

DECISION-MAKER:	COUNCIL		
SUBJECT:	COUNCIL TAX REDUCTION SCHEME		
DATE OF DECISION:	16 JANUARY 2012		
REPORT OF:	CABINET MEMBER FOR RESOURCES		
<u>CONTACT DETAILS</u>			
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STATEMENT OF CONFIDENTIALITY

None

BRIEF SUMMARY

The current council tax benefit scheme is to be abolished from April 2013 and replaced with a Local Council Tax Reduction scheme (also called Council Tax Support scheme). People of pensionable age are protected, but the Council must design its own scheme for people of working age. This report sets out proposals for a scheme for Southampton.

Cabinet approved a draft scheme for consultation in August 2012. Consultation on this draft took place over a 12 week period, ending on 16th December. Council are now asked to consider the scheme to be introduced in Southampton in the light of the consultation feedback, the Equalities Impact Assessment and the Council's financial position.

The Council will receive 10% less from central government to fund the new scheme and there will be additional costs in collecting the tax. This report sets out two options for consideration. The first is self funding and, to achieve this, reduces the support given to people of working age by 25%. The second option takes advantage of a one-off transitional grant offered to councils for 2013/14 only by the Government for introducing what they consider to be "well designed schemes. Under option 2, at the end of the 2013/14, as the transitional grant will have come to an end, the scheme will revert to that proposed under option 1 from 1st April 2014.

Members should be aware that whichever scheme is adopted the change will affect 15,000 working age low income households in the city, many of whom do not currently have to pay council tax as their current Council Tax benefit covers it in full. All working age households will now be asked to make a contribution, and some will find this very difficult.

It is therefore proposed that under both option 1 and 2 a discretionary fund is set up to deal with cases of exceptional hardship. This will run along the same lines as the

current Discretionary Housing Payments which have been successfully administered in the Benefits Service for several years.

RECOMMENDATIONS:

- (i) To note and consider the responses from the consultation process and the equalities impact assessment as set out in Appendices 3 and 4.
To adopt a scheme based on either:
- (ii) Option 1 - the Southampton City Council 'Council Tax Reduction Scheme as set out in Appendix 1 (the default scheme) with the amendments set out in Appendix 2a, which is designed to achieve a self-funding position.
Or
- (iii) Option 2
 - a. for the year 2013/14 the Southampton City 'Council Tax Reduction Scheme' as set out in Appendix 1 (the default scheme) with the amendments set out in Appendix 2b, which is designed to comply with the transitional grant conditions and which will require additional Council funding of £720,400 and.
 - b. for the year 2014/15 and subsequent years the Southampton City Council 'Council Tax Reduction Scheme as set out in Appendix 1 (the default scheme) with the amendments set out in Appendix 2a, which is designed to achieve a self-funding position.
- (iv) To approve that, should option 2 be adopted, provision for the additional cost of £720,400 must be made in the 2013/14 budget agreed by Full Council at its meeting on 13th February 2013.
- (v) To delegate authority to the Head of Finance and IT following consultation with the Head of Legal, HR and Democratic Services and the Cabinet Member for Resources to adopt the Southampton City Council 'Council Tax Reduction Scheme' based on the preferred option selected by Council (Options 1 or 2 above) by 31st January 2013 and to make any subsequent changes necessary to the adopted Scheme to give effect to the requirements of any Act, Regulations or Statutory Guidance enacted or published after the date of adoption.
- (vi) That any scheme adopted is reviewed by the Head of Finance and IT following consultation with the Cabinet Member for Resources for subsequent financial years, and that recommendations for any substantive changes are brought back to Full Council for approval
- (vii) To note that all current claimants will be sent a letter following the Southampton Scheme being approved setting out how the change affects them and offering payment options.

REASONS FOR REPORT RECOMMENDATIONS

1. In accordance with the Local Government Finance Act 2012 the council is required to adopt a Council Tax Reduction Scheme by the end of January 2013.
2. Two options are offered. The first is for a self funding scheme (option 1) which reduces the support given to a level that is covered by the Government funding for local Council Tax Reduction schemes. Option 2 reduces support for one year (2013/14) only to a level that is compliant with the criteria set out by the Government for claiming a one year transitional grant of £378,847. In subsequent years (2014/15 onwards) the reduction set out in option 1 will apply.
3. Option 2 requires additional funding of £720,400 in 2013/14 and Council are asked to approve that should this option be adopted, provision for this sum would need to be made in the 2013/14 budget agreed by Full Council at its meeting on 13th February 2013. At the time of writing this report the final impact on the Council of the draft Local Government Finance Settlement is not yet fully known. Full consideration of the affordability of option 2 can only be considered taking account of the impact of the financial settlement and the Cabinet Member for Resources will provide Full Council with an update on the affordability of option 2 at this meeting.
4. Both options are based on the Council Tax Reduction Scheme (Default Scheme) 2013 as set out in the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 which are attached as Appendix 1. The required amendments to the Default Scheme are given in Appendix 2a for option 1 and Appendix 2b for option 2. Whilst the regulations have come into force, we are aware that some amendments are still to be laid, so these are not yet in their final form. Because of this Council is asked to delegate authority to the Head of Finance and IT to approve the final consolidated draft of the Southampton Scheme based upon Council's preferred Option and to make any changes necessary to comply with the revised Regulations and Scheme arrangements following consultation with the Head of Legal, HR and Democratic Services and the cabinet Member for Resources. No substantive changes to the principles of the Option approved by Council will be made.
5. The Council may amend its Council Tax Reduction scheme annually and it is recommended that the scheme adopted is reviewed by the Head of Finance and IT following consultation with the Cabinet Member for Resources for subsequent years. In future years there should be more options open to the Council in terms of the scheme design and we will be better informed on the caseload and collection rate impacts. However, no substantive changes to the principles of the scheme will be made without the approval of Full Council.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

6. Various options for the design of the Council Tax Reduction scheme (set out in appendix 5) have been considered and rejected as:
 - Introducing unacceptable inequalities in their impact.
 - Reducing the incentive to work or save.
 - Bringing additional financial risks.

- Resulting in additional administration.
 - Not producing sufficient savings to make the scheme self-funding and thus creating a deficit that would have to be found from other budgets.
7. Permanent adoption of the transitional scheme proposed for the first year of option 2 was considered following the Government announcement of a transitional grant available to authorities which implement “well designed schemes”. Well designed in this context means a scheme that:
- Restricts any cut for people on full benefit to 8.5%
 - Limits the taper to 25% or less
 - Avoids a sharp reduction in benefit for those entering work.
 - Does not impose large increases in non-dependant deductions.
- It the Council introduces a scheme that complies with these criteria it would be eligible for a one-off grant of £378,847. However, this would still leave a shortfall of £720,400 to be found from other budgets in 2013/4 which would rise to £1,099,000 in following years. Permanent adoption of this scheme has therefore been rejected, but the option of adopting such a scheme for one year is offered for consideration by Council.

DETAIL (Including consultation carried out)

8. The Welfare Reform Act 2012 abolishes both Housing Benefit (which will gradually be replaced by Universal Credit) and Council Tax Benefit (CTB). The Local Government Finance Act 2012 provides for the introduction of local Council Tax Reduction (CTR) schemes as a replacement for CTB to be administered by Local Authorities from 1st April 2013.
9. The Council must adopt a CTR scheme by the end of January 2013. If the Council fails to adopt a scheme then a “default” scheme is imposed by the Department for Communities and Local Government (DCLG). Effectively this is the same as the current CTB scheme.
10. 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 around £1.87 million.
11. The Government’s aims in localising council tax support are:
- As part of the wider policy of decentralisation, to give local authorities increased financial autonomy and a greater stake in the economic future of their local area;
 - To give local authorities a strengthened financial stake in ensuring that local schemes lift the poorest off benefits and support them into work. Delivering the positive incentives to work that will reduce poverty and reliance on council tax support in the long term.
12. 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.

13. In designing schemes for people of working age, the Government has reminded authorities of their statutory responsibilities, including:

- The Equality Act 2010;
- The Child Poverty Act 2010;
- The Armed Forces covenant;
- Housing Act 1996

These responsibilities have been taken into account when designing the options in this paper.

14. In December the Government issued guidance on taking work incentives into account when designing schemes. This guidance is intended to support local authorities in designing local council tax reduction schemes that support positive incentives to work, helping to make it clear that work pays and so making it worthwhile to enter work, work more, and rely less on benefits. There is particular concern to ensure that council tax compliments Universal Credit to ensure work incentives in this new benefit are not undermined.

15. The council has a caseload of 27,000 Housing Benefit (HB) and Council Tax Benefit claims. Most of these are joint claims for both benefits and there are 24,000 claims for CTB in total. Of these 15,000 are working age. This means that approximately 15% of all households in Southampton will be affected. Generally HB and CTB are claimed jointly and this will continue for the first year of CTR. After this, Universal Credit will start being rolled out and separate claims may be needed.

Designing a Council Tax Reduction Scheme for Southampton.

16. Cabinet agreed a draft scheme for Southampton in August 2012. In accordance with the legislation this was published and consulted on. The consultation period ended on 16th December 2012.

17. To avoid undesirable impacts on other services the draft Southampton Council Tax Reduction Scheme (option 1 in this paper – see para 22 below) was designed to be self-funding. In achieving this aim the following were taken into account:

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

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

18. Other major considerations when designing a scheme were the challenging timescale for implementation and the capabilities of our computer software. Complex changes from the current scheme were ruled out as being too risky to implement in time 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. The Southampton scheme has therefore been designed to be as straightforward

as possible to implement and is closely based on the existing Council Tax Benefit scheme by using the DCLG default scheme as its basis.

19. In November the Government announced a transitional grant available for 2013/14 only to authorities which implement “well designed schemes”. Well designed in this context means a scheme that:

- Restricts any cut for people on full benefit to 8.5%
- Limits the taper to 25% or less
- Avoids a sharp reduction in benefit for those entering work.
- Does not impose large increases in non-dependant deductions.

If the Council were to introduce a scheme that complies with these criteria it would be eligible for a one-off grant in 2013/14 of £378,847. However, this would still leave a shortfall of £720,400 to be funded from Council resources to implement a scheme compliant with the Transitional Grant rules. This approach would not meet the self-funding principle and may be considered to be unaffordable. However this option has not been rejected and is offered for consideration for adoption by Council for one year only as option 2 below. In subsequent years the scheme set out as option 1 would apply.

20. Consideration was given to whether there should be additional protection from the scheme changes for individuals or groups (other than people of pensionable age who are already protected by the legislation). However, unless additional funding is found from elsewhere, it is important to understand that any protection given must inevitably result in a reduction in the support given to other claimants. However, it is also important to recognise that the existing Council Tax Benefit Scheme and the Government’s default scheme already include criteria to take account of particular individual circumstances and thus provides in built enhanced levels of support to particular groups. As both the schemes proposed under Option 1 and Option 2 are based on the Government’s default scheme, by default these additional enhancements will be carried forward and continue under which ever option is approved by Full Council. These include:

- Child Benefit & Child Maintenance continue to be disregarded. By disregarding these from income used to determine what council tax support should be awarded, this will help to protect against child poverty.
- Maintaining support for families with children and lone parents. Additional allowances and premiums for children and families are granted under the Council Tax Benefit scheme. These will continue under the local scheme.
- Maintaining support for disabled claimants and children. Additional allowances and premiums are granted under the Council Tax Benefit scheme. These will continue under the local scheme.
- Fostering payment income continue to be disregarded. Foster carers and Kinship carers that receive fostering payments (paid by a LA, voluntary organisation or Primary Care Trust) have this income disregarded in full when calculating entitlement to Council Tax Benefit. This continues under the local scheme.
- Maintaining protection for Carers who have Council Tax liability. A

carer claiming Council Tax Benefit receives some protection by receipt of Carer's Allowance, should they meet the qualification criteria. This continues under the local scheme.

- Maintaining allowances and premiums given to a care leaver The allowances and premiums given to a care leaver under the Council Tax Benefit scheme are the same as for a non-care leaver. This will continue under the local scheme.

21. The only group with additional protection under both options 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 whatever their age.

22. The two alternative proposals for the Southampton Council Tax Reduction Scheme are formally set out in Appendix 1 as amended by Appendices 2a (Option 1) and 2b (Option 2), but in brief are:

Option 1:

This option is the draft scheme which was agreed by Cabinet and on which the council has consulted. The key features are:

- 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 principle as set out in paragraph 17 above.
- Claimants in receipt of a war pension or war widows pension will have that income disregarded and will not have their council tax support reduced by the 25%. They will therefore be unaffected by the introduction of the new scheme.

Option 2:

This option is compliant with the conditions for receiving the one-off Government transitional grant of £378,847 in 2013/14. The key features are:

- The council tax liability used in the calculation will be reduced by 8.5% (this is effectively the maximum benefit that can be granted).
- The taper used in the calculation (this is the rate at which support is withdrawn from the maximum as income increases) will be 25%. Under council tax benefit this taper is currently 20%.
- Claimants in receipt of a war pension or war widows pension will have that income disregarded and will not have their council tax support reduced by either the 8.5% liability reduction or the change to a 25% taper. They will therefore be unaffected by the introduction of the new scheme.

As the government grant is one-off, the proposal is that after year one (2013/14) the scheme will revert to option 1. As previously set out, the Council would need to provide additional funding from Council Resources of £720,400 in 2013/14 in order to implement the Transitional Scheme.

23. It is important to recognise that, although option 2 is overall more generous than option 1 for the one year it would be in operation, this is not the case for all claimants. Approximately 1,900 households could potentially be better off

under option 1 compared to option 2. To illustrate why this is the case some examples of the levels of support granted are given in appendix 6. Despite there being some “losers” the additional support granted by adopting option 2 is more beneficial to the wider caseload. Overall the average loss for option 1 is 25%. For option 2 the loss is 8.5% for people currently on full benefit, but this increases as income rises. The average loss for option 2 overall is 11.5%.

Discretionary Fund

24. The August Cabinet report proposed that a discretionary fund is created to deal with cases of exceptional hardship. In this way it mirrors the existing Discretionary Housing Payment (DHP) which will no longer cover Council Tax when CTB is abolished. It is impossible in any support scheme to take account of the full range of circumstances faced by individuals and a fund gives the flexibility to deal with the unforeseen.
25. CIPFA (the Chartered Institute of Public Finance and Accountancy) have suggested that local authorities should consider a fund which is 1% to 3% of their Government grant. In Southampton that is £140,000 to £420,000. For Southampton we have proposed a fund of £200,000.
26. Consideration of exceptional circumstances will be very similar to the DHP process. There is no right of appeal, but disputes are considered by a small panel of officers, including a representative from the Welfare Rights Unit. The council’s allocation from the Government for DHP for 2013/14 is £527,600.

Work Incentives

27. Incentives to work are maintained by both options, but are stronger in option 1 (see below). However both options continue the following work incentives from Council Tax Benefit:
 - Earned income disregards. This disregard reduces the amount of earned weekly income used in the assessment. The values are:
 - Lone Parent: £25
 - Disabled, Long Term Sick, Carers & Special Occupations: £20.00
 - Couple: £10.00
 - Single: £5.00
 - The extended payment provision. Where certain qualifying conditions are met 4 weeks additional benefit is paid when a claimant comes off benefit and starts work.
28. Option 1 provides a greater incentive to work over option 2 as the rate at which support is withdrawn as income increases is lower. Currently, under CTB, if a claimant’s weekly income is more than his or her applicable amount benefit is withdrawn by £0.20 for each additional £1.00 earned. For option 1 this reduces to £0.15, but for option 2 it increases to £0.25. (Applicable amount is the value that is deemed by Government to be the weekly amount required for living expenses, excluding rent & Council Tax).

Consultation

29. The consultation process and results are fully set out in appendix 3. The consultation was in respect of a draft Southampton Council Tax Reduction

Scheme, which is now Option 1 as set out in this report.

30. The council was obliged to first consult major preceptors. This was done in a letter sent by the Head of Finance and IT to Hampshire Police Authority and Hampshire Fire and Rescue Authority on 28th August 2012. Public consultation then ran from 17th September through to 16th December 2012.
31. The responses from the Police and Fire and Rescue Authorities were similar. They were content that the Draft Southampton scheme will not adversely affect their finances, but emphasised the importance of undertaking a full Equalities Impact Assessment to ensure that the proposed approach does not have a detrimental affect on particular vulnerable groups. We are now seeking their views on the adoption of the transitional scheme (option 2) for the 2013/14 financial year and any views received will be verbally reported to this meeting.
32. There was direct communication with all current council tax benefit recipients in the form of a letter and accompanying leaflet setting out the draft scheme (now option 1) and inviting them to express their views, either through an online questionnaire or in writing.
33. It was recognised that a significant proportion of recipients would not understand the change and its implications and so there was significant engagement with representative organisations. This was done through meetings of the Housing Partnership, Southampton Connect and Southampton Anti-Poverty Network. A full list of the organisations invited to these events is given in Annex 4 to the consultation report.
34. Two drop-in sessions were also held in Local Housing Offices where people could ask questions and give their views to council managers.
35. During the consultation period the Government announced that a transitional grant would be available to councils that restricted the reduction in support given (now included in option 2). All responses were assessed in the light of this change but no changes were considered necessary to the consultation to take account of the announcement as the majority of claimants (87%) would be better off.
36. The conclusions drawn in the consultation report are:
 - That the proposed draft scheme (option 1) is clearly not popular with respondents in that it is reducing the support given to people who are already on low incomes. Many will struggle with this reduction and there is particular concern expressed for groups perceived as vulnerable, particularly the disabled and families.
 - However there was not a clear consensus that the funding to reduce the proposed reduction in council tax support should be found from other council budgets. The suggestions from those that thought additional funding should be found were largely ones already explored through the budget processes in this and earlier years.
 - The approaches proposed for means testing, excluding war and war widows pensioners from any reduction and for setting aside a discretionary fund generally found favour amongst recipients and so there is no clear reason not to include these in the final agreed scheme

- The response on supporting people back into work is interesting as the majority of respondents did not feel that the proposed scheme (i.e. option 1) provides good support. However Option 1 (the draft scheme) provides greater support than the current council tax benefit scheme and is, in this regard, better than the optional Government transitional scheme.

Equality Impact Assessment

37. The equality impact assessment is fully set out in appendix 4.
38. It is to be expected that the introduction of the Local Council Tax Reduction Scheme will result in difficulties for people on low income as it reduces the support given and many households will have to pay council tax for the first time. This is the case whichever option is chosen by Council, although option 2 would mitigate the effect somewhat for the first year
39. The analysis in the impact assessment shows the amount extra that households will have to pay as a proportion of the household income. This is summarised in the table below:

Households containing	Proportion of income	
	Option 1	Option 2 (first year)
Disabled people	1.96%	0.83%
Severely disabled people	1.89%	0.66%
Disabled children	1.05%	0.48%
Families	1.37%	0.77%
Children under 5	1.24%	0.71%
Lone parents with children under 5	1.51%	0.64%
Workers	1.97%	1.64%
Others	4.27%	1.52%

NB. Claimants can only appear in one group. So, for example, there will be workers who have a child under the age of 5. These will appear in the children under 5 group, rather than the workers group.

40. For option 1 these results show that the households most affected are in the “Other” group - these are often single people on particularly low incomes (the average is £87), 86% of whom are on passported benefits. This is because of the way the scheme works to take account of personal circumstances, as set out in paragraph 20 above. There is a similar effect for option 2, but here the “Workers” group is most affected. This is because the work incentive is not as strong in this scheme – see paragraph 28 above.
41. The overall conclusion from the impact assessment is that the proposed schemes do not disadvantage any potentially vulnerable group disproportionately and that there are mitigating factors in place, particularly the discretionary fund, to assist people in difficulty. The Council also provides significant support directly to individuals and to organisations that assist and support individuals facing hardship or wishing to get into work. Examples include Southampton Advice and Representation Centre, Southampton Citizens Advice Bureau, No Limits and the Princes Trust (Fairbridge). This is

not to underestimate the fact that all the affected households are on a low income and will not find it easy to make a contribution towards their council tax.

Scrutiny Panel Inquiry

42. The introduction of local council tax support takes place within the context of a wide range of welfare reforms. In response to this, a Scrutiny Inquiry (Scrutiny Panel A: Welfare Reforms Inquiry) has been set up to:
- Understand the timetable of welfare reforms and how the local impact can be assessed as part of council decision making
 - Consider duties and responsibilities under the new legislation and identify opportunities for the co-ordination of current and future service delivery
 - Identify opportunities for policy development, with a particular focus on helping people into employment and tackling family breakdown.

43. Overview and Scrutiny Management Committee approved at their meeting on 13th December the following recommendations from Scrutiny Panel A: Welfare Reforms Inquiry:

Recommendation 1:

- a) A Discretionary Fund for Local Council Tax Reduction is established and aligned with Discretionary Housing Payments.
- b) Discretionary funding is directed at the most vulnerable.
- c) To ensure that principles of fairness are applied to the Discretionary Fund. This should include:
 - i) Development of a transparent approach for determining applications for the Fund
 - ii) An appropriate complaints process
 - iii) A fund that is operated in line with the Public Sector Equality Duty.

Recommendation 2:

That the Cabinet gives further consideration to applying for funding from the Government's Transitional Grant scheme, in the context of the Final Grant Settlement for Southampton, taking into account the benefits and concerns highlighted by the Panel in this report. In their considerations, the Panel recommends that the decision should be in accordance with the principles of 'making work pay'.

44. This report and the options put forward have taken into account the recommendations of Scrutiny Panel A: Welfare Reforms Inquiry. Both options include a proportional discretionary fund aimed at supporting those experiencing exceptional hardship and this will be aligned with the administration of Discretionary Housing Payments. Option 2 has been developed based on taking the government's Transitional Grant for 2013/14.

Implementation

45. The Benefits team are on target for implementation of the new scheme in April 2013. Currently the software release is being tested and procedural matters, such as the claims process, are being refined. Not all of the relevant regulations have yet been laid before Parliament, but, as long as the current timetable is followed by the Government, this is not expected to cause any

problems.

46. The final communications plan is now being finalised, with one action immediately following approval of a scheme being to write to all current claimants explaining the change and setting out their payment options.

RESOURCE IMPLICATIONS

Capital/Revenue

47. CTB has previously been fully funded by the Department for Work and Pensions and the overall funding will be reduced by 10% based on anticipated expenditure in 2013/14. In Southampton this reduction is around £1.87 million overall. As Council Tax Reduction is a discount, rather than a benefit, the funding mechanism is also changing as the cost of the support and the grant that partially funds it are shared with preceptors.
48. Just before Christmas the Government announced that the grant payable to the council for 2013/14 would be £14,255,000. This is better than originally expected when figures were first provided in the Government's consultation papers. At that time the indication was that we could expect to receive £14,009,000.
49. The table below sets out the financial impact of the two scheme options taking account of this grant and, for option 2, the transitional grant.

	Current Draft Scheme (option 1) (£)	Transitional Scheme (option 2) (£)
2013/14 Council Tax Requirement (1)	84,869,600	84,869,600
Less government grant (2)	14,255,000	14,255,000
Less transitional grant (3)	-	378,800
Revised 2013/14 Council Tax Requirement	70,614,600	70,235,800
Discretionary Fund (4)	200,000	200,000
Estimated collection rate (5)	97.90%	97.90%
Assumed change in take up of (6)	-0.50%	-0.50%
Break even band D Council Tax (7)	1,259.87	1,277.09
Predicted Band D Council Tax (8)	1,263.99	1,263.99
Difference	-4.13	13.10
Multiply by tax base to give deficit (surplus)	<u>(231,300)</u>	<u>720,400</u>

(1) based on current requirement multiplied by assumed 2% maximum council tax increase.

(2) from Govt settlement.

(3) available for schemes at least as good as the Govt transitional scheme.

(4) amount for exceptional hardship

(5) current collection rate 98.3%

(6) based on DWP projections (2% drop) and our estimate of increase due to greater awareness (1.5%)

(7) what the council tax would have to be to balance.

(8) what the council tax will be based on increase.

50. Option 1 meets the self-funding principle and potentially would result in a small surplus of £231,300 (equivalent to 1.6% of the Government grant). Option 2 would cost £720,400. At the time of writing this report the final impact on the Council of the draft Local Government Finance Settlement is not yet known. Full consideration of the affordability of option 2 can only be considered by taking account of the impact of the Local Government financial settlement and the Cabinet Member for Resources will provide Full Council with an update on the affordability of option 2 at this meeting.
51. With both options there are some risks that must be acknowledged. These are:
- The potential for an increased caseload due to the economic climate. DCLG projections are that caseload will be reducing over the next few years by 2% as the effects of the recession recede. However the possibility that the recession will deepen remains. A 1% increase in caseload would increase the cost of option 1 by £137,300 a year and option 2 by £150,800 a year.
 - The potential for increased take-up. It is difficult to project what this may mean but as a contingency an increase in caseload which partially offsets the DCLG projection 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 increased and many people will be asked to pay council tax for the first time. Assumptions have been made, but there is no way to know for sure how much of this additional debt will be collectable.
52. The DCLG has awarded an implementation grant of £83,000 in 2012/13 to all authorities to assist with implementation costs and is providing New Burdens funding to Southampton of £159,200 in 2013/14 and £145,600 in 2014/15.
53. It is not yet certain what the cost of administration of the new scheme will be or what key performance indicators can be set on the council tax collection rate, and both of these issues are currently under discussion with Capita. However, based on past experience, it is currently anticipated that any additional administration costs will be covered by these grants.

Property/Other

54. No implications for Property are foreseen.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

55. The requirement to introduce a local Council Tax Reduction scheme is contained in the Local Government Finance Act 2012. The detailed requirements of the schemes are contained in regulations, not all of which have yet been issued. It is therefore possible that regulations yet to be passed will have an impact on the administration of the scheme.

Other Legal Implications:

56. In designing schemes authorities have a number of statutory responsibilities, including:

- The Equality Act 2010;
- The Child Poverty Act 2010;
- The Armed Forces covenant;
- Housing Act 1996

These responsibilities have been taken into account when designing the option in this paper.

POLICY FRAMEWORK IMPLICATIONS

57. This change is consistent with, and not contrary to, the Council's Policy Framework.

KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:	All
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SUPPORTING DOCUMENTATION

Appendices

1.	The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012
2a	Option 1 - Southampton City Council 'Council Tax Reduction Scheme – amendments to default scheme
2b	Option 2 - Southampton City Council 'Council Tax Reduction Scheme – amendments to default scheme
3.	Consultation Outcomes
4.	Equalities Impact Assessment
5.	Other Options Considered
6.	Example calculations illustrating the two options

Documents In Members' Rooms

1.	
2.	

Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	Yes/No
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at: Local Taxation and Benefits Client, Civic Centre, Southampton.

Title of Background Paper(s)

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

1.	Original documents received in Response to the consultation exercise	
2.		