Localisation of Council Tax Support

Cabinet Portfolio:
Lead Member for Finance & Resources: Councillor Paul McGlone

Report authorised by:
Executive Director for Finance and Resources: Mike Suarez

Executive summary

The government have introduced a series of significant policy changes and resource reductions under the banner of Welfare Reform which will have a far reaching and often adverse impact on the council and the residents of Lambeth. In broad terms the wave of reforms will see a significant reduction in the level of financial assistance to many of our most vulnerable residents with the most notable changes being

a. The abolition of council tax benefit in April 2013 and the introduction of council tax support.

b. The introduction of benefit caps from April 2013

c. The incremental abolition of housing benefit from October 2013

d. The abolition of disability living allowance in April 2013 with the introduction of the personal independence payment.

These series of benefits are received by over 44,000 households in the borough and a more detailed impact of each is detailed further in the report. The government’s reforms set out to simplify the welfare system, incentivise work and make substantial efficiencies.

Lambeth Mitigates Impact of Welfare Reform

Importantly, the council has formally critiqued the suite of reforms through government consultation, on the basis that many Lambeth residents will be adversely affected from a financial, social mobility, as well as from a wellbeing perspective. However, despite Lambeth and many local authorities’ objection to aspects of the policies the government has not amended the elements of the welfare reform, such as the nominal 10% reduction in council tax support for our residents, which is likely to materialise as a 12% reduction (see summary of financial implications). More broadly, the welfare changes are also likely to impact negatively on the council’s ability in such critical areas such as reducing child poverty and reducing homelessness.
In order for the council to mitigate a proportion of the acute reductions stemming from the government’s welfare reform agenda, the council is taking a number of steps to ensure that residents impacted by Welfare Reform are supported by:

1. The Welfare Reform Cabinet Sub Group, which is led by four cabinet members, sponsored by the Executive Director for Children and Young People, and consists of senior managers from across the council, mandated to mitigate the impact of welfare reform.

2. Building on the council’s welfare support specifically to mitigate the government’s welfare reform reductions from April 2013

3. Actively targeting Discretionary Housing Payments to the most adversely impacted by the reductions from August 2012.

4. Lobbying government to ensure that the welfare reforms support those in need, and that people who can pay, do pay.

Abolition of Council Tax Benefit and the introduction of Localised Council Tax Support

One of the most significant changes that the government is introducing under the Welfare Reform policy but through the Local Government Finance Act is the changes to council tax benefit. From April 2013, the council tax support localised scheme will replace council tax benefit. Lambeth council formally contested aspects of the government’s proposal of introducing of the council tax support, particularly the nominal 10% reduction and recommended, as did many authorities, that the government align council tax benefit reform with the Universal Credit ethos where ‘no one will lose out’.

However, there is much detail that is still uncertain. The new funding regime will provide support via the business rate retention scheme, which itself is still at consultation stage. Therefore, it is theoretically possible that this new scheme will not provide financial relief at the expected 90% of current levels; this would arise if mechanisms of “floors and ceilings” and/or tapering relief were applied.

In particular, due to financial support being based on 90% of DCLG projected 2013/14 levels, there is a discrepancy with actual 2010/11 data, and this gives rise to “indicative allocations” of financial support equivalent to 88% of 2010/11 activity levels (i.e. an impact of 12%, not 10%) 

Furthermore, recent trend data demonstrates a growing caseload and the council would be prudent to anticipate the gap between funding and demand to continue to grow. Further financial risks surround the council’s necessity to significantly increase bad debt provision for council tax. This should also be seen in conjunction with the likely underfunding by the government for the council to operate the local council tax scheme.

The paper outlines Lambeth’s approach to the local scheme and lays out the proposals upon which the council will consult with residents and other stakeholders from July 2012. The council is consulting with residents on a series of options whereby the council tax local scheme, can be co-designed by the citizen and by the council.
Lambeth’s local scheme must be developed, consulted upon, agreed and in place by the 31st of January 2013 as not to do so, would lead to the imposition of the government’s default scheme which would not provide the opportunity to localise the scheme for the residents of the borough.

Summary of financial implications

Changes introduced by the government could result in an overall negative impact on Lambeth residents of £5.8M per annum through a combination of changes to Local Housing Allowance, Housing Benefit caps and the introduction of council tax support from April 2013. In relation to council tax support, council funding through the new business rate retention mechanism from April 2013 is expected to be £2.6M less than it would otherwise be in order to reflect the reduction in support for Council Tax built into the transition from Benefits and Subsidy to the local discount scheme. If claimant numbers rise in future years, there will be additional pressure on the council’s overall resources. The council, who will have the government’s 12% reduction in council tax support/benefit, come into effect from 1st April 2013, is minded to directly pass through the 12% reduction as set out in the principles in Table 2.1.

The financial implications are extended to the need for the council to increase the levels of bad debt provision, possibly quite significantly, for both council tax and housing rents, as part of the 2013/14 budget process, due to the introduction of council tax support and housing benefit caps in April 2013. Furthermore the current government funding to the council to administer housing benefit and council tax benefit/support (£4.1M per annum) is also likely to reduce from April 2013. However, if local customer demand continues to rise in the context of the current economy, as over the last three years, the council anticipates greater financial pressure and increased levels of risk for the authority.

Support for Council Tax payers will no longer be a benefit, but a discount on their bills. Financial support for the Council from Government to make these discounts will come not as Subsidy, but through an adjustment to the council’s spending needs calculation that sets the amount of business rates we will retain locally in future, though this is still at consultation stage, and so some uncertainty remains. However, for immediate planning purposes, the adjustment is best estimated to be 12% lower than the current subsidy (2010/11), and will not take into account the proportion of (protected) pensioners within each council’s caseload. As a result, the distribution will not exactly match the impact of the new discounts on authorities. The changes also mean that while councils have an incentive to promote employment (and therefore reduce discount claims) the risk of further increases in claimant numbers will fall entirely on the local government sector.

Recommendations

(1) To note the strategic response to the government’s welfare reform agenda and requests that a more detailed paper is provided.

(2) To agree the principles set out in 2.7 for consulting on Lambeth’s proposed localised council tax support scheme.

(3) To note the consultation methodology as set out in 2.9

(4) To agree that the decision to finalise the consultation questions be delegated to the Executive Director of Finance and Resources in consultation with the Welfare Reform Cabinet Sub Group.
(5) To agree that cabinet to determine the Lambeth local, council tax support scheme in line with the consultation principles set out in 2.6.

Consultation

<table>
<thead>
<tr>
<th>Name of consultee</th>
<th>Department or Organisation</th>
<th>Date sent</th>
<th>Date response received</th>
<th>Comments appear in report para:</th>
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<td>Cllr Paul McGlone</td>
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<td>15.06.12</td>
<td>29.06.12</td>
<td>Throughout</td>
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<tr>
<td>Mike Suarez</td>
<td>ED F&amp;R</td>
<td>15.06.12</td>
<td>28.06.12</td>
<td>Throughout</td>
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<tr>
<td>Debbie Jones</td>
<td>ED CYPS</td>
<td>15.06.12</td>
<td>22.06.12</td>
<td>Exec summary</td>
</tr>
<tr>
<td>Guy Ware</td>
<td>Divisional Director Corporate Finance</td>
<td>15.06.12</td>
<td>22.06.12</td>
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<tr>
<td>Christina Thompson</td>
<td>Divisional Director of Resources HRE</td>
<td>15.06.12</td>
<td>22.06.12</td>
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<tr>
<td>Elizabeth Clows</td>
<td>Assistant Director Social Inclusion</td>
<td>15.06.12</td>
<td>22.06.12</td>
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<tr>
<td>Tim Hillman-Brown</td>
<td>Head of Benefits &amp; Customer Centre</td>
<td>15.06.12</td>
<td>22.06.12</td>
<td>Throughout</td>
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<tr>
<td>Ryan Reino</td>
<td>Head of Client (revenues)</td>
<td>15.06.12</td>
<td></td>
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<tr>
<td>Jean-Marc Moocarme</td>
<td>Governance and Democracy</td>
<td>15.06.12</td>
<td>26.06.12</td>
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<tr>
<td>Alison McKane</td>
<td>Governance and Democracy</td>
<td>15.06.12</td>
<td>25.06.12</td>
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<tr>
<td>Frank Higgins</td>
<td>Corporate Finance</td>
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<td>22.06.12</td>
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<tr>
<td>Tim Harlock</td>
<td>Corporate Finance</td>
<td>15.06.12</td>
<td>26.06.12</td>
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<tr>
<td>Rebecca Eligon</td>
<td>Head of Strategy &amp; Equalities</td>
<td>15.06.12</td>
<td>26.06.12</td>
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Report history

Decision type: Key decision

Key decision: reason
EITHER a) expenditure or savings of £500,000 or more  
OR/AND: b) proposal affects significantly two or more wards  

Authorised by Cabinet member: Date report drafted: Date report sent: Report deadline

See above 01.06.12 29.06.12 18.06.12

Report no.: Report author and contact for queries:

75/12-13 David Ashmore, Divisional Director, RBCS
020 7926 60949 dashmore@lambeth.gov.uk

Background documents

DCLG council tax localisation

Appendices

Appendix 1: Ward Profile of working age council tax benefit claimants
Appendix 2: Council Tax Support indicative allocations
Localisation of Council Tax Support

1. Context

1.1 The government have introduced a series of significant policy changes and resource reductions under the banner of Welfare Reform which will have a far reaching and often adverse impact on the council and the residents of Lambeth. In broad terms the wave of reforms will see a significant reduction in the level of financial assistance to many of our most vulnerable residents with the most notable changes being

a. The abolition of council tax benefit in April 2013 and the introduction of council tax support.

b. The introduction of benefit caps from April 2013

c. The incremental abolition of housing benefit from October 2013

d. The abolition of disability living allowance in April 2013 with the introduction of the personal independence plan.

1.2 From April 2013 council tax benefit will cease to exist as we know it today. In its place will be a localised grant funded rebate operating under a localised scheme. The localised scheme (council tax support) introduced by the Government has been estimated at 12% less than the amount spent on council tax benefit in the preceding year. This equates to £2.6m less funding for the council from April 2013.

1.3 This paper outlines Lambeth’s approach to the local scheme and lays out the proposals upon which the council will consult with residents and other stakeholders from July 2012. The paper also sets out the context for the welfare changes for benefits caps, the abolition of housing benefit and the introduction of the personal independence plan.

1.4 Lambeth’s local scheme must be developed, consulted upon, agreed and in place by the 31st of January 2013 as not to do so, would lead to the imposition of a default scheme which would not provide the opportunity to localise the scheme for the residents of the borough.

1.5 The proposals outlined below apply to working age recipients only. The Government has decided a national scheme will exist to provide council tax support for those of pension credit age. This national scheme defines in full the rules and regulations for the administration of pension credit age support. Those of pension credit age will receive the amount of support they would have received under council tax benefit. This means that the assessed 12% reduction is not applicable to pensioners and therefore making the average reduction per working age tax payer 14.9% or £118 per annum per household. Appendix 1, sets out by ward, the profile of working age council tax benefit claimants in the borough.
1.6 In addition protecting certain groups within the working age cohort will increase the 14.9% further as the number of recipients not protected diminishes. By definition the demographic who receive council tax benefit are some of the least well-off citizens in the borough and it is they who are affected by the government’s council tax reforms. As stated in the executive summary, Lambeth’s local scheme tries to minimise the impact on the most vulnerable by protecting them through various provisions. The paper, prior to setting out the consultation principles for council tax localisation, outlines the wider welfare reform changes and the significant impact the reforms are likely to have on Lambeth residents.

1.7 Overall Benefit Caps

The new Welfare Reform Act empowers the government to put a cap on the total benefits an individual or couple is entitled to receive. This cap will be introduced in April 2013 and will be set at the level of an average working household’s net earnings – currently expected to be £500 per week for families and £350 per week for single people without children. These limits will be set in regulations.

The cap will apply to the combined income of a household derived from the main out-of-work benefits, plus child benefit, housing benefit and child tax credits. One-off payments, childcare payments and Council Tax Benefit will not be included within the cap so do not count towards this weekly limit.

Claimants will not be capped where someone in the household (claimant, partner or any children they are responsible for and who live with them) receives any of the following:

- DLA
- Personal Independence Payment (from April 2013)
- Attendance Allowance
- Working Tax Credit
- The support component of Employment Support Allowance
- Industrial Industries Benefits
- War Widows and War Widowers Pension

In Lambeth, DWP estimates that we currently have around 750 claimants who will be subject to the benefit cap losing from £1 to £700 a week depending on HB levels and family size. The average weekly shortfall in Lambeth created by the cap is £98 per week. It is extremely unlikely in such cases that families and individuals will be able to meet this shortfall out of their personal benefits so they will be forced to start work and work enough hours to qualify for Working Tax Credit (thus becoming exempt), to try and claim another of the exempting benefits (eg: DLA) or to move to cheaper/smaller accommodation which will lower housing costs and mean that the HB payable to the family is reduced to below the cap levels. Obviously there is unlikely to be sufficient cheaper accommodation in Lambeth so families will be forced to move further afield to find something affordable or rent a smaller property in Lambeth which will cause knock-on concerns around overcrowding.
The number of households affected by the cap in Lambeth is subject to on-going discussion between relevant officers and DWP as there is some suggestion that a number of those households being written to are actually exempt from the cap and that we have other households that we believe would be affected who are not on the DWP’s list. The message for any households coming forward is that it is important they have their circumstances assessed by Housing Options staff before making any decisions.

1.8 The Incremental Abolition of Housing Benefit from October 2013

Universal Credit replaces housing benefit and a host of other benefits from October 2013, with the transition completing by December 2017. Initially, the role of local authorities in Universal Credit was unclear; however, recent developments confirm that local government will be expected to ‘administer’ Universal Credit for personal/face to face callers from October 2013. The detail of how this will be funded or will work in practice is not yet known. The primary delivery model for Universal Credit will be through self-service (digital by default) although DWP currently enjoy less than 17% of their take-up and claim management through their online offering.

From October 2013 onwards Lambeth is expecting to see a diminishing housing benefit caseload, diminishing administration grant and loss of income through subsidy maximisation. However, the recent modelling by the Universal Credit Local Authority steering group has found that the resources required to administer council tax support will not be dissimilar from the current resource levels to administer housing and council tax benefit. Lambeth are represented at the Universal Credit Steering group by the Divisional Director of Revenue, Benefits and Customer Services. The final delivery model for Universal Credit is, as yet, unclear, with the DWP rolling out an interim delivery model at which point they will unveil their final delivery model in 2015.

Universal Credit will also be paid direct to customers; this includes the housing benefit/credit element of Universal Credit. For Lambeth and our partner Lambeth Living, the implications of this could be considerable, in that the current arrangements where housing benefit of £70M per annum is paid direct to the Housing Rent Account, is likely to be collected in a similar fashion to general council tax collection, (e.g. Direct debit) this will be resource intensive for the council and as the authority does not currently operate on this basis.

1.9 The abolition of disability living allowance in April 2013 with the introduction of the personal independence payment.

The Personal Independence Payment (PIP) will replace Disability Living Allowance (DLA) by April 2013 with claimants who currently receive DLA being migrated onto PIP over following 2 years, with migration to start soon after introduction. This leaves a short time for piloting and corrections to be made. The Government wishes to see a tightening of eligibility and assessment processes to reduce spend on DLA by 20% and will achieve this by replacing DLA with PIP.
In Lambeth, there are 12,480 people receiving DLA who will have their benefit reassessed. Of these 8,950 people are working age and they will be impacted first.

PIP will remain the passport gateway to other benefits so loss of DLA will significantly lower the income support paid through pass-ported benefits, in some cases overall benefit support could be reduced by 50%.

2. Proposals and reasons

2.1 The council has actively contested aspects of the government’s local council tax support scheme, based on the 12% reduction in grant funding and its polarised position to Universal Credit and its ‘no one to lose out’ ethos. As set out in the introduction that council has set out a series of mitigating actions to support the community and to challenge government policy. However, despite the council’s objection to critical aspects of the scheme, the council is obliged to set up a local scheme and one that meets the needs of the borough as best as it can.

2.2 Although the government stresses the local element of council tax support, the scheme has to conform to a number of national requirements, such as protecting all pensioners, so that pensioners are exempt from the effects of localised council tax support and therefore do not meet any additional financial liability.

2.3 The main requirements that the government has set out are that the scheme;

- Supports the improved work incentives to be delivered through Universal Credit, as part of the Government’s programme of welfare reform;

- Is consistent with the Government’s localisation agenda, and in particular supports local decision-making and accountability over spending decisions;

- Ensures that vulnerable groups, in particular pensioners, are protected from increases in council tax as a result of this reform

- Gives local authorities a greater stake in the economic future of their area and creating stronger incentives to promote economic growth:

2.4 As set out above, the government has set out the parameters within which Lambeth’s local scheme will need to operate. However, locally there are a number of options the council can consider, and which we will need to consult on.

2.5 Set out in the table 2.1 are the broad principles which our local scheme will need to address and in the right hand column are the broad topic areas on which we believe we need to consult. Cabinet is asked to endorse these broad topic areas and to delegate authority to the Executive Director of Finance and Resources through consultation with the Cabinet subgroup on welfare reform to further develop and agree the precise consultation questions and methodology with officers, in order to publish the consultation week commencing 16th July 2012.
2.6 It is worth noting, at this point, that any approach to consultation which is agreed will need to adhere to the learning emerging from recent case law in this area, namely that:

- Consultation must be undertaken at a time when proposals are still at a formative stage;
- It must include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response;
- Adequate time must be given for this purpose; and
- The product of consultation must be conscientiously taken into account when the ultimate decision is taken.

2.7 The council, who will receive the government’s 12% reduction in council tax support/benefit, come into effect from 1st April 2013, is minded to directly pass through the 12% reduction as set out in the principles in Table 2.1.

<table>
<thead>
<tr>
<th>Scheme principle</th>
<th>Broad issues to be consulted upon</th>
</tr>
</thead>
<tbody>
<tr>
<td>The government has reduced funding by 12%</td>
<td>• Some benefit reduction will be passed on to everyone (except pensioners who are protected). Do residents think the reduction should be passed on equally to everyone? Should everyone face the same level of reduction?</td>
</tr>
<tr>
<td>Lambeth will protect certain vulnerable claimants</td>
<td>• Which groups are seen to be most vulnerable locally? (include protected characteristics in equality act, plus socio-economic, homeless, war widows, carers, those impacted by overall benefits cap etc.)</td>
</tr>
<tr>
<td>Lambeth will protect those impacted by the overall benefits cap</td>
<td></td>
</tr>
<tr>
<td>Lambeth may also restrict the maximum support available</td>
<td>• Do people think that the minimum amount that people pay toward their council tax should be increased? And by how much? Give examples… (E.g. from 50p a week to £1 or £2?)</td>
</tr>
<tr>
<td>Scheme principle</td>
<td>Broad issues to be consulted upon</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Lambeth will ensure those who are better off contribute more to their council tax payment</td>
<td>• What do people think constitutes ‘better off’? (E.g. savings, income, assets etc.)&lt;br&gt;• The scheme must ensure those that are better off contribute more; how much more is acceptable?</td>
</tr>
<tr>
<td>Lambeth will reduce complexity in its local scheme</td>
<td>• No areas for public consultation</td>
</tr>
<tr>
<td>Lambeth’s scheme will incentivise work.</td>
<td>• Currently Lambeth continues to provide council tax benefit for four weeks after someone starts a new job. Do you think this should continue?&lt;br&gt;• The council could reduce the reduction to those residents who get involved in their local community, volunteer, make steps to find work or any number of criteria. We could explore public support for this in the consultation</td>
</tr>
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</table>

2.8 In addition to the local aspects highlighted in Table 2.1 the council proposes, as do the majority of local authorities, to utilise the main body of the current Department for Work and Pensions council tax scheme applicable to working age recipients as the basis for the Lambeth local scheme for 2013/14. This will allow the council to actively minimise risk by building on a scheme which is already well understood by recipients. Critically, the current council tax benefit scheme already has provision within its structure to protect the most vulnerable citizens. This approach is also supported by IT suppliers who have formally made representation to the government that there is insufficient time (or funding) to design a delivery system for a scheme that makes a radical departure from the current one.

2.9 The consultation methodology that Lambeth is proposing for cabinet to agree is outlined in Table 2.2 below; the approach ensures coproduction with residents and other stakeholders through the use of open survey questions, focus groups, and stakeholder engagement events.

2.10 Information received throughout consultation will be analysed as it is collected to ensure we are able to build a picture of the views of citizens as we move through the consultation period. This will inform the council of emerging trends and will facilitate work on refining the model scheme in parallel with the consultation process.
### Table 2.2: Consultation Approach

<table>
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<th>Approach</th>
<th>Detail</th>
<th>Date</th>
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</thead>
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<tr>
<td>750 telephone interviews. Same survey will also be available online.</td>
<td>750 surveys with a representative sample of Lambeth’s residents. Sampled by council tax band, benefit eligibility, age, gender and ethnicity. (early consultation to focus on definition of vulnerable, better off, equal application of benefit cut)</td>
<td>July 2012</td>
</tr>
<tr>
<td>2 x general public focus groups</td>
<td>To explore the issues in more detail. One group with council tax benefit recipients, and one with non-users</td>
<td>July 2012</td>
</tr>
<tr>
<td>Write to all council tax benefit recipients</td>
<td>Highlight how changes may affect the levels of support received and push for completion of consultation booklet or online survey.</td>
<td>July / August 2012</td>
</tr>
<tr>
<td>A5 booklet distributed with “Up your street”</td>
<td>Consultation booklet to every household in the borough to collect responses, returned by free post. Same questions as online survey. Localised copy in the newsletter specific to each of the 6 distribution areas. Effective communications as well as consultation.</td>
<td>w/c 13 August 2012</td>
</tr>
<tr>
<td>Reminder message in “Lambeth Talk”</td>
<td>Reminder message in “Lambeth Talk” sent to all households in the council.</td>
<td>10 September 2012</td>
</tr>
<tr>
<td>Stakeholder conference</td>
<td>A conference on wider welfare reforms including council tax support localisation.</td>
<td>October 2012</td>
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</table>

### 3. Finance Comments

3.1 Changes introduced by the government could result in an overall reduction of £5.8m per annum through a combination of changes to Local Housing Allowance, Housing Benefit caps and the introduction of council tax support from April 2013. In relation to council tax support, council funding through the new business rate retention mechanism from April 2013 is expected to be £2.6M less than it would otherwise be in order to reflect the reduction in support for Council Tax built into the transition from Benefits and Subsidy to the local discount scheme. If claimant numbers rise in future years, there will be additional pressure on the council’s overall resources.

3.2 The financial implications are extended to the need for the council to increase the levels of bad debt provision for both council tax and housing rents, as part of the
2013/14 budget process, due to the introduction of council tax support and housing benefit caps in April 2013. Furthermore the current government funding to the council to administer housing benefit and council tax benefit/support (£4.1M per annum) is also likely to reduce from April 2013. However, if local customer demand continues to rise in the context of the current economy, as over the last three years, the council anticipates greater financial pressure and increased levels of risk for the authority.

3.3 Support for Council Tax payers will no longer be a benefit, but a discount on their bills. Financial support for the Council from Government to make these discounts will come not as Subsidy, but through an adjustment to the council’s spending needs calculation that sets the amount of business rates we will retain locally in future. The adjustment is expected to be 12% lower than the current subsidy, and will not take into account the proportion of (protected) pensioners within each council’s caseload. As a result, the distribution will not exactly match the impact of the new discounts on authorities. The changes also mean that while councils have an incentive to promote employment (and therefore reduce discount claims) the risk of further increases in claimant numbers will fall entirely on the local government sector.

4. Comments from Director of Governance and Democracy

4.1 The Local Government Finance Bill (the Bill) received its second reading in the House of Lords on 12th June 2012.

4.2 The Bill proposes significant reforms to local government finance including the introduction of a localised council tax reduction scheme (referred to in this report as a localised council tax support scheme) to replace council tax benefit. The Government has indicated that it intends these reforms to take effect from April 2013.

4.3 Section 33(1)(d) of the Welfare Reform Act 2012 provides for the abolition of council tax benefit. The Government announced in the Spending Review 2010, that it would introduce a replacement scheme for this benefit, which would be administered by Local Authorities in accordance with locally set criteria, with 10% less funding than under the previous arrangement. Clause 9 and Schedule 4 of the Bill provides the legislative framework for implementing this change.

4.4 Clause 9 of the Bill substitutes a new section 13A into the Local Government and Finance Act 1992 (LGFA). This new section stipulates that Billing authorities in England must make a council tax reduction scheme (the Scheme) by 31 January 2013 and that this Scheme must relate to the financial year 2013-14 (new section 13A(2) and clause 9(4)).

4.5 Clause 9(5) of the Bill provides the Secretary of State with the power to amend, by order, the commencement of these provisions either by postponing the 31 January 2013 deadline or the requirement to implement such Schemes in the 2013-14 financial year.

4.6 New Section 13 A (1) of the LGFA provides, as relevant, that
(1) The amount of council tax which a person is liable to pay in respect of any chargeable dwelling and any day (as determined in accordance with sections 10 to 13)—

(a) in the case of a dwelling situated in the area of a billing authority in England, is to be reduced to the extent, if any, required by the authority’s council tax reduction scheme (see subsection (2));

(c) in any case, may be reduced to such extent (or, if the amount has been reduced under paragraph (a) or (b), such further extent) as the billing authority for the area in which the dwelling is situated thinks fit.

4.7 The power at new Section 13A(1)(c) is further extended (by Sections 13A(6) and(7)) so as to permit billing authorities to specify in such cases, a nil liability for Council Tax and to apply a reduction in particular cases or by determining a class of case.

4.8 The Secretary of State will (by regulation) prescribe a default scheme which will take effect if a billing authority fails to make a Scheme on or before 31 January 2013. This default scheme will retain the criteria and allowances currently in place for council tax benefit Authorities have an incentive to avoid the imposition of a default scheme, in order to properly manage the funding reduction of 10%.

4.9 Although Authorities will be able to revise or replace their Schemes in preparation for the start of each financial year, they will not be able to make in-year revisions. Transitional arrangements must also be put in place where revisions result in a reduction/removal of assistance for a class or classes of persons.

4.10 Part 1 of Schedule 4 to the Bill sets out the parameters of the Scheme and specifies that the following matters must be included within it:

Matters to be included in schemes
2 (1) A scheme must state the classes of person who are to be entitled to a reduction under the scheme.

(2) The classes may be determined by reference to, in particular—
(a) the income of any person liable to pay council tax to the authority in respect of a dwelling;
(b) the capital of any such person;
(c) the income and capital of any other person who is a resident of the dwelling;
(d) the number of dependants of any person within paragraph(a) or (c);
(e) whether the person has made an application for the reduction.

(3) A scheme must set out the reduction to which persons in each class are to be entitled; and different reductions may be set out for different classes.

(4) A reduction may be—
(a) a discount calculated as a percentage of the amount which would be payable apart from the scheme,
(b) a discount of an amount set out in the scheme or to be calculated in accordance with the scheme,
(c) expressed as an amount of council tax to be paid (lower than the amount which would be payable apart from the scheme) which is set out in the scheme or is to be calculated in accordance with it, or
(d) the whole amount of council tax (so that the amount payable is nil).

(5) A scheme must state the procedure by which a person may apply for a reduction under the scheme.

(6) A scheme must state the procedure by which a person can make an appeal under section 16 against any decision of the authority which affects—
(a) the person’s entitlement to a reduction under the scheme, or
(b) the amount of any reduction to which the person is entitled.

(7) A scheme must state the procedure by which a person can apply to the authority for a reduction under section 13A(1)(c).

4.11 The Secretary of State will retain a power to prescribe (by regulation) other Scheme requirements, such as classes of persons which must or must not be included; the minimum/maximum level of reductions; and matters relating to the application procedure. The Government has indicated that it intends to use this power to ensure that reductions are provided for pensioners and that the eligibility and rates for this purpose will be broadly similar to existing provisions.

4.12 Paragraph 3 of the same Schedule provides that before making the Scheme the Council must, in the following order:

a) Consult major preceptors (namely the GLA); then
b) Publish a draft Scheme; then
c) Consult such other persons as it considers are likely to have an interest in the operation of the Scheme.

4.13 In determining the scope of its consultation with ‘other persons’ and in fashioning the Scheme, the Council must have regard to its statutory responsibilities towards vulnerable groups, such as the disabled, children and homeless people and its duties under the Equality Act 2010. The Council will also need to ensure that the Scheme is properly consulted upon in accordance with the principles set out at paragraph 2.6 above.

4.14 Schedule 4, Part 2, Paragraph 5 of the Bill reserves the implementation of a Scheme as a function of the Council.
5. **Results of consultation**

The report is the result of detailed consultation through the Cabinet Sub Group on Welfare Reform, which is jointly chaired by four cabinet members and has senior officer representation from across the council. The report has also been compiled through intelligence gathered through the Local Government Association and London Councils.

6. **Organisational implications**

6.1 **Risk management:**

The risks below focus on the introduction of council tax support. A more comprehensive risk profile to encompass all aspects of the Welfare Reform agenda will be presented as part of a separate report.

<table>
<thead>
<tr>
<th>Risk / opportunity</th>
<th>Mitigation</th>
<th>RAG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth in the number of recipients of council tax support leads to expenditure exceeding grant funding.</td>
<td>Annual review of council tax local scheme and funding arrangements</td>
<td>Red</td>
</tr>
<tr>
<td>Reduction in administrative grant for the council to administer council tax support</td>
<td>Automation of council tax support processes</td>
<td>Green</td>
</tr>
<tr>
<td>IT system not fit for purpose</td>
<td>Scheme based on current CTB scheme to minimise risk.</td>
<td>Yellow</td>
</tr>
<tr>
<td>Reduction in council tax collection for 2013/14.</td>
<td>Potential increase in bad debt provision for 2013/14</td>
<td>Red</td>
</tr>
<tr>
<td>Risk of judicial review if consultation not adequately thorough.</td>
<td>Member oversight and full consultation plan in place.</td>
<td>Green</td>
</tr>
</tbody>
</table>

6.2 **Equalities impact assessment:**

A draft of the full equalities impact assessment has been completed based on the broad principles. More detailed EIAs will be undertaken in September based on consultation findings and the individual options which are suggested at this stage. These will be considered at the October meeting of the Corporate EIA panel and these equalities considerations will inform the final decision which is recommended for implementation.

6.3 **Community safety implications:**

None

6.4 **Environmental implications:**

None.
6.5 **Staffing and accommodation implications:**

6.5.1 The administrative grant from DWP partially funds Lambeth’s council tax benefit team in Finance and Resources. The council is awaiting details of how the administration of council tax support will be funded, although it is expected to be insufficient to meet, as now, the customer demand.

6.5.2 A joint consultation group has recently been set up to discuss the implications which the introduction of Universal Credit may have in relation to any potential transfer of staff from local authorities to central government. At the moment it is too early to say what if any implications there will be for staff under TUPE but the Council is seeking urgent clarity around what impact the proposals will have and will ensure that consultation takes place at an early stage once proposals are clearer.

6.6 **Any other implications:**
Socioeconomic issues associated with the reduction in support to those less able to afford it. This should be viewed in the light of the raft of other welfare reform which will already have had a profound effect on many household’s incomes. As stated in the executive summary, the council is taking a strategic approach in assisting residents and challenging government on the introduction of the far-reaching changes.

7. **Timetable for implementation**

<table>
<thead>
<tr>
<th>Table 7.1: Council Tax Support Timetable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>January 2012 to July 2012</strong></td>
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<tr>
<td><strong>July 2012 to September 2012</strong></td>
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<tr>
<td><strong>September 2012 to October 2012</strong></td>
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<tr>
<td><strong>October 2012 to January 2013</strong></td>
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<tr>
<td><strong>April 2013</strong></td>
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