reduction in tax base resulting from the new CTRS discount, its effect on future council tax income and impact on additional resources that may be generated from increases will be monitored closely. Any further information will be incorporated in the council tax base report and be presented to council assembly in the new year.
106. The impact on administrative effort and associated costs of the new scheme will be reviewed continually.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES -

Note: Appendices circulated separately to cabinet members and available on the web site

No.	Title
Appendix A	Southwark Council Tax Section 13A Policy - Discretionary Relief
Appendix B(i)	Consultation Plan
Appendix B(ii)	Consultation questions
Appendix C	Response from GLA
Appendix D(i)	Consultation response matrix
Appendix D(ii)	Schedule of all direct engagement activity
Appendix E	Analysis of preferred scheme (85% cap on CTB entitlement)
Appendix F	Round up of all current welfare reform-related activity
Appendix G	Equality Analysis
Appendix H	Southwark's Council Tax Reduction Scheme (CTRS) policy
Appendix I	Southwark Legal Advice Network – Consultation response

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety	
Lead Officer	Duncan Whitfield, Strategic Director of Finance & Corporate Services	
Report Author	Dominic Cain, Assistant Director (Revenues & Benefits)	
Version	Final	
Dated	11 October 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
	Officer Title	Comments Sought
	Director of Legal Services	Yes
	Strategic Director of Finance & Corporate Services	Yes
	Cabinet Member	Yes
	Date final report sent to Constitutional Team	11 October 2012