

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

RECOMMENDATION

Recommendation for the Cabinet

1. Note the proposals from government in relation to the option for transitional funding (paragraphs 3 – 7) and require officers to engage with government to clarify the qualifying conditions for securing the funding within the framework of Southwark's preferred council tax reduction scheme (CTRS).

BACKGROUND INFORMATION

2. On Saturday 13 October government made an announcement in the national press that “emergency funding” of £100million would be made available to local authorities.”¹
3. Further clarification on the transitional funding was made available on the 16th October in a statement made by the Parliamentary Under Secretary of State; Baroness Hanham CBE.² The statement confirmed that to assist with the transition to a localised council tax reduction scheme (CTRS), the department for communities and local government (DCLG) would provide an additional £100million of funding for councils to help support them in developing “well-designed CTRS schemes that maintain positive incentives to work.” The statement set out the eligibility criteria that authorities must meet in their scheme design in order to receive the funding.
4. On the 18 October government published guidance³ on the transitional funding arrangements including the amount of grant that each billing authority will receive if eligible stating:
 - “The grant will be payable in March 2013 to those authorities who adopt schemes that must comply with criteria set by Government to ensure that low income households do not face an extensive increase in their council tax liability in 2013-14. This funding will enable councils to explore more

¹ <http://www.thetimes.co.uk/tto/news/politics/article3567316.ece>

² <http://www.communities.gov.uk/statements/newsroom/2236805>

³ <http://www.communities.gov.uk/publications/localgovernment/localtransitionalgrant>

sustainable approaches to managing the funding reduction that minimise the impact on vulnerable taxpayers.”

KEY ISSUES FOR CONSIDERATION

Policy implications

5. This recent announcement was made in the context of the expected £470m reduction in local authority funding across the country in relation to localised CTRS. Southwark’s 10% reduction in funding is anticipated to equate to at least £2.8million in 2013/14. This announcement was also made after the end of the council’s period of public consultation.
6. Applications for the transitional funding can only be made after the deadline for adopting CTRS schemes on 31 January 2013 and up to 15 February 2013. Payments will be made in March 2013 as a specific non ring-fenced grant by DCLG. It has been indicated by DCLG that in the event of Southwark meeting the required criteria, funding of £652,653 would be available in 2013/14 only. This would represent 23% of the amount required to bridge the £2.8m reduction in existing funding for the scheme. This funding would be shared and is split between Southwark and the Greater London Authority (GLA) as follows:

Billing Authority and local precept / County	Funding allocation
Southwark	£488,416
Greater London Authority	£164,237

Figure 1.

7. To apply for a grant, authorities must adopt a CTRS scheme which ensures that:
 - I. Those who would be entitled to 100% support under current council tax benefit (CTB) arrangements pay between zero and no more than 8.5% of their net council tax liability;
 - II. The taper rate does not increase above 25%;
 - III. There is no sharp reduction in support for those entering work. The taper should continue to operate as under current CTB regulations - that is, to be applied to excess income and in relation to the claimant's maximum eligible council tax reduction. Where an authority has decided to adopt a scheme in which the maximum reduction is lower than 100% of liability, this maximum eligible reduction will therefore be this level, lower than 100% of liability.
 - IV. In allowing flexibility over aspects of the scheme, government would not expect local authorities to impose large additional increases in non-dependant deductions.
8. Southwark’s preferred CTRS scheme delivers the 10% reduction in expenditure across working age claimants by reducing existing levels of CTB support by 15%; higher than the 8.5% set out by government in the transitional funding arrangements. As such, Southwark’s CTRS scheme would not be eligible to receive any transitional funding.

9. Currently, investigation has shown that there is shared and limited understanding of the proposal and the full impact for 2013/14 and beyond. Officers are in discussion with other authorities and DCLG in order to gain a better understanding of the policy intention.
10. The government has stated that the transitional grant is for 2013-14 only. They have also indicated that they expect this period will enable local authorities to explore other options for delivering savings in the longer term, for example, through greater efficiencies, or making use of flexibilities over council tax.
11. Through a representative forum, local authorities have already sought assurances from the government that it will not prescribe any sort of cap limiting the percentage of liability which working age claimants can be expected to pay in 2014/15. No response has yet been received to this question.

Consultation

12. The government announcement did not take account of the fact that many local authorities including Southwark have already consulted residents on their CTRS scheme.
13. Given that any changes to the CTRS scheme would require the council to undertake a further consultation and seek approval from council assembly, the timescales could affect the timetable leading to agreement on the council tax base for 2013/14.

Financial implications

14. The full financial impacts of the recent proposal are still being considered by officers.

Resource implications

15. Officers have worked closely with our existing IT supplier to ensure that the preferred CTRS scheme will be a viable option through the existing assessment system. Similar assurances are not available around other alternative schemes so there is a significant risk attached to amending the policy at this time.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

16. In this addendum report, Cabinet is advised of the recent developments in the central government strategy on transitional funding. At this stage officers are awaiting clarification of the implications of the criteria for the grant. On referral to Council Assembly, consideration must be included within the final proposed scheme.
17. Cabinet was advised in the main report to this addendum, of the legal basis for the introduction of a Council Tax Reduction Scheme and the timetable for legislative implementation. The Local Government Finance Bill is before the Houses of Parliament and the 3rd reading took place in the House of Lords on 22 October 2012; the Bill is now at the Ping Pong stage having been passed back to the House

of Commons to consider the peers amendments, on 31 October 2012. The timetable for implementation of the CTRS remains in place.

18. Cabinet is enabled to refer the matter to Council Assembly for decision under Part 3A of the Constitution, and decision makers at Assembly will need a full consideration of the implications of this latest announcement.
19. Cabinet is further reminded of the associated legal implications relating to statutory duties towards children and young people, tackling homelessness and equalities, as set out in the concurrent to the main report.

Strategic Director of Finance and Corporate Services

20. The Strategic Director for Finance and Corporate Services notes :
 - that the proposals for the Local Council Tax Support scheme, currently covers the total £2.8m funding gap caused by the governments 10% reduction in funding and that this requires a cap at 15%;
 - that the recent government proposal was made to the Council by DCLG on 16 October and that this was after completion of the Council’s public consultation process;
 - that the recent proposal is for 2013/14 only at this time;
 - that further work is being carried out to assess the impact of the proposed transitional arrangements and these will be reported to Council Assembly in November as part of the formal approval process for the local scheme.

REASONS FOR URGENCY

21. In order to be eligible for transitional funding, authorities’ CTRS schemes must meet the eligibility criteria set out by government. Authorities are required to approve their CTRS schemes by 31 January 2013 or have a ‘default’ scheme imposed on them which does not deliver the 10% reduction in expenditure.
22. CTRS schemes must be the subject of public consultation and this must be of sufficient depth and time to allow stakeholders to respond.
23. Any decision around the design and implementation of the CTRS scheme is therefore urgent as sufficient time must be allowed for the consultation to take place and for officers to engage with software suppliers to attempt to implement the necessary solution.
24. The CTRS scheme will require entitlement to support to be shown as a discount on council tax bills from April 2013. To ensure that the scheme is factored into the tax base calculation for 2013/14 the implementation plan is seeking formal approval by the council no later than November 2012.
25. The timetable for implementation and associated activity to date is as follows:-

Figure 2.

Activity	Lead	Date
Develop scheme proposals	Revenues and benefits officers	May – Jun 2012

Activity	Lead	Date
Model scheme impacts	Revenue and benefits officers	May - Jun 2012
Develop consultation approach	Revenues and benefit officers/legal and communications	Jun 2012
Prepare consultation material	Revenues and benefits officers	Jun / Jul 2012
Equality Assessment	Revenues and benefit officers	Jun – Sep 2012
Share CTRS scheme with GLA	Revenues and benefits officers	10 Jul 2012
Report to cabinet to agree proposed CTRS scheme and consultation approach	Strategic director of finance and corporate services	17 Jul 2012
Confirm decision with GLA	Revenues and benefits officers	18 Jul 2012
Consultation period	Revenues and benefits officers	18 Jul – 12 Sep 2012
Consultation results gathered and evaluated	Revenues and benefits officers	Sep to 20 Sep 2012
Primary Legislation passed	DCLG	Sep / Oct 2012
Report to cabinet for recommendation to council assembly	Strategic director of finance and corporate services	23 Oct 2012
Report to council assembly to adopt local scheme	Strategic director of finance and corporate services	28 Nov 2012
Plan implementation for CTRS scheme following decision and DCLG regulations	Revenues and benefit officers	Nov 2012 - Mar 2013
2013/14 Council Tax base agreed	Council	Jan 2013
Implement CTRS system	Revenues and benefits officers	31 Jan 2013
2013/14 Budget agreed	Council	Feb 2013
Issue 2013/14 Council Tax Bills	Revenues and benefits	Mar 2013
Go Live with CTRS scheme	Revenues and benefits	Apr 2013

REASONS FOR LATENESS

26. A full cabinet report on CTRS was submitted by the deadline of 11 October. However details of the transitional funding arrangements were not released until 18 October and as a result this report is being submitted as an addendum to the full cabinet report.

BACKGROUND PAPERS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
None	

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)	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
	Officer Title	Comments Sought
	Director of Legal Services	Yes
	Strategic Director of Finance and Corporate Services	Yes
	Cabinet Member	No
	Date final report sent to Constitutional/Community Council/Scrutiny Team	23 October 2012