



**Cabinet**  
19 October 2015

**Report from the Chief Operating Officer**

Wards affected:  
ALL

**Fundamental Review of the Council Tax Support Scheme**

**1.0 Summary**

- 1.1 At the Full Council meeting held in January 2015 when the localised Council Tax Support (CTS) Scheme was last subject to revision, a recommendation was agreed to fundamentally review the scheme during 2015 with a view to effecting any agreed changes to the scheme from 1<sup>st</sup> April 2016.
- 1.2 This report reviews the existing localised CTS Scheme and identifies and evaluates the options that were considered for a revised scheme together with their relative merits, risks and issues.
- 1.3 Based upon the findings from paragraphs 1.1 and 1.2 above, recommendations are made accordingly.

**2.0 Recommendations**

- 2.1 To note and approve the findings from the fundamental review of the Council Tax Support ("CTS") Scheme undertaken.
- 2.2 After carefully considering whether or not to revise the CTS Scheme, to approve the recommendation to retain the current CTS Scheme from 1<sup>st</sup> April 2016 and not to invite Full Council to revise the CTS Scheme for 2016/17.
- 2.3 To note the potential matters for consideration affecting the CTS Scheme for 2016/17 and beyond.
- 2.4 To approve a further review of the CTS Scheme during 2016/17 with a view to introducing any changes agreed by Full Council from 1<sup>st</sup> April 2017.

**3.0 Detail**

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## Background

- 3.1 CTS is a local scheme providing eligible Council Tax Payers with support by way of a reduction to their Council Tax bill dependent upon their income and circumstances. The current Brent scheme was determined and agreed by Members at Full Council in December 2012 and became effective from 1<sup>st</sup> April 2013.
- 3.2 Unlike the former national Council Tax Benefit scheme that was fully funded by the Department of Work and Pensions (DWP), the local CTS Scheme, whilst demand-led, is funded by a fixed amount that is “rolled up” within the Council’s revenue support grant allocation and therefore not separately identifiable. The first year of the local scheme (i.e. 2013/14) was however funded by a ring-fenced grant that was 13.7% less than the funding received for the previous national Council Tax Benefit scheme. Consequently, the financial risk arising from fluctuations in caseload and associated expenditure now rests solely with the Council.
- 3.3 The Council has a statutory duty to provide a local CTS Scheme within its area incorporating the following provisions:
- Pension Credit age claimants are subject to statutory provisions (“prescribed requirements”) determined on a national basis and that must be incorporated within each authority’s local scheme.
  - Local schemes must support work incentives.
  - Appropriate consideration must be 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.
  - The Local Government Finance Act 2012 states that a Billing Authority must have regard to any guidance issued by the Secretary of State.
- 3.4 A Billing Authority must consider whether to revise or replace its scheme with another one on an annual basis. However, a decision to revise or replace a scheme is reserved for Full Council only and cannot be delegated.
- 3.5 Any revision to a scheme must be made by Full Council by the 31<sup>st</sup> January immediately preceding the financial year in which it is to take effect and requires prior statutory consultation with the Greater London Authority (GLA) and such other persons as is deemed appropriate. Additionally, if a scheme is to be revised or replaced, consideration must be given to transitional protection for claimants where their support is to be reduced or removed.
- 3.6 Full Council agreed the Brent local CTS Scheme in December 2012 and this has been broadly sustained with minor amendments over the past three years. Whilst minor revisions to the scheme have been the subject of consultation and agreed by the Council on an annual basis, these have principally related to the following:
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- Incorporation of prescribed changes made by central government;
- The protection from the minimum Council Tax payment of 20% for persons receiving Incapacity Benefit, and
- Uprating pension credit age applicable amounts and non dependant deductions in line with nationally defined levels.

3.7 At the Full Council meeting held in January 2015 when the local scheme was last subject to revision, a recommendation was agreed to fundamentally review the scheme during 2015 with a view to effecting any agreed changes to the scheme from 1<sup>st</sup> April 2016.

3.8 A review of the current scheme has been undertaken, seeking to evaluate the scheme against its original objectives and principles; to identify any unanticipated impacts; to explore the relationship between scheme design and Council Tax collection; and to undertake a comparison with other Councils' schemes both across London and nationally.

#### **4.0 The Existing Brent Council CTS Scheme**

4.1 The Brent Council CTS scheme was made by Full Council in December 2012 and became effective from 1<sup>st</sup> April 2013 having been preceded by extensive public consultation. The scheme incorporates six key principles and two key features as listed below and which are themes that have continued and are currently anticipated to be replicated within any revised future scheme provisions.

##### **Principle 1: “Everyone should pay something”**

All working age claimants (unless protected under principle 2 below) are required to pay a minimum contribution towards their Council Tax – this is currently set at 20% within the scheme.

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

Claimants are protected from the 20% minimum contribution if they, a partner or a dependant in their household are entitled to a disability premium, enhanced disability premium, disabled earnings disregard, Disability Living Allowance or Personal Independence Payment, Disabled Persons Reduction for Council Tax purposes, War Disablement Pension, War Widow's and War Widower's Pension. Additionally, claimants are also protected if they or their partner are in receipt of a Carer's Allowance.

##### **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 existing scheme incorporates earnings disregards for Single Persons, Couples and Lone Parents earnings that are £10 higher than the level previously set nationally under the Council Tax Benefit scheme. In this context, a disregard means the amount of weekly earnings that may be ignored when calculating entitlement to Benefit.

##### **Principle 4: “Everyone in the household should contribute”**

Other adults in the claimant's household ("non-dependants") should contribute more proportionately to their income – the existing scheme incorporates rates of non-dependant deductions that are twice the level of deductions that existed in 2012/13. Additionally, the scheme incorporates a deduction of £6.60 for each other adult residing in the claimant's household who receives Job Seekers Allowance (Income Based) where none previously existed under the former national Council Tax Benefit scheme.

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

The existing scheme incorporates a taper of 30%. This is applied in the means test calculation for claimants whose income exceeds their needs. It is the rate at which Council Tax Support is reduced where weekly income exceeds basic living needs. Under the former national Council Tax Benefit scheme, the taper was 20 pence in the pound rather than the 30 pence currently applied.

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

The existing scheme incorporates a savings cut-off limit of £6,000 rather than the £16,000 limit that previously applied to the national Council Tax Benefit scheme.

**Feature 1:** The 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%) was removed for working age claimants.

**Feature 2:** Premiums and personal allowances used to determine basic living needs for a claimant and their family when calculating entitlement to CTS have been held at the rates that previously applied to the national Council Tax Benefit scheme in 2012/13.

4.2 Immediately prior to the introduction of the local CTS scheme in Brent, there were 35,792 live Council Tax Benefit claims. At April 2013 when the scheme commenced, there were 33,959 claims. By April 2014, this had reduced to 31,569 claims and by April 2015, this had further reduced to 29,042 claims. Under the Brent scheme, this is categorised as shown in Tables 1, 2 and 3 (CTS Caseload) below:

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Table 1 – CTS Caseload at April 2013

<b>CTS Caseload</b>	<b>As at April 2013</b>	<b>% of overall caseload</b>	<b>% of working age caseload</b>
Working age “vulnerable”	4,789	14.1%	20.7%
Working age “employed”	6,811	20.1%	29.4%
Working age “other” (i.e. unemployed but not vulnerable)	11,566	34.0%	49.9%
Pensioner	10,793	31.8%	n/a
<b>Total</b>	<b>33,959</b>	<b>100.00%</b>	<b>100%</b>

Table 2 – CTS Caseload at April 2014

<b>CTS Caseload</b>	<b>As at April 2014</b>	<b>% of overall caseload</b>	<b>% of working age caseload</b>
Working age “vulnerable”	5,104	16.2%	24.3%
Working age “employed”	6,393	20.3%	30.5%
Working age “other” (i.e. unemployed but not vulnerable)	9,488	30.0%	45.2%
Pensioner	10,584	33.5%	n/a
<b>Total</b>	<b>31,569</b>	<b>100%</b>	<b>100%</b>

Table 3 – CTS Caseload at April 2015

<b>CTS Caseload</b>	<b>As at April 2015</b>	<b>% of overall caseload</b>	<b>% of working age caseload</b>
Working age “vulnerable”	5577	19.2%	29.5%
Working age “employed”	5567	19.2%	29.5%
Working age “other” (i.e. unemployed but not vulnerable)	7735	26.6%	41.0%
Pensioner	10163	35.0%	n/a
<b>Total</b>	<b>29042</b>	<b>100%</b>	<b>100%</b>

4.3 Approximately 3,200 of the total reduction in claims that has occurred between January 2013 (i.e. under the former national Council Tax Benefit scheme) and May 2015 (i.e. almost half of the total reduction) occurred as a

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consequence of the changeover from CTB to CTS to reduce expenditure to within the level of grant funding. Whilst a reduction in caseload was anticipated as a consequence of the new arrangements, the reduction is significantly greater than that anticipated. An analysis of the caseload has indicated that a reduction of just over 900 claims for the same period as above has occurred for pension credit age claims alone which were unaffected by the introduction of the localised arrangements.

- 4.4 The remaining caseload reduction has arisen in relation to working age claims and is considered to be due to a combination of factors. These include changes in the overall economic climate and the “freezing” of Applicable Amount levels at 2012/13 amounts for calculating Council Tax Support entitlement.
- 4.5 The Brent Council scheme was entirely financed within the CTS grant during the first year of operation (i.e. 2013/14) achieving a “surplus” of £1.8M. However, the position for years 2 and 3 of the scheme is more difficult to quantify as the fixed grant for Council Tax Support received in year 1 was subsequently “rolled-up” within the overall Revenue Support Grant settlement. However, assuming that the proportionate reductions in Revenue Support Grant for 2014/15 and 2015/16 applied to the original Council Tax Support grant funding for 2013/14, a notional “deficit” would have arisen in those years. (Please see Section 9: Financial Implications.)

## **5.0 Review of the current CTS scheme**

- 5.1 As agreed at Full Council, a fundamental review of the current CTS scheme has been undertaken. The review sought to evaluate the scheme against its original objectives and principles; to identify any unanticipated impacts; to explore the relationship between scheme design and Council Tax collection; and to undertake a comparison with other Councils’ schemes both across London and national.
- 5.2 The current scheme’s original objectives were to design a robust scheme that would:
- Achieve the required savings;
  - Withstand legal challenge;
  - Be able to run for at least two years;
  - Be fair and equitable;
  - Protect the most vulnerable.
- 5.3 The scheme was also based on the assumption that the Council would achieve in-year Council Tax collection from CTS claimants of between 50-80%.
- 5.4 The full review report is contained within Appendix A to this report, but the main findings were as follows:
- CTS scheme design varies nationally, and also within London, and has also seen some authorities change aspects of their scheme since the first year.
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- The most common feature of scheme design is that of a minimum payment requirement, which for this year sees 77% (250 of 326) of local authorities requiring a minimum payment within their scheme; 24 of the 33 (73%) local authorities in London require a minimum payment. The range of minimum payments, both nationally and within London, is 5% to 30%.
  - Nationally, Councils have adopted a variety of other features including revised “tapers”, savings limits, non-dependant charges and income disregards (all of which are incorporated within Brent’s scheme). Some other features (e.g. valuation band caps) were not adopted by Brent.
  - In-year collection rates for Brent’s CTS Customers have exceeded the 50%-80% expectation, coming in at 81.76% and 85.71% for the first two years respectively. Despite this, 19% of all CTS customers currently have some arrears in respect of the previous year, and Working Age Employed customers are in proportionate terms those most likely to have arrears at 35%.
  - The overall caseload in Brent has decreased by 14% since the start of the localised scheme, with the “working age other” group (i.e. unemployed but not “vulnerable”) experiencing the steepest decline in caseload at 31%. However, within this overall decline, the “vulnerable” group has seen a caseload rise of 6% over the same period. The overall reduction in caseload is partly as a result of scheme design – in that the amount of financial support available overall was reduced to achieve the necessary savings – although other macro economic factors, particularly falling unemployment have significantly contributed to this.
  - Expenditure for the first year of CTS was £6.6m less than in the final year of CTB representing a financial reduction of 19%, and has further reduced by £3.17M since. This however should be seen in the context of the original expectation that after the initial reduction, caseload would continue to grow year on year, and also the expectation that in-year collection from CTS claimants could be as low as 50% (whereas in fact it achieved 81.76% and 85.71% respectively for the first two years of the scheme). Whilst the above two expectations did not transpire, it can still be seen that the overall reduction in CTS expenditure is significantly less than the corresponding reduction in the overall Revenue Support Grant, from which CTS is partly funded on a non-ring-fenced basis.
  - No strong relationship has been found between collection rates and the minimum payments required under CTS schemes within London Authorities. However, there appears to be a closer relationship between collection rates and the level of deprivation within London Authorities such that lower levels of collection are achieved in areas with higher deprivation.
  - In Brent’s scheme, working age claimants classed as “vulnerable” have an average of £1.30 to pay towards their weekly Council Tax liability compared to customers in the Pensioner group who have on average £3.16 per week to pay, and working age employed (£9.03) and working-age other (£5.58).
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- On average, “Single claimant” households (75%) are the most likely group to experience a shortfall between their Council Tax liability and CTS entitlement of up to £5.00 per week. However, “Lone Parents” and “Couples with no dependants” are not too dissimilar at 71% and 68% respectively. On the other hand, 61% of “Couples with dependants” pay between £5.01 and £15+ per week.
- Over the entire working age caseload, 30% of claimants are classed as ‘vulnerable’, although this proportion rises to 49% for the 55+ age category. The latter category are the most likely to have no Council Tax liability and indeed the older the claimant, the more likely they are to pay nothing. Of the caseload, 66% pay £5.00 or less per week.

5.5 In conclusion; in terms of legal, financial and equitable robustness, the current scheme can be considered as a success. First and foremost, there have been no legal challenges brought against the scheme, whether in terms of matters concerning the consultation arrangements or in terms of compliance with Equality Act requirements.

5.6 From a financial perspective, the scheme has met its objective of achieving a minimum saving of 10% in the first year of CTS. Furthermore, in-year Council Tax collection rates for CTS customers have also exceeded expectations. The other key requirements of the scheme – protecting vulnerable groups and incentivising work – were also achieved and underpinned by key principles. Additionally, from an Equalities and Diversity perspective, the impact on groups with ‘protected characteristics’ has been as previously forecast.

5.7 The average weekly amount a working age customer has to pay towards their Council Tax has remained within the range that was identified prior to the commencement of the local scheme, and from a Diversity perspective, the impact on protected characteristics has been as forecast.

5.8 The 55+ age group is more likely than other age groups to have a lower amount of Council Tax contribution due to the fact that the group members are more likely to be protected from the minimum Council Tax payment contribution of 20% as they receive one of the qualifying incomes for the “vulnerable” group provided for within the scheme.

5.9 Conversely, however, the 55+ age group is also more likely to have a non-dependant living with them resulting in a higher Council Tax payment contribution where they are not protected from the minimum Council Tax payment contribution.

5.10 It should be noted that whilst those in the 55+ age group are more likely to have one or more non-dependants in the household, 59.7% of those individuals are within the vulnerable group and therefore are not subject to the minimum Council Tax payment requirement. In some cases such as where the claimant or their partner is disabled, they are also not subject to non-dependant deductions.

5.11 The Asian ethnic group is more likely to be affected by a reduction of £5.00 or more per week, due principally to this group tending to have a greater number of non-dependants in their households, and the scheme principle that other

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adults resident in the household should contribute more towards their Council Tax (an impact considered acceptable in the original scheme due to the policy intention).

- 5.12 Viewed in this context, the scheme can be considered as being successful in terms of achieving its objectives and meeting the principles underpinning it. Additionally, no unforeseen impact has been identified.

## **6.0 Stakeholder Engagement events**

- 6.1 In addition to the retrospective review referred to above, two engagement events have been held with Elected Members and representatives of voluntary groups respectively. These were to gauge broader perspectives on the current scheme and establish any significant concerns or potential areas where reform of the scheme may be appropriate.

- 6.2 The broad consensus at both events appeared to be that the current scheme was performing reasonably well, and there was no perceived appetite for radical change and a departure from the main principles governing it. Indeed, it was questioned as to whether this was the right time to be considering changes, in the scope of significantly greater – but at that time largely unknown – welfare reforms expected to be introduced following the General Election.

- 6.3 Additionally, Elected Members considered that any proposed changes to the scheme should be “cost-neutral” in terms of expenditure, given the competing imperatives to protect the most financially vulnerable residents whilst being mindful of the need for the Council to make substantial additional financial savings over the next few years.

- 6.4 It should be noted that the term “cost neutral” in the context of paragraph 6.3 above relates to the amount of CTS scheme expenditure, although with regard to the reducing RSG, the proportion of grant income spent on CTS is in fact potentially increasing.

- 6.5 It should also be noted that even a “cost-neutral” scheme will be subject to financial variance depending on socio-economic factors, in particular the status of the economy and levels of unemployment. For example, a modest 1% increase in working age caseload would add only another 200 to the claimant caseload, but £250K to annual CTS expenditure.

- 6.6 Voluntary sector partners also intimated that reforms to the CTS scheme were perhaps not the highest priority requiring attention at this time.

## **7.0 CTS Scheme Options**

- 7.1 The authority can make any changes to working age claims that it wishes subject to statutory constraints and guidelines and given that CTS is a locally determined scheme. However, more radical options than those considered in Appendix B to this report were not pursued partly in response to the views expressed at the stakeholder engagement meetings and partly because more radical changes (i.e. conceptual as well as practical revisions to the current design) would have introduced unacceptable levels of financial and legal risk,
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given that the review was with the intention of introducing any agreed changes for 2016/17. Were a more radical review desired, a project lead-in time of 18 months would be necessary.

- 7.2 The five broad options considered within the review were as follows:-
1. "Change" option ("cost neutral");
  2. "No change" option;
  3. 10% savings option;
  4. More generous scheme;
  5. Return to the former national Council Tax Benefit scheme provisions.
- 7.3 Even after discounting any scheme design which radically moves away from the concept of the current scheme (i.e. the means-test; minimum contribution; non-dependent charges etc), the range of permutations based on amendments to parameters within the current scheme is virtually infinite, and the analytical detail required for each one significant. Therefore, in order to crystallise the main choices available, consideration was given to five broad design options (with variations / sub-options where appropriate and feasible within the timescales available). It should be noted that, in embarking on a scheme review at all, it was necessary to consider a range of options for both scheme design and for funding.
- 7.4 It should also be noted that the detailed scheme modelling was primarily performed prior to the government's Emergency Budget announced on 8<sup>th</sup> July 2015.
- 7.5 The Emergency Budget contained a raft of welfare changes scheduled for introduction over the next two years. The effects of these cannot be precisely quantified at this stage as they are dependent upon a number of variable factors. However, a preliminary analysis has been undertaken and the impacts and risks identified from this are set out in Section 8 of this report. These suggest that the reforms concerned may have significant implications for certain CTS scheme design options for 2016 and beyond.
- 7.6 It is therefore considered highly likely that the CTS scheme will need to be revised for 2017/18 to take account of the further reforms to Child and Working Tax Credits, Housing Benefit and Universal Credit, announced in the Emergency Budget. (Please see Section of this report 8: Risks and issues). Consequently, revising the scheme for 2016/17 would potentially mean a second scheme review then being required for 2017/18 incorporating further redesign and public consultation and create potential confusion and uncertainty for claimants and employees alike due to different schemes operating in different financial years. The cost of revising the scheme and conducting a public consultation twice in a twelve month period would also result in additional cost.
- 7.7 The relative merits of each scheme design option considered under paragraph 7.2 above are set out in Appendix B to this report together with the key risks and issues arising from each one.
- 7.8 Having completed the fundamental review of the existing CTS scheme and considered alternative options and their associated risks and issues, it is
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recommended that the current CTS Scheme is retained for 2016/17. This is principally due to the following:

- Higher levels of financial risk associated with the other options,
- High degree of uncertainty concerning the effect and impact of the reforms announced in the Emergency Budget on 8<sup>th</sup> July;
- The timing of other welfare reforms;
- The high probability of needing to review the localised CTS scheme for 2017/18 in addition to any revision otherwise proposed for 2016/17 to take account of the proposed welfare reforms particularly in relation to further reductions in Tax Credits;
- The longer lead-in time available for the 2017/18 scheme provides an opportunity to consider future funding arrangements for CTS within the wider budget-setting process this year, and in particular, to consider whether any CTS expenditure below the forecast level for 2016/17, or any other additional funding, should be ring-fenced to provide resilience within a revised scheme for 2017/18.

#### Advantages of the “No Change” Option Recommended

- 7.9 The “No Change” option (Option 1) supports the general view conveyed by Elected Members and stakeholders through the engagement meetings that the scheme is broadly acceptable and permits the scheme to remain broadly “cost neutral” in terms of levels of current CTS expenditure. Additionally, it does not introduce radical and potentially high risk changes, and indeed does not introduce increases in the Council Tax amounts payable by working age claimants as would arise under some of the other options considered. It also offers the advantage that Brent Council will continue to provide the same level of Council Tax Support to claimants, unlike other national welfare reform changes which will see reductions in assistance for many claimant households, particularly families, from 2016. In fact, some claimants may receive increased CTS entitlement as a result of their other income reducing.
- 7.10 The potential for legal challenge regarding any revised scheme is also significantly reduced under this option, and no changes would be required in relation to software used to deliver the service, thus avoiding software development costs and the associated implementation risks. Additionally, there would be no requirement to consider the provision of transitional protection for claimants that may receive less support under the revised arrangements.
- 7.11 A “No Change” option affords the Council an opportunity to assess and evaluate the effect of the wider welfare reforms over the next 18 months and potentially incorporate any findings within a revised scheme for the following year (i.e. 2017/18).
- 7.12 Additionally, the administrative costs that may otherwise be required in communicating changes to Council Tax Payers are minimised under this option, as are project and consultation costs as consultation will not be required in relation to 2016/17. Furthermore, no additional detailed analysis is required, and only relatively minor officer time is required in preparing reports. It is anticipated that approximately £91,887 will be saved (or at least deferred) in project costs during 2015/16 based upon the recommendations within this
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report. (Please see Section 9 of this report: Financial Implications). Given that it is highly likely there will be a need to revise the scheme for 2017/18, project and consultation costs of £134K are likely to be expended for that purpose regardless of whether similar costs are incurred for this year.

#### Disadvantages of the “No Change” Option Recommended

- 7.13 The “No Change” option may be perceived as taking an “unambitious” approach given that an opportunity existed for making changes to the current scheme. However, the Emergency Budget on 8<sup>th</sup> July and the resulting new welfare reforms considerably changed the local government and welfare benefits landscape, consequently demanding a reconsideration of the options.
- 7.14 Retaining the existing scheme will mean that the adverse impact previously identified (but accepted) in relation to Asian claimants and claimants aged 55+, specifically in relation to non-dependant deductions, will continue.
- 7.15 Perhaps more significantly, although still a relatively small risk, the current Brent Council scheme includes a provision which effectively means that Universal Credit (UC) claimants have their income disregarded in full (provided that they have capital of less than £6,000) and maximum CTS entitlement (usually 80% of liability) awarded – even if the UC claimant is working. As increased numbers of claimants in receipt of relevant DWP benefits transfer to UC over time, this is likely to present an increased financial risk.
- 7.16 With reference to paragraph 7.15 above, it is however considered that the most probable development next year will be that the Department for Work and Pensions (DWP) seeks a migration of all single claimants without dependants (i.e. 8,251 CTS claimants) to UC by April 2017. If so, it is estimated that this would represent an additional cost of £101K under the present scheme assuming that the transfer were to be phased throughout 2016/17. If all of the relevant claimants transferred at once in April 2016, the cost in 2016/17 would be £161K. However, this latter scenario is considered to be extremely unlikely.
- 7.17 In context and by way of a comparison, even a modest 1% increase in caseload (i.e. 200 cases), would cost far more (approximately £254K), and similarly expenditure would reduce if caseload decreased. It is currently unclear, if not unlikely, whether all single claimants without dependants actually will migrate next year (there are currently only 31 claims which have migrated in the first three months of UC). However, the uncertainty presents a small risk and this issue will need to be addressed in the medium to long-term.

## **8.0 Risks and Issues**

- 8.1 A full list of general risks and issues relating to each of the scheme design options considered and evaluated is presented in Appendix D to this report. However a number of key risks – in particular those related to welfare reform announced in the Emergency Budget and that relate to the “No Change” option – are set out below.
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- 8.1.1 Future caseload and any expenditure growth / reduction cannot be determined with precise accuracy. Figures are therefore based upon applying current expenditure and caseload to the financial modelling. In particular, any changes that could have the effect of bringing former claimants back into entitlement such as could occur if lower levels of Tax Credit income were to be awarded via the DWP, cannot be quantified and could therefore impact on the financial modelling results shown within this report. Additionally, a deteriorating economic climate could result in an increased number of CTS claims and hence overall CTS scheme expenditure.
- 8.1.2 The financial modelling has been performed in relation to the exclusive effects of CTS options. The cumulative effect of the wider welfare reforms in relation to CTS cannot be quantified with absolute certainty but could skew the results shown and evaluated within this report and its associated appendices.
- 8.1.3 The main reforms announced in the Emergency Budget, which have been considered specifically in relation to CTS, are as follows:

2016

- Reduction from April 2016 in the Overall Benefit Cap (OBC) from £26,000 to £23,000 for families and £18,200 to £15,392 for single claimants;
- Removal of the Family Premium from Housing Benefit (HB) calculations;
- Reduction in the earnings disregard in Working Tax Credits (WTC) from £6,420 per year to £3,850 per year, and an increase in the WTC taper from 41% to 48%.

2017

- Removal of Child Tax Credits (CTC) for third or subsequent children on any new claims for HB, UC and Tax Credits.

- 8.1.4 The revised Overall Benefit Cap (OBC), to be introduced in 2016, is anticipated to affect a further 2,000 current CTS claimants.

Table 4 quantifies the volumes of claimants affected by the OBC changes proposed for 2016/17 by tenure type, based on preliminary modelling. A possible consequence of the revised OBC could be that the number of claims and hence overall CTS expenditure reduce due to claimants ceasing to occupy a home within the Borough and instead either residing with their family or moving to cheaper accommodation outside of the Borough.

Table 4 – Impact of OBC by tenure for 2016/17

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	2016 / 17 Cap		
	£23k Cap (Couple or Single with dependants)	£15.41K Cap (Single with no dependants)	Total
<b>TENURE</b>			
Council	46	0	46
Temporary Accommodation	222	66	288
Registered Social Landlord (RSL)	339	112	451
Private Sector	820	1299	2119
	<b>1427</b>	<b>1477</b>	<b>2904</b>

- 8.1.5 Government announcements indicate that the Family Premium is to be removed from new Housing Benefit claims from April 2016. This is likely to impact on 1,837 new claims next year where a CTS customer also receives HB, with the effect of reducing an individual's weekly HB by up to £11.05 per week. Whilst there is no direct impact on the CTS scheme, these families will have less available income with which to pay their household expenses, including Council Tax.
- 8.1.6 In 2017, the changes to CTC are estimated to affect relatively few CTS claimants as the changes only apply to new claims where there is also a newly born third child (anticipated to affect approximately 200 claimants). However the Working Tax Credit (WTC) changes in 2016 will affect significantly more, as approximately half of the CTS "employed" cohorts (5,567 cases) also receive WTC and are subject to the means test, as their weekly household income exceeds the applicable amount determined for meeting their basic living needs. The combined effect of the reduction in the earnings disregard and the increased taper is estimated to reduce claimants' WTC income on a national basis by £23.72 per week based upon a claimant's current annual household income being £6,420 (i.e. the current threshold below which the maximum entitlement to Tax Credits is permitted).
- 8.1.7 It is evident that the CTC and WTC changes will mean a significant reduction in claimants' income from 2016 (perhaps partially mitigated by an increase in the national living wage / minimum wage). The impact on the CTS scheme has the potential to be significant dependent upon the effect of retaining the 2012/13 premiums and allowances for working age claimants in 2016/17. This is because the decreased Tax Credit income would result in increased CTS entitlement when calculated against the existing needs provision in the means test. However, more detailed modelling will be required to predict the full impact of these changes because of the cumulative impact of other changes.
- 8.1.8 The timing and hence impact of Universal Credit (UC) remains unclear and therefore has the potential to skew the financial position of the CTS scheme dependent upon the timetable and pace of UC roll-out. It is possible that the government may attempt to roll out UC to all single claimants by April 2017 though this aim has not been publicly stated and based upon current progress would seem unlikely. Were this to happen, this could potentially cost between £101K and £161K in CTS expenditure - dependant on whether all claims were migrated at the start of the year or, as is considered to be more likely, phased equally

over four quarters - due to the current built-in protection for UC claimants within the local CTS scheme.

- 8.1.9 Equally, the partial protection of UC claimants within the current scheme may be viewed as desirable in the early migration to the new scheme, and less of a risk than protecting other unknown cohorts. Either way, it is recommended that this partial protection be removed when the scheme is next changed, as ultimately this measure will make the scheme unaffordable.
- 8.1.10 The effect of wider welfare reforms – particularly OBC - may result in demographic changes to the Brent population and influence customer decisions concerning where they live and work. This could potentially impact upon CTS caseload as well as demand for other services such as schools admissions and housing although any impact may not be apparent until some time after any changes have been implemented.
- 8.1.11 A central government review of localised arrangements for CTS provision and the potential for incorporating these within the UC arrangements in the future may remove the need for local provision. Consequently, any investment made in the scheme could be for a limited duration, although there is currently no indication that this route will be taken.
- 8.1.12 Actual Council Tax collection rate for CTS claimants has been higher than anticipated within the Brent Council area. However, this is sensitive to both macro-economic factors and local issues, including claimants having less money available generally due to the effects of other reforms. The effects of these have not been incorporated within the financial modelling undertaken.
- 8.1.13 Financial modelling undertaken takes no account of any future Council Tax increases. It is assumed that if the Council resolves to increase Council Tax, then the resultant increase in CTS expenditure will be met from the increased revenue derived from the Council Tax rise.
- 8.1.14 Furthermore, it will be noted that in the event of a Council Tax increase, CTS entitlement will also increase and for those claimants with a maximum potential entitlement of 100% (i.e. pensioners and vulnerable working age claimants) the full amount of the increase will be met by CTS. However, claimants with a maximum potential entitlement of 80% (ie working age employed and other), will see a small increase equivalent to the Council tax rise applied to their 20% Council Tax contribution.

Example:

Claimant's Council Tax liability £25.00 per week

Claimant's 20% Council Tax contribution is £5.00 per week

If a Council Tax increase of 2% were to be applied the following outcome would occur:

New Council Tax liability £25.50 per week

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Claimant's 20% Council Tax contribution is £5.10 per week

The average working age (non-vulnerable) claimant's Council Tax liability would therefore rise by 10p per week or £5.20 per year. This increase cannot be funded directly through the CTS scheme.

- 8.2 The government's further welfare reforms announced in the Emergency Budget represent a significant risk to CTS expenditure for each of the scheme design options considered under paragraph 7.2 and Appendix B of this report. However, the greater risk is attached to Option 1 ("Cost-neutral change"), especially if a scheme design change were to be proposed seeking to protect CTS claimants from the impact of the welfare reforms without knowing the full extent and implications of the potential impact.
- 8.3 In context, the scheme design changes considered for Option 1 affect 70% of claimants by up to +/- £1.00 per week, with a further 20% affected by up to +/- £2.00 per week. However, since Option 1 was modelled, the reduction in the Overall Benefit Cap to £23,000 per annum (and more significantly, to £15,410 for single claimants with no dependants), is estimated to increase the number of affected households in Brent by 203% to 2,904. This now renders Option 1 non "cost-neutral" with the potential CTS cost arising from the "protection" for this claimant group increasing by £346K for a full year and CTS expenditure increasing from £25.44M to £25.78M.
- 8.4 Option 3 ("10% savings") is also subject to uncertainty concerning the nature of the reforms and the potential that the Council's scheme changes may exacerbate the impact of the government's other reforms.
- 8.5 Least risk is attached to Option 2 ("No change"), in that the only financial risks are those arising from caseload increase and expenditure increase due to claimants receiving less income and which would be limited to one year only. It is important to note that these are risks that are also attached to each of the other options considered anyway.
- 8.6 Furthermore, Option 2 ("No change") avoids project and consultation costs in 2015/16 and provides an opportunity for a longer (18 month) lead in to potential scheme changes for 2017/18. This would also provide the opportunity to carefully consider and evaluate the effects of the wider welfare reforms based upon knowledge and learning obtained from practical experience.

## **9.0 Financial Implications**

- 9.1 The Brent Council scheme was delivered within the agreed budget during the first year of operation (i.e. 2013/14) achieving a "surplus" of £1.8M. However, the position in later years is more difficult to quantify as subsequently the fixed grant for Council Tax Support received in year 1 was "rolled-up" within the overall Revenue Support Grant settlement. However, assuming that the proportionate reductions in Revenue Support Grant for 2014/15 and 2015/16 were applied to the original Council Tax Support grant funding for 2013/14, a notional "deficit" would have arisen as shown in Chart 1 (CTS Financial Status) below. In practice there is no longer any link between government funding and the cost of the CTS scheme, so costs are effectively fully met by
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Council Tax payers. The Brent share referred to in Chart 1 below represents the proportion of the scheme expenditure that is met by Brent Council, the remainder being borne by the Greater London Authority (GLA).

**Chart 1 – CTS Financial Status**

Council Tax Support 13/14	28,670,000.00
Brent share @ 77.75%	22,290,925.00
Grant	24,121,000.00
<b>Surplus</b>	<b>-1,830,075</b>
Council Tax Support 14/15	26,592,000.00
Brent share @ 77.98%	20,736,441.60
Grant (Notional)	19,834,892.81
<b>Notional deficit</b>	<b>901,548.79</b>
Estimated CTS 15/16	25,500,000.00
Brent share @ 78.21%	19,943,550.00
Grant (Notional)	14,530,229.50
<b>Estimated Notional Deficit</b>	<b>5,413,320.50</b>

- 9.2 Therefore, although the level of CTS awarded has fallen, largely due to employment trends, the notional cost to the Council has been increasing. Any amendments to the scheme which increase the overall costs would have to be met from future years' budgets. It is possible that the reduction of levels of CTS seen over the last two years could be partially reversed if economic conditions deteriorate, thereby increasing costs.
- 9.3 The Brent Council share (i.e. removing the GLA component) of currently projected CTS expenditure for 2015/16 is anticipated to be £19,944M. This compares to £22,290M that was incurred for 2013/14.
- 9.4 This report recommends the retention of the existing CTS scheme for 2016/17. Whilst it is intended that this should remain "cost-neutral" in terms of levels of expenditure, it may be affected in part by the impact of welfare reforms announced in the Emergency Budget and to be introduced in 2016.
- 9.5 However, as set out in Section 8: Risks and Issues, the risks associated with the "No change" option are significantly less than those presented by the other options considered and evaluated and would also be limited to a single financial year. Whilst the Tax Credit changes scheduled for 2016 are likely to result in increased CTS expenditure, these are anticipated to be offset, at
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least in part, by the continued “freezing” at 2012/13 levels of personal allowances and premiums within the local CTS scheme.

#### CTS Scheme Review - Project Expenditure

- 9.6 The recommendation to retain the existing Council Tax Support scheme for 2016/17 will, if agreed, mean a “saving” of £91,887 is achieved in 2015/16 from not having to progress to consultation. This cost would otherwise have been met from the Customer Services budget and reserves.
- 9.7 The recommendation to review the Council Tax Support Scheme in preparation for implementing changes from 2017/18 will, if agreed, require the project to be scoped, resourced and appropriately funded. To achieve implementation from 1<sup>st</sup> April 2017 and given the likely extent of change needed to account for the effects of welfare reforms announced in the Emergency Budget on 8<sup>th</sup> July, an 18 month lead in time is anticipated.
- 9.8 Consequently, scoping, resourcing and financing requirements for this review will need to be determined and agreed during the autumn of this year to facilitate the achievement of that timescale.

### **10.0 Legal Implications**

- 10.1 The Local Government Finance Act 2012 requires that for each financial year, the Council must consider whether to revise its Council Tax Support scheme or replace it with another scheme and that such decisions need to be made by 31<sup>st</sup> January in the financial year preceding that for which the revision or replacement scheme is to take effect. Only Full Council has the power to make or amend a Council Tax Support Scheme as set out in section 67(2)(a)(aa) of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012). However, as this report’s recommendations propose the retention of the existing scheme for 2016/17 and not to revise the CTS scheme for the next financial year, this matter can be considered by Cabinet. The default position is that if the CTS scheme is not revised or changed by Full Council by 31<sup>st</sup> January 2016, the CTS scheme for 2016/17 will be the same as the current CTS scheme in 2015/16 subject to any amendments to prescribed rates (e.g. for persons of pension credit age) that are made by central Government.
- 10.2 In addition to the Public Sector Equality Duty, which is discussed below, the Department for Communities and Local Government has advised that the following should also be taken into account when setting up a Council Tax Reduction Scheme:
- Child Poverty Duty under the Child Poverty Act 2010;
  - Homelessness Act 2002;
  - Armed Forces Covenant;
  - Chronically Sick and Disabled Persons Act 1970,
  - Disabled Persons (Services, Consultation and Representation) Act 1986, and
  - The Children Acts 1989 and 2004.
- 10.3 The above-mentioned legislation was referred to and considered in the report to Full Council on 10<sup>th</sup> December 2012 when Full Council decided to make and approve the proposed local Council tax support scheme for 2012/13 and
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when Full Council amended the CTS Scheme for 2013/14, 2014/15 and 2015/6. As it is proposed that the CTS Scheme will not be changed for 2016/17, the legal implications regarding the above-mentioned legislation as set out in the report to the Full Council meeting of 10<sup>th</sup> December 2012 will not be repeated in this report.

#### 10.4 Public Sector Equality Duty

10.4.1 Under the Equality Act 2010, the Council has a duty to have due regard to the need to: eliminate unlawful discrimination, harassment and victimisation and any other conduct prohibited by the Act; advance equality of opportunity between people who share a protected characteristic and people who do not share it; and foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics covered by the Equality Duty are as follows:

Age, disability, gender reassignment, marriage and civil partnership (but only in respect of eliminating unlawful discrimination), pregnancy and maternity, race (this includes ethnic or national origins, colour or nationality), religion or belief (this includes lack of belief), sex and sexual orientation.

10.4.2 The public sector equality duty, as set out in section 149 of the Equalities Act 2010, requires the Council, when exercising its functions, to have “due regard” to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who have a “protected characteristic” and those who do not share that protected characteristic.

10.4.3 Having “due regard” to the need to “advance equality of opportunity” between those who share a protected characteristic and those who do not includes having due regard to the need to remove or minimise disadvantages suffered by them. Due regard must also be had to the need to take steps to meet the needs of such persons where those needs are different from persons who do not have that characteristic, and to encourage those who have a protected characteristic to participate in public life. The steps involved in meeting the needs of disabled persons include steps to take account of the persons’ disabilities. Having due regard to “fostering good relations” involves having due regard to the need to tackle prejudice and promote understanding.

10.4.4 The Council’s duty under section 149 of the Equality Act 2010 is to have “due regard” to the matters set out in relation to equalities when considering and making decisions on the provision of localised Council Tax Support for the area of Brent. Due regard to the need to eliminate discrimination, advance equality and foster good relations must form an integral part of the decision making process. When the decision comes before the Council, Members must consider the effect that implementing a particular policy will have in relation to equality before

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making a decision. An Equality Impact Assessment will therefore assist with this.

10.4.5 There is no prescribed manner in which the equality duty must be exercised, although producing an Equality Impact Assessment is the most usual method. The Council must have an adequate evidence base for its decision making. This can be achieved by means including engagement with the public and interest groups and by gathering detail and statistics on who claims CTS.

10.4.6 Where it is apparent from the analysis of the information that the policy would have an adverse effect on equality, then adjustments should be made to avoid that effect and this is known as “mitigation”.

10.4.7 The public sector equality duty is not to achieve the objectives or take the steps set out in section 149 of the Equality Act 2010. The duty on the Council is to bring these important objectives relating to discrimination into consideration when carrying out its public functions (in this case, reviewing and considering whether to retain the existing localised scheme for Council Tax Support within Brent).

10.4.8 The phrase “due regard” means the regard that is appropriate in all the particular circumstances in which the Council is carrying out its functions. There must be a proper regard for the goals set out in section 149 of the 2010 Act. At the same time, when Cabinet Members make their decision, they must also pay regard to countervailing factors which it is proper and reasonable for them to consider. Budgetary pressures and economic and practical factors will often be important. The amount of weight to be placed on the countervailing factors in the decision making process will be for Cabinet Members to decide when making their decision.

10.4.9 The Equality implications for the recommendations proposed within this report are set out within Appendices A and B to this report and further summarised in Section 11 below.

## **11.0 Diversity Implications**

11.1 The diversity implications arising from the recommendations contained within this report are as set out below and further comprised within Appendices A and B to this report. As the report recommendations propose the retention of the existing scheme, the implications arising are as identified when the scheme was originally determined in 2012 and further confirmed through the recent review undertaken.

### **11.1.1 Age**

The Government has prescribed the CTS scheme for pensioners through legislation. This means that pensioners nationally as well as in Brent remain entitled to claim up to 100% of their Council Tax liability as a benefit. The scheme for working age claimants however is generally subject to local arrangements except for a small number of provisions that are prescribed nationally and incorporated within it.

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The proportion of working age claimants aged 45 and over has increased over the past three years since the scheme was introduced whilst the proportion of working age claimants aged less than 44 has diminished. The analysis of claims for which entitlement to Benefit was originally anticipated to cease under the local scheme arrangements indicated that 4.1% of the total working age caseload aged under 45 were to be affected. This compared to 4% of the working age caseload aged 45 and over. As the anticipated loss of entitlement for claims across these two age bands was effectively neutral, the current results as set out in Appendix A suggest that other factors may be responsible for the change in composition. It is possible that claimants aged under 45 are more likely to attain employment than claimants aged 45 and over and that the improved economic climate has assisted with this. However, the reasons cannot be determined with greater precision and are likely to be due to more than one factor alone.

The CTS working age caseload has seen a significant reduction in the number of claims for customers under 25 as was expected when the original scheme was introduced. However, it should also be noted that as the volumes of claims for this category are small, relatively minor changes in volume terms may show a more significant change in proportionate terms. There have also been significant claim reductions in proportionate terms as expected for the age range 25 to 54 as a consequence of the scheme design and more recently, the improved economic climate generally. The working age caseload has decreased very slightly for customers aged between 55 and 60 years old although this is anticipated to be because a number of these customers would have seen their claims transfer to the pensionable age claim category.

The 18 to 24 age band is proportionately more likely to have a weekly shortfall between CTS entitlement and Council Tax liability of up to £5. The reasons for this are primarily as were identified when the scheme was designed in December 2012 which identified that those most affected by a reduction in entitlement of between £3 and £5 were in the 18 - 24 age group (i.e. 76%). This was because that age group was less likely to receive protection under the proposed scheme as they were not generally in receipt of Disability Living Allowance for example and more likely to be in receipt of a benefit such as Job Seekers Allowance (Income Based). Claimants aged 55+ are proportionately more likely to have no weekly shortfall between their CTS entitlement and Council Tax liability as they have a higher proportion of vulnerable claimants and are therefore protected from the requirement to pay the 20% minimum Council Tax contribution.

When the initial equalities analysis was carried out in 2012, it revealed that for working age claims, those within the 55+ age category were more likely than another group to have non-dependents in the household (36.8%) compared to the average across the whole working age caseload (17.5%). Analysis of the current caseload indicates that this continues to be the case with 32.5% of the 55+ group having non-dependants in the household compared to the working age average of 17.2%. Proportions across each of the other Age bands remain broadly representative of the figures in the 2012 analysis.

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### 11.1.2 Disability

The existing working age vulnerable group is comprised predominantly of disabled claimants, their disabled partner or disabled dependants (i.e. 89%). The remaining 11% is represented by claimants in receipt of a Carer's Allowance.

Disabled claimants within the vulnerable group are afforded protection from the payment of the minimum 20% Council Tax liability generally required by other working age claimants.

When determining the original Council Tax Support scheme, due regard was given to affording protection for disabled claimants, their family members and carers. This supported the Council's second key principle concerning the scheme design that provided for the following: "The most vulnerable claimants should be protected (from the minimum contribution) proposed for Council Tax Support".

The current caseload has 5,647 working age vulnerable claims representing almost 20% of the total Council Tax Support caseload. This represents an increase of 6% in claimants classed as vulnerable since the start of the scheme and is mainly due to the inclusion of additional benefits such as Incapacity Benefit within the eligibility criteria for vulnerable claims.

There are currently 4,494 claims where the claimant and / or their partner are disabled, 544 claims where the claimant has a disabled child and 609 claims where the claimant is a carer.

The effects of the protection afforded to disabled persons from payment of the minimum 20% Council Tax liability can be clearly seen in terms of the average weekly amount they pay towards Council Tax liability. For vulnerable claimants, this amounts to £1.30 in comparison to £3.16 for pension credit age claimants, £9.03 for working age employed and £5.58 for other claimants of working age.

### 11.1.3 Race

Currently, ethnicity data is held for 65% of working age claims. The data held indicates that 'Asian' customers comprise nearly 14% of working age customers, 'Black' customers 24% and 'White' customers 20%. The overall proportions shown for each ethnic group are consistent with those that were identified in December 2012. However, within the vulnerable group, there have been changes in the composition such that the black ethnic group now has a higher proportionate share than at the start of the scheme (i.e. an increase of 10%) and the proportion of vulnerable claims for which the ethnic group is unknown has increased by 23%.

The white ethnic group has a reduced proportionate share of the vulnerable group (i.e. 7%). The mixed ethnic group has also seen a reduction in proportionate terms within the vulnerable group of 10% and the "other" ethnic group has also seen a reduction of 11%. It is

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possible that the variations identified above may not exist if the ethnic group were known for all the claims within the vulnerable category.

In terms of the “working age employed” and “working age other” categories, it is not possible to provide a comparative analysis as these groups have been compiled using different claim data to that which existed when the scheme was originally designed.

Currently, 12% of Vulnerable Working Age customers are from the “Asian” ethnic group in comparison to 21% from the “Black” ethnic group and just over 20% for the “White” ethnic group. These are broadly representative of the proportions that each group represents in terms of the total working age caseload.

In terms of the Working Age Employed group, there are a higher proportion of Asian ethnic group claimants than for other claim categories. Black ethnic group claimants are broadly comparable across each of the claim types although there is a higher proportion showing in the Working Age Other claim group.

The above appears to be consistent with pre-CTS records which indicated that the Black ethnic group had a higher volume of claimants in receipt of Income Support, Job Seekers Allowance (Income Based) and Employment Support Allowance (Income Related) (i.e. the former “passported” benefits). The White ethnic group has a broadly comparable showing across each of the claim types.

There are, however, almost 36% of claimants for whom their ethnic group is unknown and consequently, the proportions shown should be considered in that context.

The Asian group is proportionately more affected by a shortfall of more than £15 between their CTS entitlement and Council Tax liability than other ethnic groups. The reasons for this can primarily be determined from the analysis previously undertaken when the existing scheme was designed in December 2012. In particular, ‘Asian’ families had a greater proportion of dependants (i.e. 22% had 3-4 children per household compared to 10% of the ‘white’ group). Consequently, they generally had larger homes and hence more Council Tax to pay for the Valuation Band allocated to their home. For example, 16% of the ‘Asian’ ethnic group resided in Band E properties compared to 9% ‘Black or 10% ‘White’ ethnic groups. Additionally, 6% of Asian claimants had 2 or more non dependants living with them compared to only 3% of non Asian families and therefore were subject to the effects of the increased rates of non dependant deductions introduced under the local scheme. Despite the 14% reduction to the CTS caseload, the proportions of Asian families and non Asian families with 2 non-dependants has remained at 6% and 3% respectively.

#### 11.1.4 Gender Reassignment

This protected group comprising people considering or undergoing the process of gender reassignment is often one of the hardest groups to reach. As gender reassignment is not a factor in the assessment of

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Council Tax Support in relation to personal allowances and premiums used when assessing entitlement to support, it is anticipated that there is not an adverse impact for this group. However, it is not possible to comment more fully on the effects of the existing scheme for claimants in this group, as this will be dependent upon their income and circumstances at that time which may vary and cannot therefore be predicted with certainty. Additionally, there is not currently sufficient data and evidence available to validate this more fully.

#### 11.1.5 Marriage and Civil Partnership

The existing scheme retains the majority of the criteria that were formerly used in the assessment of the national Council Tax Benefit scheme. In particular, a 'couple' is defined as follows:

- A man and woman who are married to each other and are members of the same household;
- A man and woman who are not married to each other but are living together as husband and wife;
- Two people of the same sex who are civil partners of each other and are members of the same household;
- Two people of the same sex, who are not civil partners of each other but are living together as if they were civil partners.

Marital or civil partnership status entitles a claimant to the couple personal allowance rate and premiums in the circumstances outlined above. It is not anticipated that the existing scheme adversely affects claimants based upon their marital or civil partnership status although there is not currently sufficient data and evidence available to validate this more fully.

#### 11.1.6 Pregnancy and Maternity

For the purposes of Council Tax Support, pregnancy and maternity are considered as two separate characteristics as whilst the claimant is pregnant, premiums and personal allowances are unchanged until the child is born and then becomes a member of the claimant's household. At that time, an additional premium and allowance are awarded and child benefit income will be disregarded when calculating income received. The following incomes may, subject to eligibility, be received by a claimant's household during pregnancy and maternity and in such circumstances, are included as income in calculating entitlement to CTS.

- Statutory Maternity Pay (SMP), and
- Maternity Allowance (MA).

Whilst pregnant, the allowances and premiums used in the calculation of entitlement to support do not change. However, it is not possible to comment more fully on the effects of income received by claimants in this group during pregnancy, as this will be dependent upon their income and circumstances at that time which may vary and cannot be predicted with certainty.

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It is anticipated that the existing scheme does not adversely affect anyone based upon pregnancy and maternity as much of the former national Council Tax Benefit Scheme has been retained within the existing Council Tax Support Scheme. However, there is not currently sufficient data and evidence available to validate this more fully.

#### 11.1.7 Religion and belief

Religion and belief are not generally factors used in relation to allowances and premiums when assessing entitlement to support. The exception to this is that a higher applicable amount may be determined for a claimant in a polygamous marriage that may be appropriate to certain religions and beliefs.

It is not possible to comment more fully on the effects of the existing scheme for claimants in this group, as this will be dependent upon their income and circumstances at that time that and which may vary and cannot therefore be predicted with certainty.

It is anticipated that the existing scheme does not adversely affect anyone based upon religion or belief, as there are currently no claimants identified in a polygamous marriage and much of the former national Council Tax Benefit Scheme has been retained within the existing Council Tax Support Scheme. However, there is not currently sufficient data and evidence available to validate this more fully.

#### 11.1.8 Sex

Gender is not a factor used in relation to allowances and premiums for assessing entitlement to support. It is not possible to comment more fully on the effects of the existing scheme for claimants in this group, as this will be dependent upon their income and circumstances at that time and which may vary and cannot therefore be predicted with certainty. Additionally, assessment of support considers overall household income, rather than distinguishing between male and female recipients of these benefits.

Additionally, as claims can be made by either partner, the current proportion of male and female claimants is not a relevant statistic to refer to.

#### 11.1.9 Sexual Orientation

Sexual orientation is not a factor in relation to allowances and premiums used when assessing entitlement to support. It is not possible to comment more fully on the effects of the existing scheme for claimants in this group, as this will be dependent upon their income and circumstances at that time and which may vary and cannot be predicted with certainty.

Since 2005, civil partnerships for same-sex couples have been recognised as couples for benefit purposes and therefore are treated as such in the calculation of entitlement. These changes ensure that

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same-sex couples are treated the same as other unmarried couples and married couples.

It is not anticipated that the existing scheme adversely affects anyone based upon their sexual orientation as much of the former national Council Tax Benefit Scheme is retained within it. However, there is currently insufficient data and evidence available to validate this more fully.

- 11.2 In summary, the two groups that are disproportionately affected by the existing scheme arrangements are those aged 55+ and the Asian ethnic group. This is because members of these two groups are more likely to have other adults living in their home (e.g. non dependent children). As the fourth principle of the existing CTS scheme as set out in paragraph 4.1 of this report is that “everyone in the household should contribute”, this outcome is aligned with the policy intent.

The findings of the review remain consistent with those identified when the scheme was originally agreed by Full Council in December 2012 and will continue if the existing scheme is retained as proposed in the recommendations of this report.

The impact of the existing scheme will continue to be measured and evaluated and in the event that any additional adverse impact is identified, mitigation will be applied wherever reasonably practicable or justified in any event where mitigation is not possible.

## **12.0 Staffing and Accommodation Implications**

- 12.1 There will be a requirement to identify and allocate resources to the recommended CTS scheme review for 2017/18. These will be determined and costed through the project scoping process referred to in paragraphs 9.7 and 9.8 of this report. There is no accommodation implication arising from the recommendations set out within this report.

### **Background Papers**

Cabinet Report Dated 26th January 2015

Appendix A – Report on CTS Scheme Review

Appendix B – Options for CTS scheme 2016/17

Appendix C – Scheme modelling summary

Appendix D – CTS Scheme Review General Risks and Issues

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