



London Borough of Hammersmith & Fulham

COUNCIL

30 January 2013

TITLE OF REPORT

LOCALISING COUNCIL TAX SUPPORT 2013/14

Report of the Leader of the Council – Councillor Nicholas Botterill

Open Report

Classification - For Decision

Key Decision: Yes

Wards Affected: All

Accountable Executive Director: Jane West, Executive Director of Finance and Corporate Governance

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1. EXECUTIVE SUMMARY

- 1.1. Currently the Government funds 100% of properly paid Council Tax benefit (CTB) benefit. From April 2013 local authorities will be required to develop local systems, based on a discount rather than a benefit, for which they will receive a fixed specific grant. Funding for this will be 10% less than the current national total and fixed.
- 1.2. We recommend that the Council absorbs this 10% reduction and in effect develop a local scheme that mirrors the current Council Tax benefit scheme. This means no one in the authority will be worse off.
- 1.3. This proposal needs to be agreed by full Council by 31 January 2013 as stipulated in the Local Government Finance Act.

- 1.4. The new scheme will begin on 1 April 2013 and will run for a year. We will look at other options for 2014/15 early next year.
- 1.5. The amount of grant that we will receive has not yet been announced. Indicative figures show that the loss to the Council will be about £1.2m. Some of this will be off set by:
 - a transitional grant awarded by the DCLG of £290k
 - Technical changes to Council tax discounts (discussed in separate report)
- 1.6. This report therefore recommends that Council agrees to adopt a local Council Tax support scheme that works as though the current regulations were still in place. Although this means that the Council has to absorb the cost of the reduced grant, no one in the borough will be worse off.

2. RECOMMENDATION

- 2.1. That the Council continues to award a Council Tax discount as though the current regulations were still in place, as published in the DCLG's "default scheme", meaning that no one currently in receipt of Council Tax benefit will be worse off.

3. REASONS FOR DECISION

- 3.1. Although the loss to the Council is around £1.2m, most Councils that are passing on the cost to those currently in receipt of CTB have estimated a much lower collection rate (around 50%) from this cohort.
- 3.2. Therefore if the London Borough of Hammersmith and Fulham wants to pass this debt on to its current benefit recipients, it is likely that it will only be able to collect around £600k.
- 3.3. Furthermore, there will be an additional cost to the authority in trying to collect this amount of money. We estimate around 4 to 5 extra staff to deal with increased enquiries and appeals at the Valuation Tribunal.

4. INTRODUCTION AND BACKGROUND

- 4.1. The Local Government Finance Act 2012 gained royal assent on 31 October. This Act abolishes Council Tax benefit and has given local authorities new powers to assist residents on low incomes with help paying their Council tax.
- 4.2. The Act does impose some conditions on local authorities in that we must protect pensioners (so that no pensioner is worse off) and we must support people in work; but this aside, the authority can develop a scheme as they see fit.
- 4.3. The government will award each local authority a grant equal to the value of what they have awarded previously in Council Tax benefit less 10%. It is up to the authority to decide how to deal with this loss of income.
- 4.4. The schemes have to last at least a year. It is proposed that this scheme runs for one year for the period April 2013 to April 2014.
- 4.5. This proposal is consistent with the approach taken by the Royal Borough of Kensington and Chelsea and Westminster City Council.

5. PROPOSAL AND ISSUES

- 5.1. The government has confirmed in the provisional settlement of the revenue support grant the amount of grant that we expect to receive. The following shows indicative figures based on this and 2011/12 benefit data:

• Borough share of CTB:	£11.71M
• GLA share of CTB:	£4.58M
• Borough share of grant allocation:	£10.61M
• Indicative Cut to be absorbed by borough:	£1.1M
• GLA share of grant allocation:	£4.15M
• Indicative cut to be absorbed by GLA:	£0.42M

- 5.2. Borough was awarded £16.3m in Council Tax benefit in 2011/12. This was split between the borough's share £11.71m and the GLA's share £4.58m.

- 5.3. This means that the grant we can expect to receive will be £12.08m less 10% which equals £10.61m – meaning that the loss to be absorbed by the borough is £1.1m.
- 5.4. The Local Government Finance Act also gives local authorities the power to reduce or remove the discounts and exemptions offered in respect of empty and second homes and potentially levy a premium on long term empty properties. This will meet some of the loss caused by this scheme and these proposals are being dealt with through another report.

6. ADDITIONAL ISSUES

- 6.1. The DCLG has recently announced an additional grant available to authorities who fulfil certain criteria in protecting those currently on Council Tax benefit. As the borough do fulfil the criteria set, we will be applying for this in January and will be worth an additional £290k for the authority.

7. CONSULTATION

- 7.1. As required by the Local Government Finance Act, we consulted with the GLA as our precepting authority and the public on our proposed scheme.
- 7.2. Appendix 1 shows GLA's initial response and Appendix 2 shows the GLA formal response.
- 7.3. The consultation with the public was carried out on our website via citizen space from 16 August 2012 to 15 October 2012.
- 7.4. The number of responses was disappointing. We had 10 responses with 6 in favour and 4 against and a further 11 incomplete responses.
- 7.5. The responses are attached in Appendix 3.
- 7.6. The consultation was kept deliberately simple as we have not proposed changing what is currently in place. London Councils in their formal response were happy with this approach.
- 7.7. Generally those in favour felt that genuine claimants were suffering financially anyway and should not suffer further hardship. This is summed up by the comments "If the claimants are legitimate, they should not be financially penalised" from a working age non benefit recipient and "It is preferable to making people live below the bread line if they are genuine and have lived in H and F for a long time" from a pensioner non CTB recipient.

- 7.8. Those who commented against the scheme felt that the tax payer in the borough should not support those on benefit.

8. EQUALITY IMPLICATIONS

- 8.1. As we have not proposed changing anything, we do not need to carry out an Equalities Impact Assessment.

9. LEGAL IMPLICATIONS

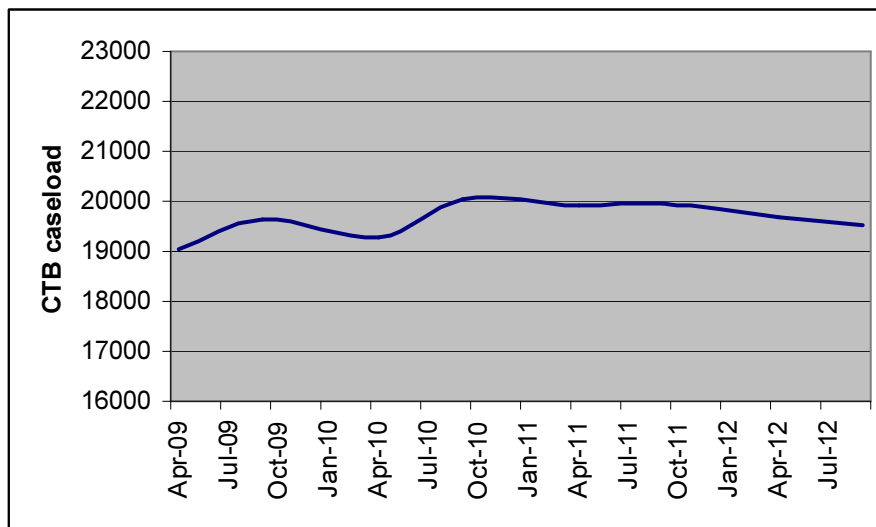
- 9.1. As set out in the report the Local Government Finance Bill makes provision for the localisation of Council Tax support by imposing a duty of billing authorities to make a localised Council Tax reduction scheme by 31 January 2013. The Bill also requires that the Council consult with the GLA and with persons likely to have an interest in the scheme.
- 9.2. If the Council does not make a scheme by 31 January the Bill gives government power to impose a default scheme on the Council so that it can still administer Council Tax reductions.

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1. The loss of on-going grant funding of £1.2m has been allowed for within the development of the Council's Medium Term Financial Strategy. Figures are still provisional and will not be confirmed until the Local Government Finance Settlement is published in December. It is anticipated that this loss will be partially offset by receipt of one-off transitional grant of £0.29m. The Council is also proposing changes to other discounts and exemptions that should generate extra income of £0.954m.
- 10.2. The changes will result in a greater risk transferring to Hammersmith and Fulham. In particular caseload growth, either for demographic or economic reasons, will increase the cost falling to be met by this authority. Alternatively we would benefit from a caseload reduction.
- 10.3. Implications verified/completed by: Andrew Lord, Head of Strategic Planning & Monitoring Ext 2531.

11. RISK MANAGEMENT

- 11.1. As the grant for this scheme will be fixed, if more people claim CTS than we anticipate (due to a downturn in the local economy) then the borough will have to cover this themselves.
- 11.2. However, caseloads over the last 2-3 years have been relatively stable. Although possible, it is not likely that this borough (due to its relative affluence) will experience a significant local downturn.
- 11.3. The graph shows how the caseload has fluctuated:



- 11.4. The average CTB award is currently £15.56 per week. A rise in caseload of 500 claims over and above our grant level would therefore cost the authority / GLA a further £404k per year. This though will be shared with the GLA. Furthermore, as can be seen from the graph above, the caseload within the borough has been dropping slightly but consistently since April 2011.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

- 12.1. None.

LOCAL GOVERNMENT ACT 2000 LIST OF BACKGROUND PAPERS USED IN PREPARING THIS REPORT

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	None		

LIST OF APPENDICES:

Appendix 1 – GLA's initial response to our proposals

Appendix 2 – GLA's formal response

Appendix 3 – Results of the consultation