

Appendix F

Council Tax Support Scheme - Government Offer of Transition Grant

1. Financial implications

- 1.1 An analysis of the financial implications arising from the Government's specified conditions and further set out below suggests that based upon an assumed collection rate of 85%, currently identified savings from the proposed CTS scheme would be reduced by a minimum of £2,218,480 (i.e. the difference between the new revised proposal from the DCLG less the scheme proposal recommended in the main report to Full Council) in order to meet the requirement of the minimum contribution to Council Tax not exceeding 8.5%. This loss to the Council would be mitigated in part by receipt of the transition grant of £641,613.
- 1.2 This would still leave a minimum of £1,576,867 to be found from other potential sources such as the Council Tax requirement for 2013/14, reserves or service funding reductions.
- 1.3 The 85% collection rate has been assumed on the basis that a higher amount of support awarded could have a positive effect on the collection rate achieved, rather than the 80% assumed and modelled within the other local scheme proposals and further set out below (although this in itself was considered optimistic by the GLA).
- 1.4 It should also be noted that the revised model for compliance with the Government's conditions incorporates an increase in non-dependant deductions by a factor of 1.5 although it is unclear as to whether this would constitute a large additional increase within the meaning given in the specified conditions. In the event that this was deemed to constitute "a large increase", the level of savings realised from the CTS scheme would be further diminished.
- 1.5 Further work on detailed technical aspects of the Government's proposal and set out at the end of this appendix indicate that the proposed local scheme would have to be rewritten to protect customers with more than £6,000 savings who currently receive 100% rebate (reducing savings by a further £183K), and those who may otherwise be impacted by more than 8.5% of their liability (reducing savings by a further £286K), and this initial work does not at this stage incorporate any provisions to avoid "cliff edges" being built in for those claimants not on 100% liability.
- 1.6 An evaluation of possible permutations arising from the proposed CTS scheme to be considered indicates that in conjunction with proposed changes to Council Tax exemptions and discounts, a surplus of between £0.3M and £1.4M may be realised in 2013/14. It would appear that even a best case scenario would not enable the scheme to be self financing under the Government specified requirements, and would certainly remove all contingency from the scheme against financial risks including collection rate being less than 80% (a risk already identified by the GLA), caseload growth being higher than anticipated, uncertainty about the final DCLG settlement for the scheme and, in particular, the potential to provide a contingency for the second year of the scheme and thus avoid the potential for having to make further changes to the scheme for 2014/15.
- 1.7 Table 1 below exemplifies this position.

Table 1

	Col.1 Funding deficit based on nil increase in CTAX and £0.25M growth in cases for 2013/14	Col.2 Funding deficit based on 3.5% increase in CTAX and £0.5M growth in cases for 2013/14	Funding deficit based on Average of Columns 1 and 2
Brent share of CTS funding shortfall	£3,995,550	£5,154,091	£4,574,821
Brent share of increased revenue from Council Tax discount / exemption changes	(£1,267,779)	(£1,267,779)	(£1,267,779)
Net potential funding shortfall for Year 1 (2013/14)	£2,727,771	£3,886,312	£3,307,042
Recommended CTS Scheme Savings	(£4,142,488)	(£4,142,488)	(£4,142,488)
Overall Position 2013/14	£1,414,717	£256,176	£835,446

2. Other Implications

2.1 Work incentives

It appears to be the case that work incentives promoted by the CLG in previous communications including the Policy Statements of Intent may be compromised.

Careful consideration of any changes to the proposed scheme would be required to avoid customers losing out when they moved into work, and it may not be possible in the timescales available, to ensure that any revised scheme completely complied with this requirement, opening the Council to risk of challenge.

2.2 Consultation

The adoption of the alternative scheme proposed will undoubtedly mean a requirement to review the scheme for year 2 when the transition grant ceases to be available and will necessitate the consideration of transitional protection for claimants that may be adversely affected in financial terms from the changes. There will also be a requirement to consult with the GLA, publish a draft scheme and then consult on the proposals with such persons as the Council thinks fit. Such a requirement may not be appropriate until a later year under the currently proposed CTS Scheme if the surplus as indicated in Table 1 above were to be realised.

2.3 Software

The Council's software provider (i.e. Northgate) has also been asked to comment on the written statement but has so far only issued a holding response. They are seeking clarification from the CLG as to the 'conditions' concerned and are therefore not prepared to make a definitive commitment until they have received it. There is a considerable risk that the software may not achieve the defined conditions and / or be available in time to implement any revised scheme.

2.4 Legal implications

Further implications arise in relation to the implementation timetable that would need to be achieved to ensure that the scheme was approved by Full Council by 31st January 2013 to avoid the default scheme being imposed and the consequential impact of then having to find between £3.9M and £5.1M of savings from alternative sources.

2.4.1 The need to consult with the GLA, publish a draft scheme and then consult with such other persons as the Council sees fit would need to be achieved within a significantly constrained timescale. As such the timescale for consultation would be relatively short and limited. The need to carry out an equalities impact assessment for the revised scheme would also need to be completed. With a General Purposes Committee meeting scheduled for 22nd January to set the Council Tax Base for tax setting purposes for 2013/14, the final CTS scheme for consideration would need to be agreed sufficiently in advance of the date set for that meeting to ensure that the tax base incorporates the relevant tax base adjustments for the agreed scheme. The Full Council meeting currently scheduled for 21st January 2013 would provide insufficient time to enable this to occur.

2.4.2 If the Council failed to set its local scheme by 31st January 2013 then the government's default scheme would be imposed, potentially requiring the Council to fund the scheme with savings elsewhere of between £3.9M and £5.1M.

2.4.3 It is considered that the achievement of the required activities above within such a tight timescale could expose the Council to considerable risk in terms of approving a scheme by 31st January as well as compromising the planned timetable and duration for testing software, commencing publicity and communications and preparing for annual Council Tax billing.

2.5 Other implications

If the Council determined (and was able) to change the current CTS scheme proposal for Year 1, in Year 2 when the transition grant is not available and a revised, harsher scheme potentially needs to be introduced, the reform is more likely at that stage to be seen as a local initiative unlike the existing national reform (including greater protection) in Year 1.

Council Tax Support Proposals

	Scheme Proposals Consulted On	Scheme Proposals Recommended	New Revised Proposal from DCLG	Default Scheme
1. Minimum contribution	20%	20%	8.50%	0%
2. Protection for disabled and recipients of war pensions	Yes	Yes	Yes	No
3. Protection for carers and recipients of guaranteed income payments under the Armed Forces Compensation Scheme	No	Yes	Yes	No
4. Increase earnings disregards	Yes	Yes	Yes	No
5. Increase charges for non-dependants	Yes - 100%	Yes - 100%	Yes - 50%	No
6. Increase taper	30%	30%	25%	20%
7. Reduce savings limit to £6,000	Yes	Yes	Yes	No
Estimated Council Tax collection rate	80%	80%	85%	-
Savings	£4,247,909 (Net)	£4,142,488 (Net)	£1,924,008 (Net)	£3.9M to £5.1M (Gross)

New Revised Proposal = £1,576,867 extra savings for Brent to find (assuming £641,613 additional DCLG funding)

Additionally, compliance with the following DCLG principles will further increase the amount of additional savings to be found:

- **Removing restriction of capital limit for people on 100% support currently set at £6,000.**
 - 155 of the 301 claims that could lose all their entitlement under the proposed CTS scheme are currently in receipt of 100% support, therefore these customers would be protected from having a nil entitlement = **£183,175**
- **Anyone who would be entitled to 100% support should be required to pay no more than 8.5% of their liability**
 - 17,085 customers have been identified as receiving 100% support and not affected by the capital limit of £6000. Of these the following groups currently have non-dependants on the claim who have 'passported benefit':

- 239 customers in the protected group = **£82,024** savings reduced (239 X £6.60 per week for introduction of non dependant deductions for those on JSA (IB)).
- 594 customers in the other and passported group = **£203,860** savings reduced (594 X £6.60 per week for introduction of non dependant deductions for those on JSA (IB)).