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Dear Andrew

LONDON BOROUGH OF HAVERING – DRAFT COUNCIL TAX SUPPORT SCHEME GREATER LONDON AUTHORITY RESPONSE TO CONSULTATION

Thank you for your communications setting out the draft council tax support (CTS) scheme which the London Borough of Havering was intending to issue for consultation with local residents and stakeholders as required under Schedule 4 to the Local Government Finance Bill. The draft scheme published for consultation is summarised in Appendix A to this letter. This letter sets out the Greater London Authority's formal response to your public consultation.

Introduction

Firstly the GLA recognises that the determination of council tax support schemes under the provisions of a Local Government Finance Bill is a local matter for each London borough. Individual schemes will 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 taxpayers and the final policies adopted may differ therefore across the capital's 33 billing authorities for legitimate reasons.

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 their 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 final schemes.

It is essential that schemes are presented in a way which is transparent, understandable and accessible to claimants and we therefore welcome the efforts which Havering has made to communicate its proposals to local residents and stakeholders.

It is likely, however, that the level of awareness amongst those working age claimants who may be affected by the potential changes in the borough and across London remains limited and may not crystallise until these individuals receive their revised benefit notifications and council tax bills for 2013-14 early next year. We note for example that the Council's proposals – while maintaining the existing scheme for the majority of claimants – will potentially result in large increases in the level of council tax payable by larger households living in properties in Bands E to H. It is also intended that non dependant deductions will be increased with the rise some income ranges exceeding 100%.

There remains a significant risk that collection rates will be affected adversely in the first year of the new system as it will take time for some claimants to set up new or revised payment arrangements. The GLA therefore considers that before finalising their schemes billing authorities should consider 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.

Financial Context

According to the consultation paper 'Localising Support for Council Tax in England – Funding arrangements consultation' issued by CLG in May Havering is provisionally estimated to receive £13.56m in council tax support grant in 2013-14 with the GLA forecast to receive £3.48m in respect of the Havering borough area and around £159m for London as a whole. Slightly less than 50% of this funding will be allocated to the business rates retention baseline and will thus have the potential to move in line with the NNDR tax take including the impact of the annual RPI uplift in the multiplier with the balance being provided through revenue support grant (RSG). The RSG element has the potential to be reduced further over the next CSR period commencing in 2015-16.

In developing its proposals for consultation Havering has identified a potential difference of around £1.9m between the cost of the Council continuing to provide council tax support on the same basis at a present for its share of council tax through the 'default scheme' for working age claimants and its expected level of council tax support grant. The estimated forecast shortfall in respect of the GLA's share is around £0.5m i.e. a total forecast shortfall for the Havering borough area of £2.4m.

The Council's draft scheme therefore seeks to identify an approach which would allow it to close the expected funding gap. Havering have made limited changes to the existing council tax benefit scheme, with the main proposal being that council tax support be limited to the weekly Band D charge.

Technical Reforms to Council Tax

The GLA considers that in formulating its council tax support scheme each billing authority should both consider and address how it intends to take advantage of the technical reforms to council tax which will provide greater flexibility in relation to discounts and exemptions 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.

We welcome the fact that Havering has considered how it intends to take advantage of the technical reforms to council tax and has incorporated this information within the design of its draft council tax support scheme. The Council propose to remove existing discounts for second homes (and potentially could include changes to existing discounts and exemptions for certain classes of empty property). The GLA notes that Havering have forecast that this would generate additional revenue of approximately £1.6 million. The GLA would be keen to see updated data on the forecast revenues from the technical changes and assumptions on collection rates as soon as the changes have been confirmed in order to determine the affect on the Mayor's budget for 2013-14.

Protecting Vulnerable Claimants

Where boroughs choose not to adopt the default scheme and therefore pass on any shortfalls to claimants they should seek in their scheme to provide an element of protection to the most vulnerable and those in the most difficult circumstances either within the framework of their scheme or through a hardship scheme.

The GLA notes that intends to continue to fully disregard income received from the War Pensions scheme. We also recognise that Havering has sought to develop a scheme which limits the number of households likely to see reductions in support compared to the existing council tax benefit system.

Ultimately the decision as to which groups are designated as vulnerable is a matter for local determination having regard to the potential impact on other working age claimants or council taxpayers and service users more generally.

Incentivising Work

The GLA considers that a key priority for the design of a localised council tax support scheme is to ensure that it does not disincentivise those in work or those seeking to move into work. In order to ensure that schemes meet this objective billing authorities should therefore take particular care in determining their policies on earnings disregards and extended payment periods (i.e. run ons).

The GLA notes that the limited changes being made by Havering should not have a negative impact on incentivising work.

Impact of the Government Announcement on 16 October of an Additional £100m to Support Development of Council Tax Support Schemes

Before determining its final scheme the GLA would encourage Havering to take into account the Government's announcement on 16 October that it will provide up to £100m of additional reward grant to authorities which adopt schemes which limit the impact of changes in council tax support on working age claimants. Havering's share of this Transition Grant would be £0.367 with GLA receiving £0.094 million. It is our expectation that Havering's scheme as designed would meet the Government's criteria for this incentive grant but only if its proposal to restrict support to the Band D liability was significantly modified or abandoned entirely.

Setting the Council Tax base for 2013-14 and Assumptions in Relation to Collection Rates

The Council will be required to set a council tax base for 2013-14 taking into account the potential impact of the changes being made. This will require the Council to make a judgement as to the forecast collection rates from those claimants affected by the changes. It is likely in respect of those working age claimants currently in receipt of 100% benefit that the recovery rates will be significantly below the average percentage collection for council tax as a whole.

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 2013-14. This should be accompanied ideally by supporting calculations disclosing any assumptions around collection rates.

Varying Council Tax Payments in Year

The GLA is keen to develop a dialogue with all 33 London billing authorities as to how the budgeting, cashflow and accounting arrangements for council tax support will operate under the new system – particularly in order to manage the sharing of risks. These discussions would also need to address the mechanisms and triggers under which billing authorities will be able to vary their instalment payments to preceptors (i.e. the GLA) in year where, for example, council tax collection rates are lower than anticipated or the actual demand for council tax support is greater than budgeted for.

We anticipate that the Government will address these issues in the secondary legislation on council tax support and business rates retention in the autumn as similar issues are also likely to apply where business rates revenues are lower than forecast.

In the absence of any nationally prescribed policy the GLA would be keen to develop a common wide approach in London which would apply equally across all 33 billing authorities.

This could for example follow the current approach used for the Crossrail Business Rate Supplement where instalments may be varied no more than once per quarter with the trigger for any variation being where the forecast shortfall in revenues exceeds a set percentage of the total precept instalments payable for the year. This

would recognise that there is a balance to be struck between cashflow and resource management and the additional administration which would result for both parties if instalment payments were to be changed.

In practice, where shortfalls are not material, the GLA would envisage that any deficits would be recovered through the collection fund deficit calculation in January in the normal way (and thus recovered in the following financial year in cash terms).

Finally I would like to thank you for consulting the GLA and we look forward to working with the London Borough of Havering over the coming months in order to ensure the successful implementation of the council tax support localisation reforms.

Yours sincerely

Martin Mitchell
Finance Manager

SUMMARY OF DRAFT COUNCIL TAX SUPPORT SCHEME PROPOSED FOR CONSULTATION BY THE LONDON BOROUGH OF HAVERING

At present there are approximately 19,400 council tax benefit claimants in Havering of which just under 10,400 are of working age. Of these around 7,010 are working age claimants passported by DWP who therefore pay no council tax at present.

The Council has identified a potential £1.9m funding shortfall (the difference between providing council tax support to all claimants on the same basis as at present with its forecast council tax support grant of £13.56m). The GLA's potential shortfall in respect of Havering is forecast to be around £0.5m compared to its notional support grant allocation for that borough of £3.48m.

Havering commenced its consultation in July with a closing date of 14 November. The consultation is available at the following link

<http://www.surveymonkey.com/s/DRBTCFH>

The Council is proposing limited changes to the current council tax benefit scheme:

- Restricting the maximum council tax support award to the top of Band D i.e. £28.94 per week
- Adjusting existing non-dependant deductions as follows:
 - £2.85 deduction for non dependents with incomes under £180 per week would increase to £6;
 - £5.70 deduction for non dependents with incomes from £180 to £309.99 per week would increase to £9;
 - £7.20 deduction for non dependents with incomes between £310 and £386.99 per week would increase to £15 and
 - £8.60 deduction for non dependents with incomes over £387 per week would increase to £20.

However the deduction for those non dependents in receipt of pension credit, income support or income based job seekers allowance would remain at nil

The Council is also proposing to make the following changes to exemptions and discounts for second and empty homes:

- Removal of the second homes discount completely (currently 10%)
- Amending the Class A exemption (Empty and undergoing major structural repairs) to a 25% discount for a maximum of 12 months.
- Removing the Class C exemption (unoccupied and unfurnished) completely.
- Taking the savings from the abolition of Class L (mortgagees in possession).