



London Borough of Hammersmith & Fulham

COUNCIL

29 JANUARY 2014

COUNCIL TAX SUPPORT 2014/15

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

Report Author: Paul Rosenberg, Head of Operations, H&F Direct

Contact Details:

Tel: 020 8753 1525

E-mail:

paul.rosenberg@lbhf.gov.uk

1. EXECUTIVE SUMMARY

- 1.1 In April 2013, council tax benefit (CTB) ended and local authorities had to introduce their own scheme to help their residents who need help paying their council tax.
- 1.2 The Council agreed a scheme last year that worked as though the old council tax benefit regulations were still in place (known as “the default scheme”) meaning no one in the borough was worse off.
- 1.3 Funding for this local scheme is fixed at a rate of about 10% less than what was previously awarded in council tax benefit.
- 1.4 This report recommends that the Council continues to absorb this 10% reduction and in effect develop a local scheme that mirrors the council tax benefit scheme. This means that still, no one in the authority will be worse off.
- 1.5 The recommendation, as stipulated by the Local Government Finance Act, needs to be agreed by full Council by 31 January 2014.

- 1.6 The scheme will run for the financial year 2014 /15 and options for 2015/16 will be examined early next year.
- 1.7 The amount of grant for next year has not been decided as yet. However, the cost of this year's scheme has been covered by our grant due to the 3% reduction in the council tax and a declining caseload.
- 1.8 This report recommends continuing with a council tax support (CTS) scheme that reflects the old council tax benefit regulations (as published in the government's default scheme) so that no one in the borough is worse off. The authority has consulted with residents to get their views on this proposal.

2. RECOMMENDATIONS

- 2.1 That the Council continues to award a council tax discount as though the Council Tax Benefit regulations were still in place, meaning that no one currently in receipt of council tax support will be worse off.
- 2.2 That the Council adopts what has been known as the government's "default scheme" for its working age claimants that runs as though the regulations for council tax benefit were still in place.

The applicable amounts will be updated in line with the prescribed scheme, or if not relevant to the prescribed scheme, in line with housing benefit regulations. The same will apply for non-dependant deductions and second adult rebate. The overall intention is to continue awarding the support as though the council tax benefit regulations were still in place.

3. BACKGROUND

- 3.1 The Local Government Finance Act 2012 gained royal assent on 31 October 2012. This Act abolished council tax benefit and gave local authorities new powers to assist residents on low incomes with help paying their council tax.
- 3.2 The Act does impose some conditions on local authorities in that pensioners must be protected (so that no pensioner is worse off) and people in work must be supported, but this aside the authority can develop a scheme as it sees fit.
- 3.3 The government provide each local authority with a grant equal to the value of what it has awarded previously in council tax benefit, less 10%. The amount of grant is fixed and it is up to the authority to decide how to deal with this potential loss of income.
- 3.4 The schemes have to last at least a year. It is proposed that this scheme runs for one year for the period April 2014 to April 2015. This

proposal is consistent with the approach taken by the Royal Borough of Kensington and Chelsea and Westminster City Council.

4. COST OF THE SCHEME

4.1 It is impossible to determine the exact cost of the scheme because:

- the level of grant for next year has not been confirmed
- it depends on the number of people who make a successful claim for CTS throughout 2014/15.

4.2 This year, the Council's grant has been based on council tax benefit awards in 2010/11 when the caseload and level of council tax was higher. Consequently, the scheme for this year has been less expensive than predicted.

4.3 The costings for this year are as follows:

- Reduction in income from Council Tax Discounts (LBHF share):
-£10.36M
- LBHF grant allocation for 13/14 £10.61M
- One off transitional grant £0.29M
- **Indicative Surplus for LBHF:** **+£0.54M**

4.4 The share of grant allocation as well as council tax support awards is split between the borough and the GLA. For clarity, the above figures just show the borough's share.

4.5 Because the grant allocation was based on previous year's CTB spend, when the borough made more awards, even with the 10% shortfall the borough has more than broken even on the scheme for this year.

5. CONSULTATION

5.1 As required by the Local Government Finance Act, officers consulted with the GLA as the precepting authority and with the public on the proposed scheme. Appendix 1 shows GLA's response.

5.2 The consultation with the public was carried out on the Council's website via citizen space from 12 August to 30 September 2013. The number of responses, like last year, was disappointing; there were 10 responses with 6 in favour and 4 against. The responses are attached in Appendix 2.

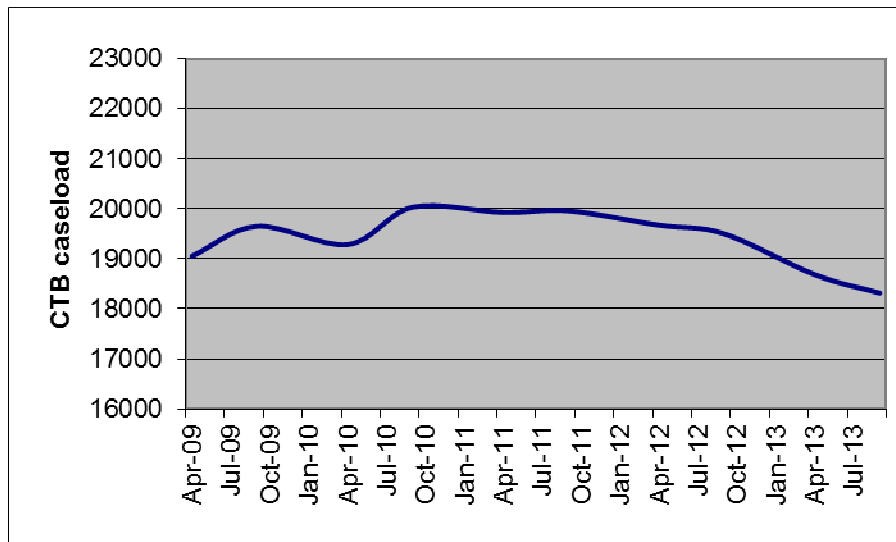
- 5.3. As last year, the consultation was kept deliberately simple as no change is proposed to what is currently in place. London Councils in their formal response last year were happy with this approach.
- 5.4 The responses were similar to last year with those in favour feeling that genuine claimants were suffering financially anyway and should not suffer further hardship. This is summed up by the comments “Any additional financial burden is likely to push more further into poverty.”
- 5.5 Those who commented against the scheme felt that the taxpayer in the borough should not support those on benefit.

6. REASONS FOR DECISION

- 6.1 The reasons for keeping to the default scheme are the same as last year. There is a much lower collection rate for schemes that do pass on the cost to those on low incomes. The experience of other London Boroughs is that the collection rate for CTS recipients is about 60%.
- 6.2 Furthermore, there will be an additional cost to the authority in trying to collect this amount of money. It is estimated that around 4 to 5 extra staff would be needed staff to deal with increased enquiries and appeals at the Valuation Tribunal.

7. RISK MANAGEMENT

- 7.1 As the grant for this scheme will be fixed, if more people claim CTS than anticipated (due to a downturn in the local economy) then the borough will have to cover this itself.
- 7.2 However, caseloads over the last 3-4 years have been relatively stable and have been reducing since 2011. Although possible, it is not likely that this borough (due to its relative affluence) will experience a significant local downturn.
- 7.3 The graph shows how the caseload has fluctuated:



- 7.4 The average CTB award is currently £14.18 per week. A rise in caseload of 500 claims over and above the grant level would therefore cost the authority / GLA a further £369k per year, although this would be shared with the GLA. Furthermore, as can be seen from the graph above, the caseload within the borough has been dropping consistently since April 2011.

8. EQUALITY IMPLICATIONS

- 8.1 As no changes are proposed, an Equalities Impact Assessment is not required.

9. FINANCE AND RESOURCES IMPLICATIONS

- 9.1. The Council's Medium Term Financial Strategy assumes no change in the existing Hammersmith and Fulham council tax support scheme. Figures are still provisional and subject to confirmation of grant levels, the council tax decision and updated caseload numbers. For 2013/14 the grant received has exceeded the loss of income from the council tax support scheme by an estimated £0.54m.
- 9.2. The changes have resulted in a greater uncertainty 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, the Council will benefit from a caseload reduction.
- 9.3. Implications confirmed by: Andrew Lord 020 8753 2531

10. LEGAL IMPLICATIONS

- 10.1. As set out in the report, the Local Government Finance Act 2012 made provision for the localisation of council tax support by imposing a duty on billing authorities to make a localised council tax reduction scheme by 31 January 2013. As confirmed in the body of this report, the Council did so by agreeing to adopt the government's default scheme. The same is proposed for 2014/15.
- 10.2. The Act requires each billing authority for each financial year to consider whether to revise its scheme or to replace it with another scheme.
- 10.3. Under the Act, the same duty of consultation applies as applied previously in preparing the scheme for 2013/14, ie. to consult the GLA and with persons likely to have an interest in the scheme. Detail of the consultation is provided at paragraph 5 and Appendices 1 and 2.
- 10.4. The Council must make its decision in respect of the CTS scheme for 2014/15 by 31 January 2014.
- 10.5. Implications confirmed by: Kevin Beale 020 8753 2740

11. COMMENTS OF THE DIRECTOR FOR PROCUREMENT AND IT STRATEGY

- 11.1 Not applicable.

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

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

LIST OF APPENDICES:

Appendix 1 – Response to GLA to consultation

Appendix 2 - Public responses to consultation