

London Borough of Hammersmith & Fulham

Report to: Cabinet

Date: 06 January 2020

Subject: **COUNCIL TAX SUPPORT SCHEME 2020/21**

Report of: Cabinet Member for Finance and Commercial Services – Councillor Max Schmid

Summary

Since 2013, the council has been required to set its own council tax support scheme each year, setting out how it wants to help those households on low income pay their council tax.

Doing everything we can to protect our low-income residents from the effects of austerity is a council priority.

Despite continuing cuts in funding (59% in real terms since 2010), the council has always wanted to ensure that residents are no worse off in this borough than they would have been had the original council tax benefit regulations stayed in place. This is contrary to many authorities who have decided to levy a charge against their poorest residents.

Our ruthless financial efficiency has enabled Hammersmith & Fulham Council to provide higher levels of financial support to our low-income residents, compared to other councils and this report enables that commitment to continue.

Funding was originally based on current H&F council tax benefit levels, less 10%. However, now, the funding forms part of the Revenue Support Grant allocation received at the Local Government Finance Settlement (LGFS).

Since our scheme was introduced in 2013, we have seen many changes to welfare benefits, including housing benefit and the continued roll out of Universal Credit to our residents. As a result of these changes, we have worked hard to protect our residents by continuing to design our scheme to provide the very same level of support for these often-vulnerable households. Our aim has always been to mitigate future hardships or shortfalls as a result of welfare reform.

Recommendations

1. This report seeks agreement that the Council will, for another year, continue to support our most vulnerable residents by protecting our local scheme. Once again for the eighth year running, we are proposing providing the maximum 100% support to our residents where they are on low incomes. This is at a time when we continue to have reduced funding from Central Government and are observing that many other local authorities, including our

neighbours, are asking their vulnerable residents to now contribute towards their council tax, at levels often up to 25% of their actual charge.

Wards Affected: All

H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none">• Building shared prosperity	We'll support our low-income residents by ensuring our scheme gives them the maximum benefit of up to 100%, contributing to keeping their living costs, including their council tax, affordable.
<ul style="list-style-type: none">• Creating a compassionate council	We are continuing our local support scheme to the most vulnerable amongst us, so we know they are looked after financially.
<ul style="list-style-type: none">• Doing things with residents, not to them	We'll continue to listen to and work with our residents by offering financial support to them when nationally local authorities are reducing financial help and support.
<ul style="list-style-type: none">• Taking pride in H&F	We want to be our residents to know we are working to protect and maintain policies that protect our most vulnerable.

Financial Impact

The council tax support scheme operates by offering a discount to residents who need help paying their council tax. The cost of the scheme is shared between Hammersmith & Fulham and the Greater London Authority based on their respective council tax charges. The Hammersmith & Fulham share of the scheme cost was £8.3m in 2019/20 and is estimated to be £8.1m in 2020/21. This reduction reflects a lower caseload.

Funding for the council tax support scheme was originally provided through Revenue Support Grant (RSG) from the Government. Government grant funding has been cut in each year since 2010/11. The total reduction in general grant, since April 2010 to April 2019, has been £73m. This is a cash terms reduction of 47% and real terms reduction of 59%. Funding for 2020/21 and future years is remains uncertain.

Legal Implications

The Council is required, each financial year, to consider whether to revise its scheme or to replace it with another. The Council must make this decision no later than 31 January in the financial year preceding when the scheme is to take effect.

The Council has a statutory duty to set the council tax each year and this report is part of this process. The Council can only vary or set council tax discounts or higher amounts as legally empowered to do so. The relevant regulations and legislation are the Local Government Finance Act 1992, the Local Authorities (Calculation of Council Tax Base) Regulations 2012, and the Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003. The Council Tax base has been calculated in accordance with the relevant Acts and regulations.

Implications completed by: Rhian Davies, Assistant Director of Legal and Democratic Services

Contact Officer(s):

Name: Will Stevens/Andy Lord

Position: Finance Business Partner's

Telephone: 020 8753 2531

Email: will.stevens@lbhf.gov.uk

Verified by Emily Hill/ Hitesh Jolapara

Background Papers Used in Preparing This Report

None

DETAILED ANALYSIS

1. Proposals and Analysis of Options

- 1.1. This report proposes to forgo any additional revenue again for the 8th year running by continuing to protect our council tax support scheme by not making any significant changes to it, including importantly not introducing a minimum contribution or reducing the maximum amount of support we can award. This will ensure our low-income residents won't have to start to pay an element of their council tax, but instead we will be continuing with our fairer system based on old benefit rates and income tapers.
- 1.2. We propose, in addition, to apply the annual uprating of the allowances, applicable amounts, and income for both pensioners and working age DWP benefits, as per the Housing Benefit uprating circular that is issued to all local authorities in November of each financial year. This circular advises the new rates from April 2020. All local authorities have a duty to apply uprating to their housing benefit Scheme and we propose to continue to reflect this uprating within our council tax support scheme to mirror the original intention of the default scheme. This will ensure transparency, ease of administration and clarity for our residents.
- 1.3. Our current scheme offers all working-age people the ability to claim up to 100% council tax support, depending on their income and household circumstances. Latest Government statistics show that nationally just 37 councils continue to provide this generous level of support.
- 1.4. Currently there are 14,116 households receiving council tax support in Hammersmith & Fulham. Of these, 5,016 are pensioner age therefore would be unaffected by any changes and 9,100 are working age. Therefore, had we proposed any changes to the introduce a minimum contribution to our scheme, this would have impacted the largest proportion of our caseload, those being of working age. As stated previously, pensioners must remain protected as in the original design of the scheme and this remains unchanged.
- 1.5. Across London, many local authorities have chosen to raise additional revenue through the council tax support scheme by introducing a minimum charge for working-age customers receiving council tax support. The average minimum contribution has been around 20% of their total council tax liability.

Cost of the scheme

- 1.6. In general, with the introduction of Universal Credit, the cost to the authority of the scheme has been reducing as the caseload has been decreasing slowly. However, this remains a risk to the authority for future years as the cost of the scheme could increase due to increases in council tax levels and caseload should the economy suffer, or the tax base continue to increase.

- 1.7. The Council continues to have pressures to find savings, and therefore we will be observing our neighbouring authorities in 20/21 to understand the changes they have introduced this year to their schemes, including rises to minimum contributions or the change to income band schemes.
- 1.8. We will want to understand the effect it has on their residents, the subsequent impact on recovery costs, activity, and the potential savings it may generate for the authority in terms of actual spend on the scheme.
- 1.9. We are very interested to see the impact moving to an income-band-based approach has on residents, as it is suggested that these types of schemes can be much clearer to residents to understand. However, we note they can also have some disadvantages as they create cliff edges where customers can drop out of entitlement very quickly, as a £1 additional income can move them in or out of eligibility. We will report back on our findings later next year to help inform any future decisions on our scheme.
- 1.10. For 2020/21 the Council estimates that it will provide a total of £11.46m in council tax support. This equates to 10,595 band “D” equivalents based on 2019/20 council tax levels.
- 1.11. Attached appendix 1 is a summary of the proposed changes to the schemes across London authorities for 20/21

2. Reasons for Decision

- 2.1. We propose to continue with our scheme as is, providing the maximum amount of support to our working age caseload for the 8th year running. We believe this best serves our residents, who are continuing to see a rise in housing costs in general, as well as still experiencing negative impacts from the introduction of Universal Credit.
- 2.2. Whilst the overall principle of UC should have a positive effect on households, enabling financial independence, we are aware that in reality the outcome has seen a rise in the use of foodbanks, a rise in arrears and complexities around income collection for both council rent and council tax.
- 2.3. The council has concluded that if changes were made to the scheme to introduce a minimum contribution towards council tax for working age customers on low incomes, we would be seeking repayment from the poorest in our society, many of whom have already seen reductions in their income due to earlier welfare reform changes.

3. Equality Implications

- 3.1. An updated EIA has been attached at appendix 2. There will be no groups adversely affected by the proposals made.
- 3.2. Implications verified/completed by: Peter Smith Head of Policy & Strategy tel 020 8753 2206

4. Risk Management Implications

- 4.1. Local authorities have received significant cuts to budgets imposed on them by national Government, in addition the Government's Universal Credit Scheme has posed challenges to the poorest and most vulnerable in society. Council tax benefit was a UK-wide benefit that provided support for council tax to low-income families. This was abolished in April 2013 and local authorities in England were charged with designing their own council tax support schemes in its place. Although these must maintain support for pensioners at its previous level, local authorities have wide discretion to design their own schemes for working-age families. The Council's scheme contributes positively to our residents, meeting their needs and expectations. It also contributes to our council values most specifically being a compassionate council, so the most vulnerable among us are looked after.
- 4.2. Implications verified/completed by Michael Sloniowski Risk Manager tel 020 8753 2587

5. Other Implications

- 5.1. There are no procurement or IT implications associated with the report.
- 5.2. Implications verified by Joanna Angelides Procurement Consultant 0208 753 2586 and Veronica Barella Chief Information Officer tel 020 8753 2927

6. Consultation

- 6.1. There is no requirement to consult this year as we are not proposing any changes to our scheme.

List of Appendices:

Appendix 1: Comparism CTRS Schemes

Appendix 2: Equality Impact Analysis (EIA) of Local Council Tax Support Scheme 2020/21