BRENT COUNCIL	**Budget and Finance Overview and Scrutiny Committee 19 July 2012** **Report from the Director of Finance and Corporate Services**
For Information	
Localisation of Council Tax Benefit: Financial Impacts and proposed mitigation	

1. Summary

This report sets out:

1.1 The financial impact to the Council of the government's policy on the localisation of Council Tax Benefit (CTB).

1.2 The potential mitigation for this impact based on proposed changes to certain Council Tax exemptions and discounts, and changes to the CTB scheme, based upon achieving, as far as reasonably practicable, a financially neutral position in 2013/14 (the first year of operation).

1.3 Background information concerning the Council's proposed scheme for a new local Council Tax Support (CTS) scheme, currently subject to public consultation between June and August 2012, and the timetable for the decision-making process.

2. **Recommendations**

The following recommendations are submitted for consideration and noting;

2.1 To note the likely financial implications arising from government proposals to localise CTS with reduced funding arrangements with effect from 1 April 2013.

2.2 To note the requirement for the Council to consider a number of options for a replacement CTS scheme, including the option that the Council retains and underwrites the existing CTB scheme by making savings elsewhere in the Council.

2.3 To note the forecast financial impact of proposed changes to Council Tax exemptions and discounts, and the CTB scheme, which will mitigate the impact of the government funding reduction, and the risks and caveats attached to these.

2.4 To note the scheme principles and technical mechanisms which will form the basis of the proposed CTS scheme, subject to public and stakeholder consultation, and the timetable for decisions which will be necessary in determining the final scheme in Autumn 2012.

3. Executive summary

3.1 This report sets out the implications anticipated from the government's proposals for Local Authorities to implement a new local Council Tax Support Scheme to replace the existing national Council Tax Benefit scheme from 1 April 2013.

3.2 These proposals will see the existing demand-led Benefit subsidy scheme replaced by a fixed grant that will be *at least* 10% lower in value than the current 100% subsidised scheme. Depending upon final regulations and clarification over funding arrangements from the government, this is currently anticipated to require financial savings in the region of £5.2m to £6.0m based upon the Council's proportionate share of the projected deficit. (i.e. excluding the Greater London Authority (GLA) element). The funding due to the GLA will be impacted by the same proportionate reductions.

3.3 The Council has the option to finance the deficit either:-

3.3.1 Fully via the General Fund (in order to maintain the current CTB scheme). The cost of doing so would be up to £6.0m in the first year rising by more than £1.0m annually and is not currently budgeted for in the Council's Medium Term Financial Projections; or

3.3.2 Partially by using increased revenue obtained from Council Tax exemption and discount changes currently proposed by the government; or

3.3.3 By changing the current Council Tax Benefit scheme; or

3.3.4 A combination of these.

3.4 On the basis of the above, possible options and their associated risks have been considered and a preferred option (combining 3.3.2 and 3.3.3 above) developed into a draft CTS scheme proposal for public consultation prior to a final decision by Full Council in November 2012.

3.5 Following consultation with the public and GLA, the Council is required to approve a local Council Tax Support scheme by 31st January 2013. In the absence of a scheme approval by this date, a default scheme – essentially the current CTB scheme - would be imposed on the authority with the need to fund the financial deficit and any expenditure growth through savings elsewhere in its budget.

4 Timescales and consultation

4.1 The timescales for designing and implementing the localised Council Tax Support scheme are extremely tight. The Local Government Finance Bill was laid on 19th December 2011 and very little information was been provided to authorities prior to May 2012.

4.2 Brent's timetable for CTS has factored in early preparation work since January 2012 and is predicated around the need for Executive and Full Council decisions in October and November respectively, following a public consultation scheduled between 11th June and 10th August.

4.3 A full timetable of key dates is provided as Appendix A to this report.

Background

5 Government proposals and main principles

5.1 The government has made provision within the Local Government Finance Bill to replace the current national Council Tax Benefit (CTB) scheme from 1st April 2013 with localised schemes for Council Tax Support (CTS) devised by individual (or groups of) local authorities (LA's).

5.2 Responsibility within central government for Council Tax Support has passed from the Department of Work and Pensions (DWP) (responsible for the existing national scheme) to the Department for Communities and Local Government (DCLG) (responsible for the localised provision from April 2013).

5.3 Local CTS schemes will be funded by a fixed grant unlike the current demand-led funding scheme and with an immediate reduction to current levels of subsidised expenditure. The headline reduction is 10% but draft figures issued by DCLG indicate that the actual reduction is nearer to 13%.

5.4 Authorities will have a duty to run a scheme to provide support for Council Tax in their area. Within a few broad parameters set by central government, they will be free to design local schemes as they wish – although the government has issued some guidance material which the authority must take account of in its final decision-making.

5.5 Authorities will be required to carry out a public consultation exercise concerning their proposed scheme with the public and major precepting authorities.

5.6 If an authority does not devise and publish a local scheme by 31st January 2013, a default scheme (effectively the current national CTB scheme) will be imposed and the Local Authority will need to make arrangements for financing the reduction in funding by other means (ie by compensating savings elsewhere within the Council's General Fund budget).

5.7. The government has indicated the following key principles shall be applicable to a local CTS Scheme:

- Pensioner claimants will be protected from any change in their existing CTB award. This may result in the prescribed 10% financial saving falling disproportionately on working-age claimants unless it can be met through other arrangements.

- Localised CTS schemes must support work incentives which will be introduced through DWP plans for the Universal Credit and that will always seek to make people better off by being in work.

- LA's must ensure that appropriate consideration has been given to support for other vulnerable groups, including those which may require protection under other statutory provisions including the Child Poverty Act 2010, the Disabled Persons Act 1986 and the Equality Act 2010, amongst others.

5.8 The implementation of the local CTS scheme coincides with other major reforms to the Welfare system including Universal Credit; the household income cap; restrictions for under-occupation in the social sector; and the devolvement of certain Social Fund functions from central to local government. This could result in some claimants being impacted by more than one system change.

6 Financial Modelling

6.1 A consultation paper on technical funding arrangements, with indicative allocations, was issued by DCLG on 17th May 2012. The consultation exercise will end on 12th July 2012 and final allocation made in the autumn.

6.2 In brief, it is proposed that funding will be allocated using the government's <u>forecasts</u> of subsidised CTB expenditure in 2013/14, apportioned using the percentage of the overall spend made by individual authorities in 2011/12 (when audited). No allowance will be made for the proportion of pensioners to working age claimants within each authority. Indicative allocations based on the apportionment of expenditure in 2010/11 have been issued giving Brent £23.725m.

6.3 Taking account of the above methodology, and using the indicative allocations based on the 2010/11 expenditure, Brent is likely to see a reduction in funding of 13.8% rather than the headline 10%. The funding will be fixed and rolled into the Business Rates reforms and will not take account of any growth in caseload or expenditure during 2013/14 or beyond, which will also now have to be fully met by Brent.

6.4 Currently the CTB caseload is growing by 3.3% per annum equating to a 1.95% annual expenditure increase, due to the changing demographic of claims, including a higher proportion of claimants on "standard" benefit claims (eg in part time or self-employed work); a slower rate of increase in those on "passported" claims (eg Income Support) or on full benefit; and recent increases in "non-dependant" charges for other adults present in the Taxpayers' household.

6.5 It should be noted that under the CTS scheme, billing authorities will share the financial risks with major precepting authorities including the GLA. Thus where demand for CTS increases (or decreases) compared to the forecast, the resultant increase or decrease in expenditure would be shared in proportionate terms with the GLA.

6.6 The GLA proportionate share is currently 22.46%. On this basis, for every £1M in Council Tax Support costs in 2013/14 arising from increases in caseload, the amount that the Council would be required to pay to the GLA in 2014/15 would fall by £224,600 (i.e. the 22.46%) and hence the net cost to the Council would be £775,400. Consequently, the risk to the Council in this respect is mitigated to some degree.

6.7 The table below identifies the currently anticipated financial deficit in 2013/14 based on the above information, and the following additional factors:-

- The Council's medium term forecast assumes that Council Tax will rise by 3.5% in 2013/14 (i.e. budgeting which currently excludes the impact of CTB reform). However, while Council Tax increases clearly generate more revenue for the Council, they also produce a proportionate increase in CTB expenditure. This proportion is broadly 25% for Brent. Thus the £4.7m additional revenue generated by the 3.5% Council Tax increase would be offset by additional CTB expenditure of approximately £1.25m in the first year of the local CTS scheme.

- CTB Caseload rose by 3.3% in 2011/12, equating to a 1.4% increase in expenditure of £493,254. Forecasts for 2012/13 indicate growth of £479K, which will need to be funded by the authority. A similar increase has been forecast for 2013/14 and included in the projected deficit calculation for the scheme. Changes in the general economic climate during 2012/13 and beyond will also impact upon the overall caseload trend.

- The GLA precept has been removed from both the initial 10% funding reduction and from any subsequent caseload / expenditure increases to represent the Council's exclusive position.

Table 1

Funding deficit 2013/14

	Best estimate (Growth for 2012/13 forecast at 1.4%)	**Scenario showing 2012/13 growth at 3%**
Estimated CTB Expenditure 2012/13	**£35,500,000**	**£36,200,000**
GLA share 22.46%	£7,973,300	£8,130,520
Brent share 77.54%	**£27,526,700**	**£28,069,480**
Following figures relate solely to the Brent share of funding and expenditure		
Indicative grant figure	£23,725,000	£23,725,000
Initial Funding Deficit	**£3,801,700 (13.8%)**	**£4,344,480 (15%)**
Growth through caseload increase 2013/14	£387,700 (1.4% growth)	£775,400 (2.8% growth)
Growth through Council Tax increase assumed at 3.5% for 2013/14 per the MTFP	£964,691	£919,083
Total growth	**£1,352,391**	**£1,694,483**
Total Indicative Funding Deficit (2013/14)	**£5,154,091**	**£6,038,963**

6.8 It is anticipated that the 1.4% growth represents the most likely forecast based on current expenditure trends, though clearly there is a risk of greater growth. There is also the risk of further variation depending on the final funding allocation, of which Brent's share may vary from the indicative 2010/11 figures.

6.9 Expenditure forecasts for Year 2 and Year 3 (2014/15 and 2015/16), based on 2.5% Council Tax rises and continued CTS expenditure growth of 1.4%, indicate an additional deficit of £1.1M each year. If growth was 3%, the additional deficit would be approximately £1.5M each year.

6.10 There are anticipated to be further consequential costs arising from the implementation of the local CTS scheme. These are expected to include the following which will need to be more specifically quantified and the relevant sources of funding identified:

- Impact on cash flow
- Increased levels of potential Council Tax non collection and hence an increase in the bad debt provision
- Increased costs of Council Tax collection arising from the need for additional personnel, increased volumes of notices impacting upon paper, enveloping, postage and printing costs, bailiff costs etc
- Increased local CTS scheme administration costs
- Software acquisition and associated licence and maintenance costs
- Consultation costs
- Legal Service costs for compiling the legal provisions of the local CTS Scheme

6.11 The Government has provided set-up funding of £84K to the Council with a further £27K being provided to the GLA in its capacity as a major precepting authority. It is however considered likely that software costs will take a significant proportion of these funds.

7 Meeting the funding deficit

7.1 There are four permutations available for meeting the potential deficit projected from the implementation of the local CTS scheme and they are as follows:

7.1.1 Subsidisation of the current scheme by the Council via savings elsewhere in the General Fund;

7.1.2 Reductions in Council Tax exemptions and discounts to generate more Council Tax revenue to offset the deficit;

7.1.3 Changes to the existing CTB scheme to reduce projected expenditure levels;

7.1.4 A combination of the above.

7.2 Although a final decision concerning the scheme will not be made by the Council until a report is submitted for consideration in the Autumn, options for the scheme have been modelled principally on the assumption that a potential deficit will be financed from a combination of the options shown in 7.1.2 and 7.1.3 outlined above thus minimising the potential cost falling on the general Council Tax payer. Any variations on this to reduce the impact on affected claimants would require compensating reductions or changes elsewhere to meet the deficit from the General Fund or from other claimant groups.

7.3 It should be noted that the Council is required to consider other options for achieving the savings, and a number of variants to the proposed CTS scheme have already been considered and are detailed in Appendix C. However the Council will also need to include consideration of an option to underwrite the existing CTB scheme, and bear the cost from the General Fund as it may be vulnerable to challenge if it cannot demonstrate that it has seriously considered this option. It is recommended that this option be included for consideration at Members' away days in July 2012.

8 Council Tax discounts and exemptions

8.1 In separate consultations, DCLG are proposing to allow Local Authorities discretion concerning some of the currently nationally-set Council Tax discounts and exemptions from 1 April 2013. Broadly, these are as follows:

- Class A exemptions (i.e. properties requiring major repair works or structural alterations to bring them back into a habitable condition) currently attract up to a 12 month exemption period. The proposal would allow LA's to award a discount within a range of 0% to 100%.

- Class C exemptions (i.e. empty unfurnished properties) currently entitle their owners up to six months as an exemption period. The proposal would allow LA's discretion to award a discount within the range of 0% to 100%

- Second homes discount (empty furnished properties, including both actual "second homes" and rented properties vacant between tenancies) currently entitles their owners to a 10% discount. The proposal would permit removal of this discount.

- Long-term empty properties currently require their owners to make full payment of Council Tax. The proposal will permit LA's to apply a multiplier or premium after the property has been empty for over two years of up to 150% of the Council Tax liability to encourage their owners to bring them back into use.

8.2 Any discounts applied by the Council for Class A and C properties would have to be applicable for the full exemption period concerned and not merely a part thereof (this constitutes a change from previous government proposals).

8.3 A number of options have been considered within the discretion provided, with the following option being proposed subject to Council approval later this year:

- Class A – 50% discount

- Class C – nil discount
- Second homes – nil discount
- Long-term empty properties – 150% charge

8.4 It is recommended that the above option is adopted because:-

- There should be a differential between the discounts applied to Classes A and C to reflect the physical condition of Class A's and the efforts being made to bring them back into a decent state of repair
- A nil discount for Class C's will encourage owners to have them occupied as quickly as possible
- Landlords will have to pay full Council Tax on their empty properties in between lettings regardless of whether they are furnished or not (currently owners of furnished properties pay 90% and owners of unfurnished properties receive up to a 6 month exemption). It is sensible to have the same charge for both of these; it will also provide an incentive to shorten the duration that a property is empty between tenancies.
- It will not be as necessary to inspect properties attracting a Class C exemption as they will be subject to a full charge unlike the present situation.
- Applying a 50% premium to long-term empty properties will also incentivise owners to reoccupy them as soon as possible.

8.5 Table 2 below shows the changes which are proposed (subject to Full Council approval) to be applied to Council Tax exemptions and discounts. By making these changes, and assuming a 90% collection rate of the additional Council Tax debit where appropriate, the deficit due to the CTB funding gap may be mitigated by £1.268m. Table 3 shows the effect of applying these changes on the potential Council Tax Support scheme funding deficit.

Table 2

	Current position	Proposed change	Potential additional revenue 2013/14
Class A – uninhabitable (403 properties)	12 month exemption	50% discount	£300,000
Class C - empty (529 properties)	6 month exemption	0% discount	£688,000
Retrospective Changes* (A & C)			£340,000
Total Class A & C			£1,328,000
Less 10% bad debt**			(£133,000)
Sub-total			**£1,195,000**
Second Homes (640 properties)	10% discount	0% discount	£80,000
Long Term Empties (460 properties)	100% Council Tax	150% Council Tax	£360,000*
Total (2027 props)			**£1,635,000**
Less GLA share 22.46%			£367,221
Brent share 77.54%			**£1,267,779**

*These are changes that the Council is advised of retrospectively, i.e. for a period in the past. The savings from these has been reduced for 2013/14 to reflect changes we are advised of in early 2013/14 being in respect of periods in 2012/13 which will be exempt. As the 2013/14 year progresses these will become fewer and the resultant additional charges greater. The £340,000 comprises £90,000 for Class A and £250,000 for Class C

**Bad Debt provision – 10% (as many will be leaver accounts where the taxpayer is living outside the area, plus there will be an increase in number of relatively small charges for short periods of time)

Table 3

	Funding deficit
Brent share of CTS funding shortfall ("best estimate")	**£5,154,091**
Brent share of increased revenue from Council Tax discount / exemption changes	**(£1,267,779)**
Net potential funding shortfall for Year 1 (2013/14)	**£3,886,312**

8.6 There are of course other permutations to these potential changes, each with differing financial impacts. For example, a variant on the above option which applied a 25% discount to Class A properties would increase the potential revenue by £136,238 (Brent share). A nil discount for Class A would increase potential revenue by £271,623 (Brent share). These variants would of course attract attendant risks and policy considerations.

9 Modifying the existing CTB scheme

9.1 The permutations of options and variations for a new scheme are almost infinite, though the inability to make major changes to software in the timescales available does limit authorities' ability to fully "localise" their scheme. There are also operational and customer advantages in having a scheme that closely resembles the current Housing Benefit and CTB schemes. A variety of options and variations have been considered in order to arrive at a proposed scheme on which to consult with the public.

9.2 The draft CTS scheme is based on a set of principles, with accompanying technical mechanisms to achieve each principle, and represent a number of variations to the current CTB scheme for working-age claimants. (Pensioners are protected from any changes as per government prescription.) In brief, these are as follows:-

Principle 1: "Everyone should pay something"
All working age customers (unless defined as protected) are required to pay a minimum element of their Council Tax – set in the draft scheme at 20%.

Principle 2: "The most vulnerable claimants should be protected" (from the minimum contribution)
Protected claimants (broadly those who are disabled) are protected from the 20% minimum contribution

Principle 3: "The scheme should incentivise work"
Incentives to work are achieved by letting claimants who are working keep more of what they earn (before means-testing)

Principle 4: "Everyone in the household should contribute"
Other adults in the household ("non-dependants") should contribute more towards the Council Tax (proportionately to their income)

Principle 5: "Better off claimants should pay relatively more so that the least well off receive greater protection."
The taper used in the Benefit calculation for those claimants whose income exceeds their needs should be increased from 20% to 30%.

Principle 6: "Benefit should not be paid to those with relatively large capital or savings"
The draft scheme proposes reducing the current savings cut-off limit for CTB claims to £6,000 from the current £16,000.

9.3 It should be noted, in particular, that without the inclusion of Principle 1 (the minimum Council Tax payment of 20%), it is not feasible to produce the required financial savings by other amendments to the CTB scheme and this would therefore result in approximately £3m of the deficit needing to be met from compensating savings elsewhere in the Council – and would call into question the viability of continuing with any other changes to the scheme given that these would produce only limited savings.

9.4 More details of the principles and technical mechanisms, and other general features of the proposed scheme, are provided in Appendix B to this report. It should be noted that one key proposed feature is that the premiums and personal allowances used to determine basic living needs when calculating entitlement to CTS should be held at the rates applied for 2012/13. This will contribute to the required savings by counteracting any inflationary growth in expenditure.

9.5 The table below shows the proposed model for the draft scheme, applying the features mentioned above, and taking account of estimated non-collection of the Council Tax arising from the proposed changes.

Table 4

Scheme features	
1. Minimum contribution	20%
2. Protection for disabled	Yes
3. Increase earnings disregards	Yes
4. Increase charges for non-dependants	Yes
5. Increase taper to 30%	Yes
6. Reduce savings limit to £6,000	Yes
Gross savings	£5,309,886
Estimated Council Tax collection rate	80%
Net saving*	**£4,247,909 ***

* Projected savings should be viewed in context of the "best estimate" net deficit figure of £3,886,312 from Table 3 above, from which the above option provides additional contingency of £361,597.

* However, note should be also taken of the financial risks and caveats in Section 10 below

9.6 A collection rate of 80% has been assumed for the additional Council Tax requiring collection from claimants who may never have had to pay

Council Tax previously and / or who are the least able to pay. This is an estimate that cannot be more accurately determined at present due to the uncertainty of future claimant behaviour. All the proposed changes to the scheme will potentially impact on collection rates, but in particular the requirement for all working age customers (unless protected) to pay a minimum contribution.

9.7 Amongst a number of potential alternative scheme features, a variant with a higher minimum contribution (eg 25%) was considered. This produced potentially higher savings (£4,761,915), but at the expense of a lower predicted Council Tax collection rate (75%) and greater difficulties in collection. This option was rejected for a variety of reasons including the expected lower collection rate, and the inherent undermining effect of designing a scheme with an expected non-collection of 25% built into it.

9.8 Full reasons for rejecting this option – and details of other rejected options for scheme design - are given in Appendix C.

9.9 It should be remembered that the current proposal represents the draft scheme which is being presented for public consultation, not necessarily the final scheme, which is subject to Full Council decision in the autumn.

9.10 The financial savings shown in Table 4 above would appear to achieve the levels of savings identified as required for 2013/14 in Table 3 of this report, with some additional contingency, although further savings may be required to meet the potential Year 2 funding shortfall. However, the number of variances and unknowns – in particular claimants' behaviour in the light of other welfare reforms including Housing and Overall Benefit caps and the introduction of Universal Credit in 2013, make it impossible to adequately model a scheme for 2014/15 or beyond, so this has not been attempted, other than building in some contingency in the 2013/14 design to potentially enable minor changes to be made in Year 2 without the requirement for further public consultation.

9.11 A view will therefore need to be taken during 2013/14, based on experience during that year, as to whether further modifications will be needed for Year 2 or beyond. It is considered desirable that the proposed scheme should run for two years if at all practicable allowing scope for a more radical change in scheme – aligning it more to the Council Tax discount system than the current Benefit system – in Year 3 (2015/16). This should coincide with a point where at least half of the working-age Housing Benefit caseload will have migrated to Universal Credit. However, the Council must review its CTS scheme at least annually in any case.

9.12 A full list of other financial risks and uncertainties which may affect the projections stated previously are given below.

10 Risks and caveats on the draft scheme financial model

10.1 The following financial risks and caveats have been identified

10.1.1 The actual funding deficit is unknown, and government will not issue final funding allocations until the autumn,

10.1.2 The amendments to Council Tax exemptions and discounts mentioned in this report are modelled to mitigate £1.268m of the deficit; this model could be varied to produce (at most) a further £272K of savings, though this would carry attendant risks and policy considerations.

10.1.3 It is intended that changes to the Council Tax exemptions and discounts may have a social benefit in bringing more empty properties into use in the borough. While this would reduce the savings quoted in the model, each house brought into occupation may attract a New Homes Bonus equivalent to Council Tax Band D for each property. Although the extent of this is difficult to predict as it relies on owners' and landlords' behaviour, there could be a net gain to the Council for each of the properties affected.

10.1.4 Actual future benefit caseload and expenditure growth is clearly unknown, though best estimates based on current expenditure have been used

10.1.5 The actual Council Tax collection rate for the claimants affected is unknown, as many have not been required to pay previously, and are also on very low incomes. Best estimates have therefore been used

10.1.6 There will be significant number of disabled claimants whose entitlement to a Disability Premium may be "hidden" within their DWP Benefit entitlement and therefore not currently visible to Brent's Benefit Section. A large administrative exercise is required to establish the extent of this but the additional "protected" cases are estimated to reduce the above savings figure by approximately £250K.

10.1.7 However the impact of the DWP's change from Disability Living Allowance to Personal Independence Payments is likely to reduce the number of protected claimants under the CTS scheme.

10.1.8 It is also not currently known how many "passported" claimants (in receipt of a DWP Benefit such as Income Support of Job Seekers Allowance (IB) etc), have capital or savings between £6,000 and £16,000. Again, an administrative exercise will be necessary to establish this but this but will increase the amount of financial savings produced by the scheme.

10.1.9 Financial modelling has been undertaken using a tool provided by the Service's software suppliers Northgate. There are a number of known bugs within the tool itself, most specifically that it is currently undercounting the savings generated from changes to non-dependant charges. Manual work done to examine this shortfall has established that savings are being undercounted by approximately £250K (which would counteract the potential undercounting of disabled protected claims, point 10.1.6 above).

10.1.10 We have sought assurances from the Northgate software supplier that they can deliver the changes stipulated in the proposed scheme. They have confirmed that the proposed changes are in their draft plan with one minor exception which can if necessary be achieved by other means, but have commented that the final specification is not yet agreed and that they are not yet in a position to make a definitive commitment. This gives a degree of reassurance, but in the event of failure to deliver software, there may be a financial impact in terms of being able to enact all aspects of the proposed scheme and therefore realise all the financial savings.

10.1.11 The impact of Universal Credit (UC) is unclear, especially for Year 2 and beyond, though steps will be taken to try to model the scheme for UC claimants as closely as possible to their current CTS eligibility as a recipient of a pre-UC working age benefit

10.1.12 Increased cost of Council Tax collection is not included in the modelling and will form part of contract negotiations with Capita, the Council's contractor for Council Tax collection.

10.2 Given the above, it is difficult to quantify the overall financial risk or variance to the draft scheme financial model, however it is felt that broadly the above factors, taken in the round, are more likely to increase than decrease the amount of savings forecast in the current model. This would help to future-proof the scheme against requiring further changes in Year 2, which is undesirable for reasons given earlier, and to enable a more thorough review of the scheme during Year 2, based on a whole year's experience and data, for potential further change (if required) in Year 3.

11 Legal implications

11.1 The CTS project team includes legal representation and all proposals concerning scheme design, consultation and the decision-making process have been taken following legal advice in order to reduce risk of challenge. It will be noted that legislation has not yet been passed and current understanding of government intentions have been gained from draft regulations, government guidance and policy statements of intent. There are therefore risks if legislation changes significantly before it passes into law, however the challenging timescales make it inadvisable to wait for final legislation, and indeed government advice has been to continue with preparations in advance of the legislation.

12 Diversity implications

12.1 By applying the proposed scheme principles, in general the impact of the proposed changes will be dispersed across the caseload thus minimising the potential for a disproportionate impact on protected groups. Equalities impact modelling done to date has supported this which provides some reassurance in this area.

12.2 A full Equalities Impact Assessment will be developed in preparation for the Executive and Full Council decisions in the autumn.

12.3 Additionally, consultation and engagement with representative groups and organisations within the Borough concerning the changes is anticipated to identify any potential issues arising from the proposals and options for mitigation.

.

For further details please contact

David Oates
Head of Benefits

Ext 1578
David.Oates@brent.gov.uk

Appendix A

Timetable of critical dates

PCG	31st May
Labour Group briefing	31st May
Press briefing	7th June
Consultation start	11th June
Consultation length	9 weeks
Consultation ends	10th August
Analysis period	4 weeks
Draft report issued for CMT / PCG	7th September
CMT	13th September
PCG	27th September
Leader's briefing	1st October (tbc)
Executive	15th October
Full Council	19th November
Preparation for implementation, software testing etc	November – March
Go live	1st April 2013

Appendix B

Proposed CTS scheme

Principles and technical mechanisms

Principle 1: “Everyone should pay something”

All working age claimants (unless defined as protected) are required to pay a minimum element of their Council Tax – set in the draft scheme at 20%.

Principle 2: “The most vulnerable claimants should be protected” (from the minimum contribution)

Claimants are protected from the 20% minimum contribution if they are entitled to a disability premium, enhanced disability premium or disabled earnings disregard or in receipt of a Disability Living Allowance, Disabled Persons Reduction for Council Tax purposes, War Disablement Pension or War Widow’s Pension.

Principle 3: “The scheme should incentivise work”

Incentives to work are achieved by letting claimants who are working keep more of what they earn (before means-testing) – the draft scheme proposes an increase of £10 per week in the earnings disregards for Single Person, Couple and Lone Parent earnings (currently set at £5, £10 and £25 respectively).

Principle 4: “Everyone in the household should contribute”

Other adults in the household (“non-dependants”) contribute more proportionately to their income – the draft scheme proposes doubling the current range of non-dependant charges from the 2012/13 amounts and replacing the current nil charge for Job Seekers Allowance (Income Based) non dependants with a charge of £6.60.

Principle 5: “Better off claimants should pay relatively more so that the least well off receive greater protection.”

The draft scheme proposes that the taper used in the Benefit calculation for those above the means-test (ie whose income exceeds their needs) should be increased to 30% from the current 20%.

Principle 6: “Benefit should not be paid to those with relatively large capital or savings”

The draft scheme proposes reducing the current savings cut-off limit for CTB claims to £6,000 from the current £16,000.

Other general features of the proposed CTS scheme

- The current second adult rebate scheme (whereby claimants whose own income is too high to receive CTB, but have other adult(s) in the household whose income is low, can receive a Council Tax discount of up to 25%) is to be abolished for working age claimants. This is due to its inconsistency with the above principles given that these claimants by definition are not eligible via the normal Benefit means-test.

- Premiums and personal allowances used to determine basic living needs for a claimant and their family when calculating entitlement to CTS shall be held at the rates applied for 2012/13. This will contribute to the required savings by counteracting any inflationary growth in expenditure.

- Regarding the wider welfare reform agenda: where new working age benefits are introduced by the government (in particular Personal Independence Payments and Universal Credit, both of which are being introduced during the first year of the CTS scheme), treatment of these benefits will be made broadly equivalent wherever possible to treatment of the corresponding current working age benefits within the CTS scheme, subject to regulations and guidance laid by the Department of Work and Pensions as to the design and application of these benefits.

  (Personal Independence Payments will replace Disability Living Allowance; Universal Credit will combine Income Support, Job Seekers Allowance (Income Based), Employment Support Allowance (Income Related), Working and Child Tax Credits and Housing Benefit, and will be rolled out over four years from 2013.)

Appendix C

Other rejected aspects of scheme design

A number of other variations to the current CTB scheme have been investigated and modelled, but rejected for a variety of reasons. In brief, these included:-

Option	**Reasons for rejection**
Exclude the need for a minimum contribution ("Principle 1") element	Will not make necessary savings as mentioned previously
Options with a higher minimum contribution (eg 25% or 30%)	Collection rate will be lower and cost of collection higher; 20% is considered likely to appear more "reasonable" to the public and likely to be closer to other local authorities scheme designs; claimants will have many other financial pressures from other welfare reforms; and a scheme with high expected non-collection rates could lack basic credibility
Capping entitlement at a specified Council Tax liability level (eg Band D or E)	Would impact on large households, and disproportionately on BME groups; and on those claimants potentially already impacted by Housing Benefit caps from 2011/12 and the overall income cap to be introduced from April 2013
Stopping or restricting backdating of claims (currently paid where there is a good reasons for a claimant making a late claim)	Produces very small savings, and also impacts on some of the most vulnerable – those least able to handle their own affairs; understand the Benefit system; or otherwise disadvantaged
Limited period awards (eg only pay CTS for six months)	Likely to result in a very low Council Tax collection rate for the period after benefit ends, and administratively complex
De minimus rule	To produce reasonable levels of savings, a de minimus level of at least £7.50pw would be required (32% of a Band C charge); too crude a mechanism and likely to impact on claimants where other restrictions (eg higher taper or non-dependant charges) have already applied

Discretionary scheme element to cover cases of extreme hardship	Would have to be funded by harsher application of the CTS rules elsewhere; also more administratively complex and more likely to lead to inconsistent decisions
Uprate applicable amounts and personal allowances by rate of inflation (CPI) from 2013 onwards	Introduces an inflationary element into scheme design which would need to be funded by harsher application of the scheme elsewhere
Simplify the system of non-dependant charges by having one charge for working non-dependants and one for non-working	The weight of the increased charges falls more on lower income non-dependants than on higher ones – relative to the proposed scheme mechanism (doubling existing charges) - and therefore contrary to scheme principles
Introduce changes which will ensure funding shortfall for Year 2 are also met	The number of uncertainties and unknowns – including impact of Housing Benefit caps, the introduction of Universal Credit, Council Tax collection rate etc, make it impossible to adequately model a scheme incorporating Year 2 demands at this stage. Also, to do so would mean that the scheme was harsher than necessary in Year 1