	London Borough of Hammersmith & Fulham CABINET 5 JANUARY 2015
LOCALISED COUNCIL TAX SUPPORT SCHEME 2015/16	
Report of the Cabinet Member for Finance : Councillor Max Schmid	
Open Report	
Classification - For Decision Key Decision: Yes	
Wards Affected: All	
Accountable Executive Director: Jane West, 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. For the previous two years, the Council has agreed a scheme that worked as though the old council tax benefit regulations were still in place (previously known as “the default scheme”) meaning no one in the borough was worse off.
- 1.3. Funding for this local scheme was fixed at a rate of 10% less than what was previously awarded in council tax benefit. The amount taken account of within the 2014/15 Local Government Finance settlement (LGFS) was £10.609m.
- 1.4. This report recommends that the Council continues to absorb the initial 10% reduction and in effect develop a local scheme that mirrors the

previous 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 2015.
- 1.6. The scheme will run for the financial year 2015/16 and options for 2016/17 will be examined early next year.
- 1.7. The amount of government funding taken account of within the 2015/16 LGFS is not yet confirmed but is anticipated to be a similar amount to 2014/15. The cost of this year's scheme has been less than that taken account of within the Local Government Finance Settlement due to the 3% reduction in the council tax and a declining caseload. The grant is not paid separately to the Council but taken account of within the calculation of Revenue Support Grant (general government grant) paid to the Council. This is a concern given that Revenue Support Grant is currently reducing by more than 10% per annum.
- 1.8. The authority has consulted with residents to get their views on this proposal as set out in paragraph 7 below.

2. RECOMMENDATION

- 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.

3. REASONS FOR DECISION

- 3.1. The reasons for this recommendation are the same as for previous years. 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%.
- 3.2. 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.

4. INTRODUCTION AND BACKGROUND

- 4.1. 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.

- 4.2. 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.
- 4.3. The government takes account of what it has awarded previously in council tax benefit, less 10%, in the annual Revenue Support Grant calculation. This is a fixed amount and it is up to the authority to decide how to deal with this potential 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 2015 to April 2016. This will allow the authority choice for 2016/17 if it wishes to change its scheme then to raise additional revenue.

5. PROPOSAL AND ISSUES

- 5.1. By not changing the scheme the Council continues to ensure that those on low incomes are not asked to pay a proportion of their council tax. The council therefore avoids lengthy consultation, adverse publicity and it does not penalise the poorest and most vulnerable elements of the community by forcing them to pay some council tax.
- 5.2. However, the Council does not benefit from the additional income that amending the scheme could bring.

Cost of the scheme

- 5.3. It is impossible to determine the exact cost of the scheme because:
 - Government funding is not yet confirmed
 - it depends on the number of people who make a successful claim for CTS throughout 2015/16.
- 5.4. The government funding is 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.
- 5.5. The costs for this year are as follows:
 - Reduction in income from CTS scheme (LBHF share):£9.35M
 - 2014/15 LGFS Funding £10.609M
 - **Indicative Surplus for LBHF: +£1.259M**
- 5.6. 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. The lower cost of the council tax support scheme will be taken account of within the 2015/16 Medium term Finance Strategy.

- 5.7. Because the grant allocation was based on council tax benefit spend in 2010/11, when the borough made more awards, even with the 10% shortfall the borough has more than broken even on the scheme for this year. The cost of the scheme has also fallen in line with the council tax reductions.
- 5.8. An added complication is that this grant is not paid separately to the council but forms part of the Revenue Support Grant (RSG) calculation. Local authorities have expressed concern that this means that funding is effectively reducing in line with wider cuts in RSG (currently running at more than 10% per annum).

6. OPTIONS AND ANALYSIS OF OPTIONS

- 6.1. Options on whether or not the scheme should be changed were reviewed earlier in the year. This is because if the Council was going to change the scheme, we would have needed to consult on this over the summer.

7. CONSULTATION

- 7.1. 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.
- 7.2. The consultation with the public was carried out on the Council's website via citizen space from 11 August 2014 to 26 September 2014. For this year, there were only two responses both in favour of keeping the scheme the same. The responses are attached in Appendix 2.
- 7.3. As in previous years, the consultation was kept deliberately simple as no change is proposed to what is currently in place. The GLA have stated that they are happy with this approach.
- 7.4. Of the two responses the one comment shows that the respondent felt that the cost of changing the scheme would be more than the additional money that it would collect. Furthermore, they also stated that the families that would be affected if we were to change the scheme are already suffering from rises in the cost of living.

8. EQUALITY IMPLICATIONS

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

9. LEGAL IMPLICATIONS

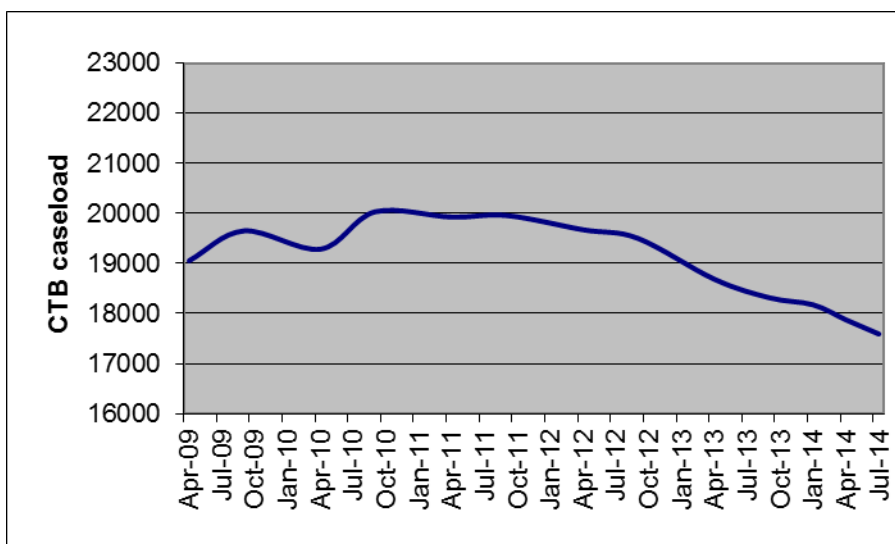
- 9.1. Under the Local Government Finance Act 2012 and the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012/2886 it is a requirement to have a support scheme in place as is outlined in this report.
- 9.2. The legal requirements of the Scheme are outlined in Schedule 4 of the Local Government Finance Act 2012 and include consulting any major precepting authority which has power to issue a precept to it. The GLA has been consulted. It also includes publishing a draft scheme in such manner as it thinks fit and consulting with such other persons as it considers are likely to have an interest in the operation of the scheme. Details of the consultation are contained in the body of the report and appendix 1.
- 9.3. Implications verified/completed by: (Joyce Golder, Principal Solicitor, 0207 361 2181).

10. FINANCIAL AND RESOURCES IMPLICATIONS

- 10.1. The financial implications of this proposal are set out in the report
- 10.2. Andrew Lord - Head of Finance-Budget Planning & Monitoring 020 8753 2531

11. RISK MANAGEMENT

- 11.1. 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.
- 11.2. 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.
- 11.3. The graph shows how the caseload has fluctuated:



11.4. The average CTB award is currently £14.58 per week. A rise in caseload of 500 claims over and above the grant level would therefore cost the authority / GLA a further £379k 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.

12. PROCUREMENT AND IT STRATEGY IMPLICATIONS

12.1. Not applicable.

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		