

PART ONE - PUBLIC

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**Decision Maker:** EXECUTIVE

**Date:** 9th JANUARY 2013

**Decision Type:** Urgent Executive Key

**Title:** COUNCIL TAX SUPPORT/REDUCTION

**Contact Officer:** John Nightingale, Head of Benefits  
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**Chief Officer:** Finance Director

**Ward:** (All Wards);

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1. Reason for report

To advise Members of the results of the public consultation exercise and seek approval of the scheme to be forwarded to Full Council for approval.

For Members to note the content of the Equality Impact Assessment undertaken on this change (attached as Appendix 2)

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2. **RECOMMENDATION(S)**

**1, Members to note the responses to the public consultation exercise**

**2, Members to note the amount of additional Government funding made available for 2013/14 and the criteria that needs to be met to access the funds.**

**3, Members to decide as to whether Option 1 or Option 2 be forwarded for adoption at the Full Council meeting on the 21 January 2013**

**4, Members to note the content of the Equality Impact Assessment (attached as Appendix 2)**

## Corporate Policy

1. Policy Status: New Policy:
  2. BBB Priority: Not Applicable:
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## Financial

1. Cost of proposal: – The adoption of Option 1 will entail a shortfall in 2013/14 of £811k and £25k surplus from 2014/15 between the indicative Government funding figures and the projected level of subsidy that would have been received had the Council Tax Benefit scheme not be abolished.  
The adoption of Option 2 would produce a surplus to the Authority of £25k per annum
  2. Ongoing costs: See point 1 above
  3. Budget head/performance centre:
  4. Total current budget for this head: £
  5. Source of funding: If option 1 adopted the funding shortfall for 2013/14 to be met from the surplus in the collection fund.
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## Staff

1. Number of staff (current and additional):
  2. If from existing staff resources, number of staff hours:
- 

## Legal

1. Legal Requirement: Statutory Requirement
  2. Call-in: Applicable
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## Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 21,100 (current number of households in receipt of Council Tax Benefit) of which approximately 12,650 are of working-age
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## Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: N/A

### **3. COMMENTARY**

#### **3.1 Introduction**

The current means for households to receive assistance with their Council Tax is the Council Tax Benefit (CTB) scheme. CTB is a national scheme, with very limited local discretion. The entitlement is based on 100% of a household's liability, with approximately two-thirds of those receiving CTB in Bromley having their full Council tax met. Currently approximately 22,000 households in Bromley receive Council Tax Benefit, with an annual value of approximately £19.6m.

Initial details of the proposed changes were reported to the July 2012 meeting of The Executive; however for ease of reference they have been repeated below:

From the 01 April 2013 the current national scheme for providing assistance with Council Tax (Council Tax Benefit) ceases to exist and is to be replaced by a local authority designed scheme for those claimants of working-age. This is to be known as Council Tax Support/Reduction (CTS/R). For those of pensionable age the scheme will continue to be based on national rules and regulations.

Under the proposals contained in the current Local Government Finance Act the Council has full discretion over the design of the new CTS/R scheme for working-age claimants.

In respect of pensioners the national scheme applies and this will be almost identical to the current Council Tax Benefit scheme, with the undertaking that the claimants will not be worse off than if CTB had continued.

Included in the consultation document issued by the Department for Communities and Local Government (DCLG) was the statement that funding would be set at the level of 90% of that awarded by way of subsidy to Council Tax Benefit (covering pensioners and working age). However, when the indicative funding figures were received from the DCLG they showed a reduction of almost 13%. The reason given for the variance was the expectation that the numbers eligible for assistance would reduce, non-dependant deductions would increase and funding towards overpayments was withdrawn.

Should a scheme not be adopted by Members before the 31 January 2013, a default scheme would be imposed. This scheme would be widely in line with the current CTB scheme and as a result not bring about savings in the entitlement awarded resulting in the Council fully meeting the loss of grant of £2.23m without direct compensatory savings.

#### **3.2 Consultation**

At the 25 July 2012 meeting of The Executive a decision was made to undertake consultation on CTS/R being based on 75% of the households Council Tax Liability. The consultation exercise closed on the 12 October 2012 by which time just over 1,000 responses had been received.

For ease of reference I have listed below the headlines that emerged:

- The majority of people favour basing the proposed CTS/R scheme on the current Council Tax Benefit (CTB) scheme
- Strong support from non-claimants and pensioners for working age claimants to contribute towards their Council Tax; far fewer working age claimants agree this is fair
- The proposal to set money aside to help claimants facing exceptional circumstances is very well supported
- If a contribution has to be made, working-age claimants suggest a minimum of 15%. This was the lowest of the options provided
- The balance of opinion favours the retention of the £16,000 savings threshold
- Phasing in of the scheme over 2 years to reduce the immediate impact is supported

The GLA responded to Bromley's consultation on the 12<sup>th</sup> October. In the main their communication was just reiterating the content of our proposed scheme; however they did include the following statement:

"The GLA considers that in formulating the council tax support scheme each billing authority should both consider and address how it intends to take advantage of the technical reforms. The additional revenues could be used to partly offset the Council's forecast council tax shortfall and potentially allow Bromley to increase the maximum level of assistance to households in respect of their council tax liability."

A report containing more detailed information on the consultation responses is attached as Appendix1.

### **3.3 Additional Government Funding**

The July 2012 report to The Executive informed of the indicative funding figures advised by the DCLG. However, on the 15<sup>th</sup> October Baroness Hanham announced that the DCLG was making available an additional £100 million funding to Councils for supporting them in developing well-designed schemes and maintain positive incentives to work. The funding takes the form of a transition grant and is available for one year only.

In order to access the additional funding, the scheme to be adopted would need to fulfil the following criteria.

- Those who are currently receiving 100% support under the current CTB arrangements pay no more than 8.5% of their council tax liability;
- The taper rate does not increase above 25%
- There is no sharp reduction in support for those entering work – for claimants currently entitled to less than 100% support, the taper will be applied to an amount at least equal to their maximum eligible award; and

In allowing flexibility over aspects of the scheme, the Government would not expect LA's to impose large additional increases in non-dependant deductions.

Figures released by the DCLG indicate that once only funding of £352k would be available (£416k including GLA element).

Council's will need to make an application for funding after the 31 January 2013 (date by which local schemes need to be adopted) with any sum due being paid in March 2013.

### **3.4 Caseload Variations**

At the time of the July report to "The Executive", Bromley's Council Tax Benefit (CTB) caseload was increasing. This was built into the calculations when advising of the changes that would need to be made in order for expenditure under the proposed CTS/R scheme to be fully met by the reduced level of Government funding.

Since July, the number of households receiving CTB together with the corresponding expenditure has reduced to April 2012 levels, thereby reversing the upward trend that has been in place since 2008. The figures included in this report have therefore been revised to reflect the updated position.

### **3.5 Options**

As a result of the changes detailed in paragraph 3.4 and having taken into account the making available of a £100k discretionary fund for those facing exceptional circumstances, CTS/R would need to be based on 81% of liability to meet the funding gap.

All options relate to applying a minimum Council Tax liability to working-age claimants only, with claimants of pension credit age being protected from being worse off under the new scheme.

Below are detailed 2 options for consideration, the first of which would result in Bromley qualifying for the additional government funding (parag 3.3) of £352k (excluding the GLA element).

#### **Option 1**

Working-age claimants would be required to contribute a minimum of 19% towards their Council Tax liability. However, in respect of 2013/14 only transitional protection would be applied, limiting the minimum contribution to 8.5% of their Council Tax liability. This option would enable the Authority to qualify for the additional Government funding (LBB £352,327 and GLA £109,013)

#### **Option 2**

Working-age claimants would be required to contribute a minimum of 19% towards their Council Tax liability, with the full sum becoming liable from Year 1 (2013/14)

### **3.6 Appeals**

Confirmation has now been received that appeals will be considered by the Valuation Tribunals. Limited details are currently known but we have been advised that further information will be released in January 2013. However, it appears that there will be a requirement to draft 2 submissions and attend 2 hearings where a claimant is asking for review of his HB and CTS/R. Also, the responsible body would potentially have to consider the merits of a case against rules/regulations of 300+ LA's.

### **3.6 Software**

Capita, the council's benefits software provider has advised that they will be able to revise the current computer system to accommodate both of the options contained in this report. However, the time between the release of the revised software and the annual Council Tax billing for 2013/14 is limited, therefore we are in regular contact with our provider in order to minimise the chance of slippage.

## **4. POLICY IMPLICATIONS**

The scheme adopted by the Authority can be changed in future years; however dependant on the scale and nature of the planned revision it may be necessary to undertake a further consultation exercise and/or grant transitional protection for those adversely affected.

## **5. FINANCIAL IMPLICATIONS**

After revising the savings requirements in the light of the reduction in CTB expenditure and caseload, the CTS/R scheme would need to produce savings of £2.235m in order to cover the reduction in Government funding. When adding in the £100k intended for the granting of discretionary awards this makes the shortfall £2.335m.

If all working age claimants were required to contribute a minimum of 19% towards their Council Tax liability, expenditure would be reduced by approximately £2.36m.

The Council will receive in the year surplus on the collection fund of £1.8m which could be used to support the cost of any phasing of changes to the system

### Option 1

Working-age claimants are liable to pay a minimum of 8.5% of their council tax liability in year 1 (2013/14) and 19% thereafter. The additional funding would be received from the Government, with the remaining shortfall in the first year being met from the surplus on the collection fund which currently stands at £1.8m. Detail of the collection fund surplus is reported elsewhere on the agenda.

| Option 1       | Reduction in funding + £100k discretionary fund | Less additional Govt. funding | Net reduction in funding | Less reduction in expenditure through minimum liability. | Net cost / deficit to be funded from collection fund |
|----------------|---|-------------------------------|--------------------------|--|--|
|                | £000's  | £000's                        | £000's                   | £000's   | £000's   |
| 2013/14 – 8.5% | 2335  | 461                           | 1874                     | 1063   | 811  |
| 2014/15 – 19%  | 2335  | 0                             | 2335                     | 2360   | -25  |

### Option 2

Working-age claimants are liable to pay a minimum of 19% of their council tax liability from the commencement of the new scheme

| Option 2      | Reduction in funding + £100k discretionary fund | Less additional Govt. funding | Net reduction in funding | Less reduction in expenditure through minimum liability. | Net cost / deficit to be funded from collection fund |
|---------------|---|-------------------------------|--------------------------|--|--|
|               | £000's  | £000's                        | £000's                   | £000's   | £000's   |
| 2013/14 – 19% | 2335  | 0                             | 2335                     | 2360   | -25  |
| 2014/15 – 19% | 2335  | 0                             | 2335                     | 2360   | -25  |

### Impact on Collection

It is inevitable that collection rates will fall for the affected claimants and although the final outturn will not be known for at least 3 years the results will be affected by the view of magistrates considering court summonses as well as the impact of welfare reform. The impact of any changes and collection levels will need to be reflected in the Council's four year financial forecast.

## 6. LEGAL IMPLICATIONS

As is outlined in the report the council carried out a detailed consultation exercise following on from the Executive decision in July. At that point, details of government support for the changes hadn't been released. Consideration has been given as to whether further consultation was needed before putting option 1 forward. The conclusion is that as no-one from a group with protected characteristics would be disadvantaged by this option and as there would not be a material impact on other services through a one off use of surpluses in the collection fund then further consultation was not required.

Members in making their decision must have regard to the consultation outcome and the equality impact assessment.

If a scheme is not agreed by Council before 31 January 2013 then the default scheme will apply.

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| <b>Non-Applicable Sections:</b>                       | Personnel Implications       |
| Background Documents:<br>(Access via Contact Officer) | [Title of document and date] |