

Decision Maker: Executive

Date: 02 December 2015

Decision Type: Non-Urgent Executive Key

Title: COUNCIL TAX SUPPORT/REDUCTION 2016/17

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

Ward: (All Wards);

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.

In making this decision Members are asked to note the Impact Assessment attached as Appendix 1 to the Council Tax Support 2016/17 report, presented to the 15/7/15 meeting of the Executive.

2. **RECOMMENDATION(S)**

1. **Members consider the responses to the public consultation exercise and note the outcome of the work on the impact of Welfare reform in Bromley set out in section 3.2.**

2. **Members are asked to request that Full Council, at the meeting of the 14th December, adopt for financial year 2016/17 a scheme whereby entitlement for working-age claimants is calculated on 75% of the households Council Tax liability. Thereby the maximum assistance provided to a claimant of working-age is 75% of his/her Council Tax liability.**

Corporate Policy

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

1. Cost of proposal: – Estimated annual cost of scheme with minimum 19% liability – £15,512k
Estimated annual cost of scheme with minimum 25% liability – £14,318k
Estimated annual cost of scheme with minimum 30% liability - £13,330k
 2. Ongoing costs: Recurring Cost:
 3. Budget head/performance centre: 400002/400003
 4. Total current budget for this head: £7.365m
 5. Source of funding: Government funding, not identified as a separate item in grant notification.
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Staff

1. Number of staff (current and additional): 8 + Liberata staff
 2. If from existing staff resources, number of staff hours: Once scheme adopted – extra work will fall on Liberata, taken into account in costings provided
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Legal

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

1. Estimated number of users/beneficiaries: 17,300 (current number of households in receipt of Council Tax Support)
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Ward Councillor Views

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

3. COMMENTARY

3.1 Introduction

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

In the financial year 2013/14, working-age claimants were liable to pay a minimum of 8.5% of their Council Tax liability. For the financial years 2014/15 and 2015/16 working-age claimants have been liable for a minimum of 19% of their Council Tax liability.

At the 15th July meeting of the Executive, Members agreed the options that should be entered in the public consultation exercise, the results of which are contained later in the report.

Attached as Appendix 1 to the report submitted for consideration at the 15th July meeting was an Impact Assessment in respect of the options to be entered in the consultation exercise. Members are asked to note the content of the "assessment" when considering the recommendations contained in this report. For ease of reference, the weblink to the report is entered below:

<http://cds.bromley.gov.uk/ieListDocuments.aspx?CId=121&MId=5449&Ver=4>

It should be noted that the scheme needs to be adopted at Full Council by the 31st January prior to the financial year it relates to.

3.2 Welfare Reform

At the 15 July 2015 meeting of the Executive, it was requested that we include in this report details of the impact of the Chancellor's summer statement. The following information has been obtained through interrogation of our benefit system and referencing evidence/advice from experts in the field.

Reduction in the level of earnings at which Tax Credits start to be withdrawn from £6,420 to £3,850, together with an increase in taper from 41% to 48%.

It should be noted that a transitional scheme is planned; however details have not yet been provided. The Institute of Fiscal Studies estimate that 3m households will be affected with an average loss of £1,000pa.

It is estimated that 1,800 Bromley CTS/R recipients will lose an average of £1,300pa.

4-year freeze to working-age benefits

The Institute of Fiscal Studies estimate that 13m families will lose in real terms £260pa on average by the 4th year.

Reduction in the benefit cap from £26,000pa (£18,200pa single claimant) to £23,000pa (£15,410pa single claimant)

Approximately 300 Bromley households are currently being capped; these will see a £3,000pa reduction in income. An estimated further 230 Bromley households will see their income reduced as a result of the reduction in cap to £23,000pa (£15,410pa single claimant). Start date of change not yet known.

Removal of automatic right to HB for 18-21 year olds (exemptions apply)

There are currently 184 claimants between the age of 18 and 21 receiving Housing Benefit of which 80 are also in receipt of CTS/R

Removal Tax Credit/UC entitlement for third and subsequent children from April 2017

Only relates to new claimants and new births after April 2017, so will not affect current claimants unless a change in their circumstances

Abolition of the family element in Child Tax Credit (and equivalent in UC) from April 2017

As per previous item

The above figures, subject to the freezing of work related and assessed living requirements (applicable amount), will result in 65% of the loss being met by Housing Benefit where the claimant has a rental liability and the previous entitlement allows for the level of increase. For CTS/R, subject to the points entered above, entitlement will increase to cover 20% of the loss.

However, it should be noted that the Authority will need to meet the increase in the CTS/R scheme costs.

Movement to National Living Wage and increased personal tax free allowance

These changes will have a positive impact on some of the lower paid earners, but it is not possible to specify the number or amounts. The publication "This is Money" advised that not all tax payers will be winners. Those on incomes between £5,000 and £30,000 will typically be worse off by about £1,000pa. This is due to restrictions in Tax Credits that come into force over the next two years. The worst hit in this income group are those on £13,000 pa who will be £1,606pa worse off. A family with three children and a household income of £30,000 will lose £1,519pa

3.3 Consultation

At the 15 July 2015 meeting of the Executive, a decision was made to undertake consultation on CTS/R based on 81%, 75% and 70% of the households Council Tax Liability. The consultation exercise closed on the 18 October 2015 by which time 735 responses had been received. Included in these were responses from the following representative bodies:

- Cotmandene Community Resource Centre
- Hearing Voices Group
- Zacchaeus 2000 trust
- Bromley's Experts by Experience DPULO
- Bromley Mind
- Church and Foodbank

Responses to the questions contained in the consultation exercise are entered as Appendix 1. A full report of the consultation findings can be found on the LBB website, the link for which is http://www.bromley.gov.uk/downloads/file/2460/council_support_-_consultation_report

To summarise the main findings were:

- In respect of financial year 2016/17, 43% of respondents confirmed their preference to keep the minimum contribution at 19%. However, there is a significant difference dependent on whether or not the individual is a working-age Council Tax Support recipient.
- 44% of respondents said that the Council should use its reserves to fund any additional contribution to the Council Tax Support scheme.
- 92% of respondents said that there should be a hardship fund, with 71% agreeing that it should remain at the current level (£100k)
- Where opportunity was given to provide changes to the scheme, the comments made fell into the following broad categories
 - Undertaking better checks on those receiving CTS
 - Increasing protection for certain categories of claimant

Employing a sliding scale of assistance
 Limiting the support further e.g. to those living in the lowest Council Tax band
 Helping citizens through employment opportunities

4. POLICY IMPLICATIONS

The Authority's scheme needs to be adopted on an annual basis following a public consultation exercise.

5. FINANCIAL IMPLICATIONS

Based on the current caseload and projected effect of known welfare reform changes as announced in the 2015 summer budget, detailed below are the estimated annual expenditure for the 3 options.

Minimum working-age CTS liability	19%	25%	30%
Total estimated annual CTS expenditure	£15,512k	£14,318k	£13,330k
Less GLA estimated proportion – 22.26%	£3,453k	£3,187k	£2,967k
LBB estimated annual CTS expenditure Costs – 77.74%	£12,059k	£11,131k	£10,363k
Additional collection costs	£44k	£246.5k	£333.5k
Estimated LBB expenditure and Increased Collection Costs *	£12,103k	£11,377.5k	£10,696.5k
Difference in net costs compared to existing scheme		£725.5k	£1,406.5k

In addition to the above expenditure figures, the sum of £100k per annum is available for the provision of discretionary awards.

*Note does not take into account current cost of collection

The sum cited in the “difference in net costs compared to existing scheme” line assumes collection rate remains unchanged.

6. LEGAL IMPLICATIONS

Full legal implications are set out in the report considered by members of the Executive on 15th July and these are not repeated here. Members should however have regard to these and to the earlier Equality Impact assessment work undertaken. However, in summary Section 33 (1) (e) of the Welfare Reform Act 2012 abolished the national scheme of Council Tax benefit. Section 10(1) of that

Act introduced a new Section 13 A(2) into the Local Government Finance Act 1992 which obliged each local authority to make its own scheme for those who it considered to be in financial need.

Schedule 1 A of the 1992 Act sets out the procedural steps required to make or revise a scheme. These include an obligation to consider whether or not to change a scheme for any Financial year. Where changes are made there is a statutory obligation to publish a draft scheme and to consult with such persons as we deem to have an interest . That will include both individuals who receive benefit and those who don't. Any new scheme must be adopted by 31 January in the financial year preceding that in which it is to apply.

Bromley has undertaken the required consultation exercise and whereas members must have regard to the consultation outcomes, they are not obliged to follow the majority view.

Non-Applicable Sections:	Personnel implications
Background Documents: (Access via Contact Officer)	