

**GREATER LONDON AUTHORITY
RESOURCES GROUP FINANCE**

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John Nightingale
Head of Revenues and Benefits
London Borough of Bromley
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Dear John

**LONDON BOROUGH OF BROMLEY
DRAFT 2017-18 COUNCIL TAX SUPPORT SCHEME
GREATER LONDON AUTHORITY RESPONSE TO CONSULTATION**

Thank you for your email dated 8 August and attached documentation setting out the draft council tax support (CTS) scheme for 2017-18 which the London Borough of Bromley has issued for public consultation. The draft scheme options consulted on are summarised in this letter. This letter sets out the GLA's response to the consultation.

Introduction

Firstly, the GLA recognises that the determination of council tax support schemes under the provisions of the Local Government Finance Act 2012 are a local matter for each London borough. Individual schemes need to be developed which have regard to specific local circumstances, both in respect of the potential impact of any scheme on working age claimants (particularly vulnerable groups) and more generally the financial impact on the council and local council tax payers – and therefore the final policies adopted may, for legitimate reasons, differ across the capital's 33 billing authorities.

This fact notwithstanding the GLA also shares in the risks and potential shortfalls arising from the impact of council tax benefit localisation in proportion to its share of the council tax in each London billing authority. It is therefore important that we are engaged in the scheme development process and have an understanding both of the factors which have been taken into account by boroughs in framing their proposals as well as the data and underlying assumptions used to determine any forecast shortfalls which will inform the final scheme design.

Framing and Publicising Proposals

The Government has expressed a clear intention that in developing their scheme proposals billing authorities should ensure that:

- Pensioners see no change in their current level of awards whether they are existing or new claimants
- They consider extending support or protection to other vulnerable groups
- Local schemes should support work incentives and in particular avoid disincentives to move into work

The GLA concurs with those general broad principles and would encourage all billing authorities in London to have regard to them in framing their schemes. We note in particular that Bromley currently has a hardship fund of £100,000 which it uses to provide extra support to residents who are experiencing exceptional financial hardship and are unable to pay their council tax. The GLA regards the amount held in such funds to be a matter for local determination which will likely include consideration of forecast local need and likely uptake by claimants alongside wider resourcing issues.

The GLA considers that before finalising their 2017-18 schemes billing authorities should re-examine the challenges which they will face in collecting relatively small sums of money from claimants on low incomes who may not be in a position to pay by direct debit or other automatic payment mechanisms based on their experiences in the first four years of the localised system.

The 2017-18 Scheme

In April 2013 the London Borough of Bromley created its own council tax support (CTS) scheme to replace the old council tax benefit (CTB) system; that CTS scheme is now in its fourth year. Under the current 2016-17 scheme the maximum amount of CTS available to non-vulnerable working age claimants is 75% of their council tax liability. We note that in order to introduce the change for residents gradually, on introduction of the localised scheme in April 2013 the Council initially capped the maximum amount of support at 91.5%, increasing it to 81% in 2014-15.

The London Borough of Bromley's preferred option for 2017-18 is to maintain the maximum level of support for CTS claimants at 75%. We note also your Council's intention to continue uprating CTS in line with those levels adopted in respect of Housing Benefit.

The GLA has no specific comments on these proposals at this stage as it regards them as being a legitimate matter for local determination, notwithstanding the need for the Council to consider the equalities impact of its final decision and the potential impact on vulnerable groups.

Financial Implications of the Proposed 2017-18 Scheme

We note Bromley's statement that increasing the current level of maximum support (75%) would require the Council to fund the additional costs through means such as raising council tax; reducing council services; using reserves; or a combination of the three.

It would be helpful for the GLA's planning purposes if Bromley could provide us with an updated forecast total cost for the 2017-18 council tax support scheme based on its forecast 2016-17 caseload taking into account any developments since the public consultation was launched – ideally apportioning all elements between the GLA and the Council having regard to 2016-17 council tax shares. This would also allow the GLA to calculate its share of the cost of the scheme proposed by Bromley.

Technical Reforms to Council Tax

The GLA considers that in formulating its council tax support scheme each billing authority should both consider and address the impact of the additional revenue it is expecting to raise from the technical reforms to council tax introduced in the Local Government Finance Act 2012, which provide greater flexibility in relation to discounts, exemptions and premiums for second and empty homes. The additional revenues from the technical reforms could be used to reduce any shortfalls and thus the sums which need to be recovered from working age claimants via any changes to council tax support.

The GLA understands that in 2016-17 Bromley has the following policies in place:

- For properties requiring or undergoing major repairs or structural alterations (former class A): a 0% discount
- For properties unoccupied and substantially unfurnished (former class C): a 0% discount
- Second homes: 0% discount
- Long-term empty properties: The London Borough of Bromley has chosen not to apply a 50% premium on properties that have been unoccupied and substantially unfurnished for a continuous period of two years.

We would encourage the Council to inform us as soon as possible of any changes to its discount policies in order to assist us in assessing the potential impact on the Mayor's funding and tax base for 2017-18 and future years.

Setting the Council Tax Base for 2017-18 and Assumptions in Relation to Collection Rates

The Council will be required to set a council tax base for 2017-18 taking into account the potential impact of the discounts the Council may introduce in respect of council tax support and any potential changes the Council may implement regarding the changes to the treatment of second and empty homes.

The Council will need to make a judgement as to the forecast collection rates from those claimants and council taxpayers affected by any changes to council tax support, taking into account the experience in the first four years of the council tax support arrangements. The GLA notes that across London collection rates for council tax support recipients have generally been better than had originally been forecast prior to the introduction of localised council tax support schemes. The GLA notes that in 2015-16 Bromley's overall council tax collection rate was 97.8% compared to 97.7% in 2014-15.

The GLA would encourage the Council to provide it with an indicative council tax base forecast as soon as options are presented to members for approval in December or January (if not before) in order that it can assess the potential implications for the Mayor's budget for police, fire and other services for 2017-18. This should ideally be accompanied by supporting calculations disclosing any assumptions around collection rates and discounts granted having regard to the final council tax support scheme design.

Collection Fund and Precept Payments

By 23 January 2017 the Council is required to notify the GLA of its forecast collection fund surplus or deficit for 2016-17, which will reflect the cumulative impact of the first three years of the localisation of council tax support. The GLA would encourage the Council to provide it with this information as soon as it is available.

I would like to thank you again for consulting the GLA on your proposed council tax support options for 2017-18.

Yours sincerely

Martin Mitchell
Finance Manager