
SUBJECT: LOCAL COUNCIL TAX SUPPORT SCHEME
DATE: 16 AUGUST 2012
RECIPIENT: OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

THIS IS NOT A DECISION PAPER

SUMMARY:

Cabinet is scheduled to consider the report of the Cabinet Member for Resources on 21st August 2012 seeking approval for a draft Local Council Tax Support Scheme for Southampton that can then proceed to formal consultation. This briefing paper provides information on the recommendations contained in the Cabinet report.

BACKGROUND and BRIEFING DETAILS:

1. The Welfare Reform Act abolishes both Housing Benefit (which will gradually be replaced by Universal Credit) and Council Tax Benefit (CTB). The Local Government Finance Bill, which is currently working its way through Parliament, provides for the introduction of local Council Tax Support (CTS) schemes as a replacement for CTB to be administered by Local Authorities from 1st April 2013.
2. The council has 24,100 CTB claims. Of these 15,000 are working age. This means that approximately 15% of all households in Southampton will be affected.
3. CTB has previously been fully funded by the Department for Work and Pensions. However, under the new arrangements, that funding will be reduced by 10% based on anticipated expenditure in 2013/14. In Southampton this reduction is expected to be around £1.9 million although the final figure is not yet known.
4. There is the option to implement a local scheme which does not pass on this funding cut to those currently eligible for CTB. However, the cost of this protection would fall on the General Fund and either be borne by council tax payers, or reduce the funding available for other services. These are seen as unacceptable alternatives.
5. The council is not permitted to reduce Council Tax Support for people of pensionable age. The Government is retaining default national rules for pensioners with eligibility and rates defined in broadly similar regulations as those for CTB. This means that any reductions in support to enable a scheme to be self-funding have to fall disproportionately on people of working age.
6. In designing schemes for people of working age, the Government has reminded authorities of their statutory responsibilities, including the Equality Act 2010; the Child Poverty Act 2010; the Armed Forces covenant and the Housing Act 1996.
7. To avoid undesirable impacts on other services Cabinet is recommended to accept a draft Southampton Council Tax Support Scheme that is designed to be self-funding. In achieving this aim we have taken into account: -
 - the reduced Government funding; an allowance for a potential increase in Council Tax of up to 3.5%;

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

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

8. Consideration has been given to whether there should be protection from the scheme changes for individuals or groups (other than people of pensionable age who are already protected by the legislation). If the fundamental principle of the scheme being self-funding is maintained, then any protection given must inevitably result in a reduction in the support given to other claimants.
9. The only group protected in the proposal are those in receipt of a war pension or war widows pension (or an equivalent benefit). Currently the Council exercises its discretion to disregard some income for this group and this will continue and their level of support will be maintained.
10. The proposed Southampton Council Tax Support Scheme recommended to Cabinet is formally set out in Appendix 1 to the Cabinet report, but is in brief:
 - The level of support will be calculated in accordance with the Government default scheme but then reduced by 25% so as to achieve the self-funding.
 - Claimants in receipt of a war pension or war widows pension will have that income disregarded and will not have their discount reduced by the 25%. They will therefore be unaffected by the introduction of the new scheme.

There will also be a discretionary fund to ensure that the most vulnerable can access additional support in exceptional circumstances.

RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:

11. The scheme itself is designed to be self-funding through reductions in the discounts granted compared to Council Tax Benefit currently awarded. However there are some risks that are acknowledged. These are:
 - The potential for an increased caseload due to the economic climate. DCLG projections are that caseload will be reducing over the next few years as the effects of the recession recede. This is far from certain and, as a contingency, it has been assumed that the number of people entitled will remain static. However the possibility that the recession will deepen remains.
 - The potential for increased take-up. Council Tax Benefit is the most under-claimed benefit, particularly amongst pensioners. The publicity around this change may result in an increase in claims. It is difficult to project what this may mean but as a contingency an increase in caseload has been assumed.
 - A reduction in the council tax collection rate. The amount that must be paid by some of the poorest people in our community will be increase and many people will be asked to pay council tax for the first time. There is no way to know for sure how much of this additional debt will be collectable.

12. The DCLG has awarded an implementation grant of £83,000 to all authorities to assist with implementation costs and a further grant is expected in future, although the amount is not yet known. Based on past experience, it is currently anticipated that our implementation costs will be covered by these grants, subject to the design of the final scheme adopted.
13. There are not expected to be any property implications for the Council.
14. The reduction in income of a substantial proportion of the poorest households in Southampton is likely to impact on some of the plans and strategies that make up the Policy Framework in ways that are difficult to anticipate in advance. For example, the Children and Young People's Plan has as a priority "we will significantly reduce the number of children and young people living in poverty". The change from CTB to CTS is likely to be detrimental to that aim.

OPTIONS and TIMESCALES:

15. Given the tight timescales for implementation, and the facts that legislation is not yet in place and guidance is still being received, it is necessary to allow for some flexibility in the design of the scheme and in the consultation, which is achieved by a recommendation to allow an appropriate delegation to the Head of Finance and IT in consultation with the Cabinet Member for Resources.
16. The Council must adopt a CTS scheme by the end of January 2013 (if it fails to do then a "default" scheme is imposed by the DCLG which is effectively the same as the current CTB scheme) and a special meeting will be arranged for this. Before then it must consult major preceptors (for Southampton this is the Police and Fire and Rescue authorities), publish a proposed scheme and consult other people it considers are likely to have an interest in the operation of the scheme. Informal consultation with the Police and Fire and Rescue Authorities has already started and this will be formalised prior to the scheme being published. Wider consultation will then commence and a period of 12 weeks will be allowed for this part of the process.
17. Following the consultation process the Head of Finance and IT, in consultation with the Cabinet Member for Resources, will amend the draft scheme as necessary taking account of:
 - The consultation responses received;
 - The Equalities Impact Assessment;
 - The latest information from the DCLG on the funding to be provided;
 - Any amendments made to relevant legislation;
 - The best available estimates of caseload and collection rate.
 - The anticipated increase in Council Tax (if any).
 - Any upratings of welfare benefits proposed by the Government which take effect on or after 1st April 2013.

The revised scheme will then be considered at the special Council meeting in January 2013.

18. The timescale allowed for the implementation of CTS is very challenging. Designing a complex scheme is risky and in any event our software suppliers (in common with the rest of the market) have been clear that a scheme that departs substantially from the current CTB rules cannot be implemented in time. The recommended Southampton scheme has therefore been designed to be as straightforward as possible to implement and is closely based on the existing Council Tax Benefit scheme by using the DCLG default scheme as its basis.
19. A number of alternative options were considered when developing the proposal and these are included in the report to Cabinet as an appendix. Each was rejected for one of the following reasons:
- Introducing unacceptable inequalities in their impact.
 - Reducing the incentive to work or save.
 - Bringing additional financial risks.
 - Resulting in additional administration.

Appendices/Supporting Information:

None

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