


<p><b>London Borough of Hammersmith &amp; Fulham</b></p> <p><b>CABINET</b></p> <p><b>11 JANUARY 2016</b></p>	
<p><b>LONDON BOROUGH OF HAMMERSMITH AND FULHAM'S COUNCIL TAX SUPPORT SCHEME 2016/17</b></p>	
<p><b>Report of the Cabinet Member for Finance: Councillor Max Schmid</b></p>	
<p><b>Open Report</b></p>	
<p><b>Classification - For Decision</b></p> <p><b>Key Decision: Yes</b></p>	
<p><b>Wards Affected: All</b></p>	
<p><b>Accountable Director:</b> Hitesh Jolapara, Strategic Director for Financial Corporate Services</p>	
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## 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. Originally the funding from central government to Councils was based on what the Council paid in Council tax benefit less 10%. However, now, the funding forms part of the Revenue Support Grant allocation received at the Local Government Finance Settlement (LGFS).
- 1.3. To date, the Council has agreed a scheme that worked for claimants 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 as a result of the Government cut.
- 1.4. This report recommends that the Council continues to replicate the previous benefit regulations so that no one in the borough is worse off.

- 1.5. The report also includes a recommendation on how to treat Universal Credit (UC) cases for claimants who receive Council Tax Support (CTS). The way UC is calculated is different to the benefits it replaces. For some claimants in work, UC may result in higher payments to claimants. The Council does not intend for claimants receiving any additional UC to be penalised by our scheme as a result. This means that our recommended method of calculation could increase the cost of our scheme – depending on the level of UC expansion for 16/17.
- 1.6. It is the express intention of the Council that no one will be worse off under this scheme compared to any support they might have received had the previous benefit regulations still been in place.
- 1.7. Agreement for the new scheme will have to be made by full Council at the end of January 2016.

## **2. RECOMMENDATIONS**

- 2.1. That the Council continues with a scheme that reflects the old Council tax benefit regulations as much as possible meaning no one in the borough is worse off.
- 2.2. That the Council continues to assess out of work Universal Credit on full CTS.
- 2.3. For in work UC cases, the UC applicable amounts will form part of our calculation and any unearned and earned income will be subject to the normal 20% excess income calculation.

## **3. REASONS FOR DECISION**

- 3.1. The reasons for this recommendation are the same as last year. The Council does not want residents on low incomes to suffer from central government cuts in the Council tax support scheme so will take measures to ensure such residents will continue to get the same levels of support.
- 3.2. Throughout 2016/17 the number of UC recipients in the borough may increase, so the Council needed to agree how such claimants are treated.

## **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 funding for the scheme was originally based on what the authority used to spend in Council tax benefit less a 10% cut. The funding for Council tax support is now included in the Revenue Support Grant which has and will continue to be subject to further cuts, so the effective contribution to Council tax support from the Government continues to be cut each year. It is up to the authority to decide how to deal with these cuts.
- 4.3. The schemes have to last at least a year. It is proposed that this scheme runs for one year for the period April 2016 to April 2017. This will allow the authority

choice for 2017/18 if it wishes to change its scheme then to raise additional revenue.

## **5. PROPOSAL AND ISSUES**

- 5.1. Since Council Tax Support was introduced it has been the authority's intention to maintain a scheme that reflects the previous Council tax benefit scheme as much as possible so that no one in the authority is worse off.
- 5.2. However, since Council tax benefit ended, the government's welfare reform agenda has changed particularly with Universal Credit being live in the borough since October 2013. This means it is no longer possible to simply publish a scheme as though the previous benefit regulations were still in place.
- 5.3. The authority needs to make a decision regarding how to process Universal Credit claims for workers.
- 5.4. This change has been included as part of our consultation.

### **Cost of the scheme**

- 5.5. For the first year, the Council received as a grant, what they would have spent in Council tax benefit less 10%. This was advantageous to the borough because the calculation was based on when both our caseload and our Council tax level were higher. This has meant that in the first two years, the Council's scheme actually ran as a surplus.
- 5.6. The funding is now incorporated into our grant income which is not paid separately to the Council but forms part of the Revenue Support Grant (RSG) calculation. It is therefore no longer possible to identify exactly how much money the Council gets from central government to pay for Council tax support awards.
- 5.7. For 2014/15 the discounts offered through the Local Council Tax support scheme resulted in lower income of £13.15m to the Council. The latest estimate for 2015/16 is £12,52m (of which the Hammersmith and Fulham share is £8.9m, The Greater London Authority share is £3.62m).
- 5.8. In general our caseload is dropping, meaning Council tax support is costing us less. However, the grant support from central government is also falling.

## **6. OPTIONS AND ANALYSIS OF OPTIONS**

### **Proposed Changes – Universal Credit**

- 6.1. The Council is committed to ensuring that no one is worse off under our Council tax support scheme. As much as possible, the scheme intends to reflect the previous Council tax benefit scheme. However, it does need to agree how to treat Universal Credit claims as there was no provision under the previous regulations for this (as Universal Credit did not exist then).
- 6.2. Universal Credit is a replacement for:

- Jobseeker's Allowance
- Housing Benefit
- Working Tax Credit
- Child Tax Credit
- Employment and Support Allowance
- Income Support

6.3. At present, the DWP are only accepting claims for Universal Credit from out of work customers. These cases are treated as though they are in receipt of a previous out of work benefit and maximum CTS is awarded.

6.4. However, the DWP do not take anyone off Universal Credit and allow them back on a legacy benefit. This means that UC recipients who are out of work and claiming full CTS can have a change of circumstance (i.e. get a job) and will want to continue a partial CTS claim.

6.5. The authority has to decide how these CTS claims are decided. The overall ethos of the decision is to continue to ensure that no one is worse off and whilst replicating the previous Council tax benefit regulations.

#### **How the claim is calculated**

6.6. For in work claims, UC is made up of:

- Child element
- Childcare costs element
- Limited capability for work element
- Carer element
- Housing costs element

6.7. The Council is proposing all are taken into account as part of the calculation and as part of the applicable amount. So for UC customers the current applicable amounts are not used.

6.8. In practice, this will not make much difference but the awards will be slightly more generous for in work claims. There is a danger that this will increase the CTS bill to the Council. Appendix 2 has a calculation that demonstrates this.

6.9. In all cases any earned or unearned income will be subject to the normal 20% taper calculation.

6.10. For other cases, the scheme will replicate as much as possible the benefit regulations. This means, if the family premium is removed for benefit claims, they will also be removed for CTS claims to ensure no one is worse off than under the old scheme.

## **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.

- 7.2. In previous years, the consultation has been minimal due to the fact that in essence nothing is being changed. The GLA have endorsed this.
- 7.3. Even though there is a slight change to the scheme it was decided not to change the consultation method for this year. An on-line consultation was carried out that ran for 2 months.
- 7.4. The responses this year were again limited. As there is not much change to the scheme, it seems few people wanted to comment. This reflects a wider trend of reduced take up of consultations in recent months.
- 7.5. This year, two responses were received (the same number as last year). Both agreed with our proposals with one stating "It stops the Council placing vulnerable groups into a more financially and mentally detrimental position". The other refers to the increased cost of collecting an additional debt had the Council decided to levy a charge against everyone, stating "The costs of collection of such debt might well end up costing the Council much more."
- 7.6. The responses can be found in **Appendix 1**.

## **8. EQUALITY IMPLICATIONS**

- 8.1. The way Universal Credit claims will be processed is a change to the scheme and as such the Equalities impact has been assessed (please see **Appendix 2**).
- 8.2. This change affects only a small number of CTS recipients and the recommended decision will have the most positive outcome for those affected and still where possible reflect the old benefit regulations.
- 8.3. The effects will continue to be monitored as more residents become affected with the increased role out of Universal Credit. This will inform any changes we may make for the 2017/18 scheme.
- 8.4. Implications verified by: David Bennett, Head of Change Delivery (Acting) - 020 7361 1628.

## **9. LEGAL IMPLICATIONS**

- 9.1. The report sets out the requirements of the Local Government Finance Act 2012 to include a reminder that consultation for this scheme is a requirement and has taken place with limited responses. A possible financial risk that the number of recipients of Council Tax Support would increase is also highlighted in paragraph 12 with a note that the scheme may need to change in the forthcoming budget year upon review.
- 9.2. Implications verified/completed by: (Joyce Golder. Principal Solicitor, 020 7361 2181)

## **10. FINANCIAL AND RESOURCES IMPLICATIONS**

- 10.1. 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 and Fulham and the Greater London Authority based on their respective Council tax charges. The Hammersmith and Fulham share of the scheme cost was £9.3m in 2014/15 and is estimated to be £8.9m in 2015/16. The reduction reflects both a lower caseload and the impact of the 1% Council tax reduction.
- 10.2. The report flags up some new financial risks regarding the 2016/17 scheme. These arise from the roll-out Universal Credit and government welfare policy, At present it is not possible to model with any certainty what impact these potential changes may have (or if the changes will take place at all.). This position will continue to be reviewed and an appropriate risk noted in the Medium Term Financial Strategy.
- 10.3. Implications verified/completed by: (Andrew Lord, Corporate Finance, Ext 2531).

## **11. IMPLICATIONS FOR BUSINESS**

- 11.1. None

## **12. RISK MANAGEMENT**

- 12.1. In previous years reports it was reported that the main risk to the Council is if there is a sharp rise in CTS recipients. This obviously means that we will receive less than expected in Council tax income as we grant more support.
- 12.2. The way it is intended to assess UC cases can be more generous than the current system. This reflects the government's aspiration that everyone should be better off in work. Potentially, if there is a significant rise of in work UC claims, then this could increase the level of CTS awards.
- 12.3. The level of UC expansion for 16/17 is not known. The government has made it clear that they are intent on increasing Universal Credit take up as quickly as possible. However, this will depend on the DWP's capacity to manage a much greater caseload than they do now.
- 12.4. The impact to the Council of more CTS claims based on UC will be monitored. If after reviewing the level of CTS, there is a rise in the cost of our CTS awards, the scheme may need to be amended for 2017/18.
- 12.5. At present, the caseload in the borough is declining so any rises in the value of the awards may well be offset by a reduced number of live awards.

### **Emergency Budget 2015**

- 12.6. The emergency budget announced the following changes to tax credits from April 2016:

- **Changes to taper rates in tax credits** – From April 2016 the taper rate in tax credits will be increased from 41% to 48% of gross income. Once claimants earn above the income threshold in tax credits, their award will be withdrawn at a rate of 48 pence for every extra pound earned.
- **Changes to tax credits income thresholds and Universal Credit work allowances** – From April 2016 the income threshold in tax credits will be reduced from £6,420 to £3,850 per year.

**12.7.** The Autumn Statement announced that the changes to tax credits will not take place. However, the changes to UC will go ahead. For those on UC and in work, the UC award will be less than it is now meaning there will be more entitlement to CTS. However, if take up to UC continues at its current pace, the overall cost to the Council should not be impacted too adversely.

**12.8.** As per paragraph 12.4, the caseload and value of awards will be monitored.

### **13. PROCUREMENT AND IT STRATEGY IMPLICATIONS**

13.1 None

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

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

#### **LIST OF APPENDICES:**

*Appendix 1                      Responses to the consultation*

*Appendix 2                      EIA*