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Our ref: CTS
Your ref:
Date: 29 September 2017

Dear John

LONDON BOROUGH OF BROMLEY COUNCIL TAX SUPPORT SCHEME 2018-19

Thank you for your letter of 2 August setting out the draft council tax support scheme for the London Borough of Bromley for 2018-19. Following publication of the consultation on the Council's website, this letter summarises the draft scheme options and 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 of both 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; and
- 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.

The 2018-19 Scheme

Under Bromley's current 2017-18 scheme, the maximum amount of CTS available to working age claimants is 75%. All working age claimants are therefore expected to pay at least 25% towards their council tax bill. The Council's preferred option for 2018-19 is to maintain the maximum level of support for CTS claimants at the same percentage.

The Council has a hardship fund, to provide extra help to residents who are experiencing exceptional financial hardship and are unable to pay their council tax. Currently the level of funding available is £100,000.

The following amendments are proposed for the 2018-19 CTS scheme, in order to align the scheme with changes made by the Government to Housing Benefit rules:

1	Introduce a two-child limit for the personal allowance, for claimants with dependant children.	Under current arrangements, applicants with dependant children are given an allowance of £66.90 per week per child. This means for each child this amount is deducted from the household's income in assessing eligibility for council tax support. <u>The scheme would only take into account two children in a household, unless child tax credit is received for the additional children.</u>
2	Limit period for temporary absence from the UK to 4 weeks.	Under current arrangements, in most cases working age claimants can be temporarily absent from their UK home for a maximum of 13 weeks and continue to claim their entitlement for CTS. <u>A limit of 4 weeks ordinarily would be introduced, for exceptional cases this could be 8 or 26 weeks, from April 2017.</u>
3	Only those receiving Employment Support Allowance in the Support Group would receive additional assistance	Under current arrangements Employment and Support Allowance claimants who are in either the Work-Related Activity Group or the Support Group are eligible for extended reductions under the CTS scheme. <u>Claimants in receipt of Employment Support Allowance would be eligible for extended reductions if they are in the Support Group.</u>

The GLA notes that as funding for council tax support has been reduced by Government, many schemes across London – although not exclusively - have become less generous in the support they offer to claimants. The GLA recognises that Boroughs such as Bromley must respond to the reduction in funding and that this may lead Councils to reduce the level of support they offer.

The changes proposed by Bromley bring the support offered through its CTS scheme in line with other national benefits. However, we would encourage the Council to consider how the changes may impact vulnerable groups who may be adversely affected by other changes to the benefits system (which the GLA recognises is often out of your Council's control).

In particular, the changes under proposal 1 would mean families with more than two children may receive less help than they do under the existing scheme. Under the proposals, low income families with more than two children who do not qualify for child tax credit will be adversely impacted. We would encourage the Council to determine how many families such a change would be likely to affect and the cost of continuing to provide support on the basis offered in 2017-18. If the cost is not prohibitive we would urge Bromley to consider continuing providing support to families with more than two children. The GLA would also be covering part of the cost of continuing to provide such support in proportion to the GLA precept element of council tax payable by CTS claimants with more than two children.

Notwithstanding, the above comments and recognising that the proposed scheme is in accordance with the general principles set out by Government (as listed above), the GLA is content to endorse the broad approach taken by Bromley. Similar changes are being proposed by other boroughs for their schemes for 2018-19 and we note the Council's statement that the proposed changes would align the scheme with changes to Housing Benefit. However, we would welcome further information on the number of claimants that are likely to be affected by these changes and clarification over whether they will apply to existing claimants or only new claimants.

It is the GLA's view that the proposed changes should be considered in the whole. If one proposed change results in greater savings for the Council that could be used to reduce the need to apply other proposals, then we would encourage the Council to consider doing this as it would help to reduce the financial burden on individuals and families in Bromley who see their council tax support entitlement reduced.

The GLA also considers that before finalising their 2018-19 schemes all 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 five years of the localised system. In some cases, the administrative costs of enforcing such payments may outweigh the cost saved by reducing support.

Financial Implications of the Proposed 2018-19 Scheme

It would be helpful for the GLA's planning purposes if Bromley could provide us with an updated forecast total cost for the 2018-19 council tax support scheme based on its forecast 2017-18 caseload and taking into account any developments since the public consultation was launched – ideally apportioning all elements between the GLA and the Council having regard to 2017-18 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 2017-18 Bromley has the following policies in place:

- For properties requiring or undergoing major repairs or structural alterations (former class A): no discount
- For properties unoccupied and substantially unfurnished (former class C): no discount
- Second homes: no discount (furnished properties that are not used as main residences)
- Long-term empty properties: the Borough 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 2018-19 and future years.

Setting the Council Tax Base for 2018-19 and Assumptions in Relation to Collection Rates

The Council will be required to set a council tax base for 2018-19 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 five years of the council tax support arrangements.

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 order that it can assess the potential implications for the Mayor's budget for police, fire and other services for 2018-19. 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 2018 the Council is required to notify the GLA of its forecast collection fund surplus or deficit for 2017-18, which will reflect the cumulative impact of the first five 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 2018-19.

Yours sincerely

Martin Mitchell
Finance Manager

