

Appendix B – CTS Scheme Options for 2016/17

Introduction

The options comprised within this Appendix B were subject to financial modelling based upon the prevailing circumstances immediately prior to the Emergency Budget announced on 8th July 2015. Consequently, the financial implications for the options modelled do not incorporate the effects of the further welfare reforms that were announced within that budget. However, a preliminary analysis of the impact of the further reforms is given in the main Cabinet report and also referenced in the final section of this Appendix. An analysis of the further welfare reforms announced in the Emergency Budget indicates that even the “cost neutral” options shown in Appendix C are no longer cost neutral.

Scheme options

The five broad options considered and evaluated within this Appendix and as also set out within paragraph 7.2 of the main Cabinet report are 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.

1.0 Option 1: Changes to the existing CTS Scheme (cost neutral)

- 1.1 With due regard to the perceived lack of appetite for radical change, options suggested at stakeholder engagement meetings were modelled to achieve a cost-neutral outcome based on the forecast scheme expenditure for 2015/16. (Please note that “cost-neutral” for the purposes of the financial modelling was subject to a 0.2% tolerance level, i.e. £50,000)
- 1.2 Appendix C to the main Cabinet report shows the financial implications for a variety of potential scheme options including a more generous scheme for claimants meeting certain qualifying conditions whilst identifying possible ways in which the additional expenditure might be funded from within the scheme. (“Cost” = rows versus “Savings” = columns).
- 1.3 The more generous scheme options considered and modelled included the following:
 - Treating care leavers as vulnerable (and therefore exempt from the minimum contribution element);
 - Treating foster parents / guardians as vulnerable (and therefore exempt from the minimum contribution element)
 - Protecting claimants subject to the Overall Benefit Cap and Bedroom Tax against the minimum payment requirement.

The above claimant groups were considered as potentially suitable for additional CTS assistance on the basis of their “vulnerable” status. However, there are other alternative options available that would permit eligible “vulnerable” claimants to be entitled to additional CTS assistance provided that the appropriate IT system functionality for that purpose existed.

Additionally, an equivalent financial saving from elsewhere within the scheme would need to be found to meet the cost of any additional “vulnerable” claimants to ensure that scheme expenditure remained “cost-neutral”.

- Uprating previously “frozen” Applicable Amounts in the benefit calculation to restore parity with the equivalent rates in the Housing Benefit scheme.

This option would have the effect of equalising and hence restoring parity for the HB and CTS means and needs thresholds. It would also mean that annual uprating (i.e. the inflationary element of the scheme) that has been absent from the scheme since 2013, would be restored. This option may be considered desirable given the proposed freezing of national benefit rates from 2016/17. Additionally, as this measure would benefit households with an income above the minimum level for the purposes of the means test (and thus subject to the effects of the taper), it potentially benefits larger families and hence may contribute towards the alleviation of child poverty.

- Allowing a further £5.00 of weekly earned income to be disregarded for claimants in employment, in addition to the existing earnings disregards within the current CTS scheme which is already £10 higher than the former national Council Tax Benefit scheme permitted.

This option would potentially provide an additional work incentive given that more income could be earned before the means test would apply. However, the amounts would be marginal and the existing scheme may be considered to already offer a considerably more generous treatment of earnings than the previous national CTB scheme and indeed, many other Council CTS schemes.

- Rescaling non-dependant charges (cost neutral in itself) so that all non-dependants are deemed to contribute 6% of the median income level for each income band.

This option would provide a fairer application of non-dependant charges as currently, those in the lower income bands are deemed to contribute slightly more of their income in proportionate terms than those in the higher income bands.

- 1.4 A range of other options designed to achieve savings that could finance the more generous scheme options outlined in paragraph 1.3 above and retain “cost-neutrality”, have also been considered. As the more generous measures essentially involve reallocating more CTS claimants to the “vulnerable” group, this will need to be funded either by claimants in the “employed” or “other” (i.e. unemployed but not vulnerable) – or both – groups to preserve “cost-neutrality”. Essentially, this would need to be achieved by increasing the minimum Council Tax payment contribution for claimants in these groups from 20% to 22.5% or 25%.
- 1.5 Although other options and mechanisms could also be considered, no one single mechanism is anticipated to achieve the same financial effect as the minimum Council Tax payment contribution. Additionally, other options and

mechanisms would have the effect of distributing the cost across all working age claimant groups including the “vulnerable” group.

- 1.6 It is considered unlikely that the required saving level could be achieved via another option. The most obvious alternative mechanism, (i.e. increasing the taper applied in the means-tested benefit calculation) has been considered but rejected on the grounds that a claimant whose income exceeds their “needs”, and claiming both HB and CTS, already has 65% of their “excess income” reduced from their eligible HB, and 30% from their CTS. Consequently, any further increase would be likely to push these deductions to greater than 100% and therefore provide a disincentive to work.
- 1.7 As indicated in Appendix C to the main Cabinet report, few of the combinations referred to actually deliver a “cost-neutral” scheme (i.e. only those shown with a green or amber colour coding would potentially be cost-neutral). The only potentially viable combinations are as shown in Table 1 (Viable CTS Scheme Options) below:

Table 1 – Viable CTS Scheme Options

Option	More generous provisions:	Paid for by:
1B	a) Treat care leavers as vulnerable b) Treat foster parents / guardians as vulnerable c) Uprate Applicable Amounts	25% minimum Council Tax payment contribution from employed
1C	a) Treat care leavers as vulnerable b) Treat foster parents / guardians as vulnerable c) Uprate Applicable Amounts	25% minimum Council Tax payment contribution from “other” (i.e. unemployed and “vulnerable”)
1G	a) Treat care leavers as vulnerable b) Treat foster parents / guardians as vulnerable c) Uprate Applicable Amounts	22.5% minimum Council Tax payment contribution from employed and other
2D	a) Treat care leavers as vulnerable b) Treat foster parents / guardians as vulnerable c) Uprate Applicable Amounts d) Additional weekly £5 earnings disregard	25% minimum Council Tax payment contribution from employed and other
4D	a) Treat care leavers as vulnerable b) Treat foster parents / guardians as vulnerable c) Uprate Applicable Amounts d) Treat those affected by OBC and Bedroom Tax as vulnerable	25% minimum Council Tax payment contribution from employed and other
5D	a) Treat care leavers as vulnerable b) Treat foster parents / guardians as vulnerable c) Uprate Applicable Amounts d) Treat those affected by OBC and Bedroom Tax as vulnerable e) Rescale non-dependant charges	25% minimum Council Tax payment contribution from employed and other

1.8 Although any of the options shown in Table 1 above, (or indeed other permutations) could have been valid, Option 5D represented the “best fit” (prior to the Emergency Budget) in terms of combining the scheme design options obtained from the engagement meetings with Elected Members and Voluntary Organisations.

1.9 It should be noted that the costings for these options shown within Appendix C do not include any provision for Transitional Protection (TP). If the Council were proposing to make changes to its existing scheme, it would be required to consider (but not necessarily adopt) a TP scheme for any claimants or groups of claimants that may experience a reduction in their entitlement as a consequence.

1.10 Impacts of Option 1 (design 5D)

1.11 The following summarises the headline position for Option 1 (design 5D).

1.12 This model represented an increased annual cost of £31,954 on the current scheme, which is within the 0.2% tolerance applied for the purposes of calculating the “cost neutral” option.

1.13 An additional 1,404 customers would be protected from the minimum Council Tax payment contribution, primarily due to protection being extended to those claimants affected by welfare reforms. The additional protected claimants that would occur from the following changes are as follows:

- A reduction of 240 claimants from the “working-age employed” claimant group;
- A reduction of 1,164 claimants from the “working-age other” claimant group.

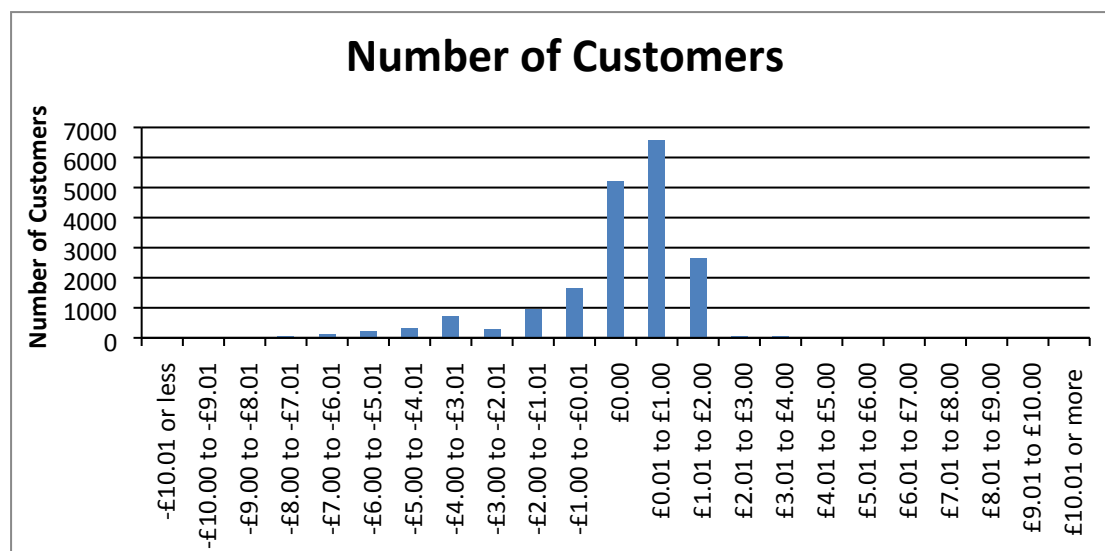
1.14 Under this option, 33% of the caseload would pay nothing (up from 26%), and 28% would pay between £0.01 and £5.00 (down from 40%). There would be an increase in those paying £5.01 to £10.00 (to 39%)

1.15 The degree of change in a customer’s Council Tax payment contribution under this option can be summarised as follows:

- 27.6% (5,223) of customers would see no change in their Council Tax contribution;
- 22.7% (4,293) of customers would see their Council Tax contribution decrease;
- 49.7% (9,395) of customers would see their Council Tax contribution increase.

1.16 As demonstrated in the following Table 2 (Distribution of changes to Customer Council Tax Contribution), 71% of the caseload would see their contribution change by +/- £1.00 per week and 90% would see a change of +/- £2.00 per week.

Table 2 – Distribution of changes to Customer Council Tax Contribution



- 1.17 There would be a requirement to consider Transitional Protection (TP) under this option although by way of indication, a TP scheme to ensure that claimants were not worse off by more than £5 per week in the first year of the change, would cost a modest £8,104.
- 1.18 The average Council Tax contribution for Working Age claimants under this option would be £5.21 per week and would be comprised as follows:-
- Vulnerable: £1.35;
 - Employed: £9.14;
 - Other: £6.24.
- 1.19 An initial review of the impact of this option by age and ethnicity indicates that the findings of the EIA for the original Brent scheme regarding the 55+ age group and Asian ethnic group are still borne out, as indicated below with comments.
- The 55+ age group is most likely to pay nothing (50%),
 - The 18 to 24 age group is least likely to pay nothing (18%) although most are likely to pay £0.01 to £5.00 per week (57%). They are also in fact more likely to pay £0.00 to £5.00 per week at 75% compared to 61% across the whole working age caseload,
 - The 35 to 44 age group are most likely to pay £5.01+ per week with 46% compared to 39% across the whole working age caseload,
 - Aside from claimants with an unknown ethnicity, the White ethnic group is most likely to pay nothing at 33%. However, the working age average is 33% and all ethnic groups appear to be largely proportionate to this level,
 - The Asian ethnic group is significantly less likely than any other group to pay between £0.01 to £5.00 and also less likely overall to pay between £0.00 and £5.00 per week,

- The Asian ethnic group are more likely than any other group to pay £5.01+ per week at 57%,
- The 'Other' ethnic group is least likely to pay nothing (22%) and equally most likely to pay £5.01+ along with the Asian group (74%).

1.20 Option 1 (“Change”) – advantages and disadvantages

Advantages – Option 1 (“Change”) (i.e. Design 5D)

- 1.21 The primary advantage of the “change option” was that it provided an opportunity to review the current scheme and direct greater assistance to other groups than currently catered for – in the case of Design 5D; care leavers, foster parents, any households subject to the means-test, particularly larger families, those with non-dependants in the lowest income band, and those affected by other welfare reforms).
- 1.22 Under this option, the core elements of the existing scheme determined by the Council would remain unchanged. Consequently, risk exposure levels that may otherwise have arisen from changing the scheme were minimised. Additionally, the administrative cost that may otherwise be required in communicating significant changes to Council Tax Payers is minimised under this option.
- 1.23 Relatively minor changes to the scheme are more likely to be supported by the Council’s IT software within the current functionality available. More significant changes may require software development and increased cost together with the associated risk of implementing previously untried software in a constrained timescale.
- 1.24 The minor change option supports the general view established from engagement meetings with stakeholders that the current scheme is broadly acceptable. The minor change option also permits the scheme to remain “cost neutral” in terms of levels of current CTS expenditure and does not introduce radical and potentially high risk changes.
- 1.25 Consulting on a “change” option provides an opportunity for any potential financial risks to the scheme to be mitigated, particularly for example concerning the treatment of Universal Credit (UC) claimants. Currently, UC claimants are treated within the existing scheme as “passported” cases, similar to Jobseekers Allowance (Income Based) or Income Support and thereby entitling them to the full 80% CTS entitlement (or 100%, if they are also “vulnerable”), subject to any non-dependant charges. However, UC is a benefit also payable to employed claimants who were in receipt of Working Tax Credit or Child Tax Credit and subject to the means test under CTS.
- 1.26 Whilst this scenario may be perceived as giving rise to inequitable treatment for claims affected by the new UC arrangements, it needs to be balanced with the small numbers of claims likely to be affected, at least in the short term and the administrative effort involved in validating UC claimant circumstances, some of which may not be available from the IT system currently used for

validating DWP data. Additionally, when the current scheme was devised, there was a significant level of uncertainty surrounding the availability of data and information to the claimant about their UC entitlement. Consequently, the scheme provision to treat them as eligible for a reduction of 80% or 100% as appropriate was an effective measure for dealing with the administrative complexities and financial risks that would otherwise have existed.

- 1.27 However, the arrangement set out in paragraph 1.26 above cannot be sustained indefinitely – both for equitable reasons and because as more claimants migrate to UC, the increased CTS awarded as a consequence of the difference between “passporting” and means-tested entitlement will place greater financial pressures on the scheme. Consequently, the “change” option provided an opportunity to review the scheme and ensure that future UC claimants were treated comparably as far as reasonably practicable with the arrangements that would have applied for them in receipt of the relevant legacy benefits.
- 1.28 Making only minor changes to the existing scheme permits an opportunity for the effects of the known welfare reforms for the next 12 months to be evaluated and incorporated within any future changes made to the scheme, though further reviews would of course incur further cost and officer time.

Disadvantages

- 1.29 The cost of conducting a significant scheme review and undertaking consultation for relatively minor scheme changes may be disproportionate to the benefits that may otherwise be achieved. There is also the potential that a review of the scheme next year gives rise to further changes requiring public consultation, thus incurring further consultation and project costs that could have been avoided if the changes were co-ordinated in a single consultation process.
- 1.30 It may be considered unduly hasty to review a scheme that is broadly fit for purpose, in advance of the government’s other planned reforms, and considered more judicious to do so after these reforms have been announced and their impacts fully understood.
- 1.31 Any significant changes to the scheme have the potential, at least in the short term, to affect claimant knowledge and understanding of how their entitlement has been calculated. This in turn may lead to more enquiries from claimants concerning changes to their CTS entitlement and possibly shortfalls in their Council Tax instalment payments pending resolution of their concerns.
- 1.32 CTS project costs incurred to date amount to £34,494. If the project progresses with a view to Full Council determining a revised scheme in January 2016 and including a prior public consultation, the anticipated cost will be £133,524.
- 1.33 Consultation on scheme matters and any subsequent Council determination for a revised scheme introduce the risk of a legal challenge under judicial review. It should be noted that the legal challenge may not be restricted to

the elements proposed for changes, but the entire scheme including the consultation process.

- 1.34 Whilst the minor change option retains “cost neutrality” in terms of current CTS expenditure, this may be sensitive to changes in caseload particularly if the current economic recovery is not maintained. Any significant rise in caseload or entitlement awards will increase CTS expenditure and give rise to increased budgetary pressure for the scheme generally in order to preserve its “cost neutral” status and potentially the wider Council Tax Payer should it be agreed to increase funding for the scheme.
- 1.35 Further, the “cost-neutrality” requirement means that there will be losers as well as winners under the scheme, in this case the employed and unemployed (but not vulnerable) groups, who would have a headline 25% minimum Council Tax payment contribution.
- 1.36 It may also be considered that the expense of scheme design and consultation does not warrant the changes, which for 70% of claimants’, results in a difference of up to £1.00 in the amount they pay each week, with a further 20% seeing a difference of up to £2.00 per week.
- 1.37 Consideration has to be given to transitional protection for claimants subject to any minor changes to the scheme giving rise to either a reduction in their entitlement or loss of entitlement. Whilst this does not necessarily mean that protection has to be given, there must be a consideration and a rational decision taken as a consequence. Any financial implications that may arise as a consequence of a decision to give transitional protection would need to be offset against CTS expenditure generally to retain the “cost-neutral” status of the scheme.
- 1.38 If applicable amounts were to be updated under the minor change option to incorporate cost of living changes, there is the potential that not only would claimants from the existing live caseload benefit from the changes but currently ineligible claimants may also become re-entitled. This would have the effect of increasing CTS expenditure by an unquantified amount and may give rise to additional budgetary pressures.
- 1.39 Similarly, there is a further financial risk in changing the scheme to protect those claimants who are subject to the Overall Benefit Cap (OBC) and Bedroom Tax; whilst protection for these claimants could be afforded (as forecast and prior to the effects of the Emergency Budget) in the context of the current cohorts, the government’s subsequent announcement of further welfare reforms and in particular a reduction in the OBC, would bring additional claimants into the protected cohort and add further cost into the CTS scheme.
- 1.40 Current estimates suggest that a further 1,947 claimants (i.e. a 203% increase) may be affected by the reduction in the OBC in Brent, although this has not yet been officially confirmed by the Department for Work and Pensions (DWP). The additional cost of providing protection for these claimants through the local CTS scheme is currently estimated to be £346K

on a full year equivalent basis and would thus render Option 1, as shown in Appendix C, no longer “cost neutral”.

2.0 Option 2: No Changes to the Existing CTS Scheme

Advantages

- 2.1 Under this option, the existing scheme determined by the Council would remain unchanged. Consequently, risk exposure levels that may otherwise arise from consulting on matters relating to the scheme are minimised. Additionally, the administrative cost that may otherwise be required in communicating changes to Council Tax Payers is minimised as are project and consultation costs, as consultation will not be required and no further detailed analysis will be needed. It is estimated that approximately £91,887 could be saved in project costs.
- 2.2 The potential for legal challenge concerning a revised scheme is also significantly reduced under this option.
- 2.3 No changes would be required under this option in relation to software used to deliver the service thus avoiding potential software development costs and the associated risk of implementing previously untried software in a constrained timescale. Additionally, there would be no requirement to consider the provision of transitional protection.
- 2.4 The no change option supports the general view conveyed through the stakeholder engagement meetings that the scheme is broadly acceptable and permits the scheme to remain “cost neutral” in terms of levels of current CTS expenditure. Additionally, it does not introduce radical and potentially high risk change.
- 2.5 Another key advantage of the “no change” option is that existing entitlement and hence Council Tax payment liability is known and understood by claimants. Any changes to the scheme have the potential, at least in the short term, to affect claimant knowledge and understanding of how their entitlement has been calculated. This in turn may lead to more enquiries from claimants concerning changes to their CTS entitlement and possibly shortfalls in their Council Tax instalment payments pending resolution of their concerns.
- 2.6 A “no change” option affords the Council an opportunity to assess and review the impact of the wider welfare reforms over the next 12 months and potentially incorporate any findings within a revised scheme for the following year (i.e. 2017/18).
- 2.7 Retaining the existing scheme with no change would be likely to have a relatively small impact on claimants given the existing protections provided for within the scheme for certain claimant groups and its “cost-neutral” status. It also eliminates the risk that a scheme change could inadvertently introduce an element of inequity which was not anticipated during the design stage.

Disadvantages

- 2.8 A “no change” option may be perceived as taking an “unambitious” approach given that an opportunity exists for making changes to the current scheme. It may also appear to be contrary to the commitment given at the Full Council meeting of 19th January 2015 to conduct a fundamental review of the scheme, and therefore present some risk of reputational damage, although it may be noted that the General Election result, and the resulting new welfare reforms, have changed the local government and welfare benefits landscape considerably and demand a reconsideration.
- 2.9 Retaining the existing scheme will mean that the adverse impact previously identified (and accepted) in relation to ethnicity (i.e. Asian claimants) and age (i.e. 55+) particularly in relation to non-dependant deductions, will continue.
- 2.10 Although still a relatively small risk, the current scheme contains a provision which effectively means that UC claimants have their income disregarded in full and maximum CTS entitlement (usually 80% of liability) awarded – even if the UC claimant is working. If no scheme changes are made, this situation will continue. 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.
- 2.11 However, it is thought that the most realistic development next year will be that the DWP will attempt to migrate all single claimants without dependants (8251 CTS claimants) to UC by April 2017. If so, it is estimated that this would present an additional cost of £101K to CTS under the present scheme assuming the transfer was phased throughout 2016/17. If all transferred at once in April 2016 the cost in 2016/17 would be £161K, but this is extremely unlikely.
- 2.12 In context, though, even a 1% increase in caseload (i.e. 200 cases), would cost far more (approximately £254K), and similar 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 have to be addressed in the medium to long-term.

3.0 Option 3: Changes to the Existing CTS Scheme to realise 10% savings

- 3.1 In considering this option, it is important to note that claimants of pension credit age are protected from the effects of the local CTS scheme by virtue of prescribed statutory provisions. Consequently, a saving of 10% from the existing scheme expenditure levels would fall entirely on working age claimants. Based upon projected CTS expenditure for 2015/16 of £25.5M, approximately £2.55M would need to be saved under this option representing a reduction of approximately 16% from working age claimants. A 10% reduction for working age claimants would only yield approximately £1.5M (prior to deduction of the GLA proportion).

- 3.2 Given the Council's financial position and challenges faced over the next few years, consideration has been given to an option which would reduce assistance for CTS claimants but would provide additional savings for the Council to utilise in other areas.
- 3.3 Clearly there are a wide number of options available depending on the level of savings desired, and a significant number of design options for achieving this. Given the financial steer already provided by Members, a savings option has not been modelled in extensive detail, but an indicative model has been established which could provide 10% financial savings.
- 3.4 In the design modelled, savings of £2.5M could potentially be achieved through the following measures:
- Establish a minimum Council Tax payment contribution for working age claimants of 33.5% unless defined as vulnerable within the current scheme;
 - Increase non-dependent deduction levels by 40% (e.g. a non-dependant on JSA would be expected to contribute £9.25 towards the Council Tax payable by the claimant);
 - Reset the weekly earnings disregarded when calculating a claimants' income to former national CTB scheme levels (i.e. by reducing them by £10 per week).
- 3.5 The 10% saving model would represent a reduced cost of £2.54M based upon current scheme expenditure. There would be 5,346 customers (i.e. 28.3%) that would see no change in their current Council Tax payment contribution. However, 13,560 customers (i.e. 71.7%) would see their Council Tax payment contribution increase.
- 3.6 The average Working Age contribution to Council Tax would increase to £7.81 per week (i.e. a 49% increase), comprised as follows:
- Vulnerable: £1.54 (21% rise)
 - Employed: £13.35 (49% rise)
 - Other: £8.50 (54% rise)
- 3.7 Furthermore, only 27% of claimants would pay nothing, and only 4% between £0.01 and £5.00 per week. There would be 69% of claimants that would pay over £5.01+ per week.
- 3.8 Under this option, there would potentially be a more compelling case for the provision of a TP scheme to mitigate against the potential effects of the changes and this could be significant. By way of indication, a TP scheme to ensure that claimants were not worse off by more than £5 per week during the first year of this option, would cost £324K.
- 3.9 The age and ethnicity findings broadly confirm the trends for the current scheme, albeit with reduced figures as summarised below:
- The '55+' age group is most likely to pay nothing (44%)

- The '18 to 24' age group is least likely to pay nothing (11%) and most likely to pay £5.01+ per week (84%).
- The '25 to 34' age group has only 15% paying nothing and 82% paying £5.01+ per week
- The 'White' ethnic group is most likely to pay nothing (26%)
- The 'Other' ethnic group is least likely to pay nothing (22%) and equally most likely to pay £5.01+ along with the 'Asian' ethnic group (74%)

3.10 There are of course numerous other potential scheme designs under this option which could achieve a more equitable 10% savings cut.

Advantages

3.11 Changes to the existing scheme to achieve the 10% savings level would facilitate a reduction of approximately £2.5M to be made (assuming that the full Council Tax collectable debit was to be collected). Based upon current CTS expenditure levels, this would amount to £1.99M for Brent Council's share. The savings level could then be used to contribute towards the provision of other Council services and priorities within the context of the current financial austerity measures.

3.12 The review of the scheme necessary to achieve the level of savings required could incorporate aspects of the scheme that have been already been recognised as requiring future review. (e.g. the treatment of Universal Credit claims).

Disadvantages

3.13 The cost of conducting a significant scheme review and undertaking public consultation for proposed options for change may be significant and may not adequately address the implications arising from further welfare reforms over the next 12-24 months. Additionally, consultation on scheme matters and any subsequent Council determination for a revised scheme introduce the risk of a legal challenge under judicial review.

3.14 Any significant changes proposed under this option may require software development and incur associated costs and risks.

3.15 Consideration would need to be given to TP for claimants subject to changes to the scheme giving rise to either a reduction in their entitlement or loss of entitlement. Whilst this does not necessarily mean that protection has to be given, there must be a consideration and rational decision taken as a consequence. Any financial implications that may arise as a consequence of a decision to give transitional protection would need to be offset against CTS expenditure generally to maintain realisation of the 10% savings. For example, in the design option illustrated, TP which limited all changes to £5.00 a week for the first year would cost approximately £324,066.

- 3.16 Whilst this option would achieve 10% savings in terms of levels of current CTS expenditure, this would still be sensitive to changes in caseload, particularly if the current economic recovery was not maintained. Any significant rise in caseload or entitlement will increase CTS expenditure and give rise to increased budgetary pressures for the scheme and potentially the wider Council Tax Payer should it be agreed to increase funding for the scheme.
- 3.17 The 10% savings option would give rise to significant reductions in current CTS entitlement and could have the effect of contributing to increased levels of Council Tax arrears from non-payment and the need to provide a greater bad debt provision than currently exists. It is estimated that in-year Council Tax collection may drop to 77% for CTS claimants under this option, thereby reducing potential income generation by at least £575K.
- 3.18 Similarly, administration costs associated with Council Tax collection would increase under this option and it is likely that an increased demand on discretionary schemes such as the Local Welfare Assistance scheme could occur, which itself is no longer funded by central government.
- 3.19 Significant changes to the scheme have the potential, at least in the short term, to affect claimant knowledge and understanding of how their entitlement has been calculated. This in turn may lead to more enquiries from claimants concerning changes to their CTS entitlement. The cost of communications and publications concerning the proposed changes could be significant.
- 3.20 This option demonstrates that the impact of a 10% reduction in CTS expenditure would be significant and require changes in entitlement levels for existing claimants that could include applying increased levels of protection for the existing vulnerable groups. The effects of any changes under this option may also give rise to an adverse impact for claimants within the protected characteristic groups identified under the Equalities Act 2010. This option would also appear to be contrary to the general view expressed through engagement with members and stakeholders that the existing scheme is broadly acceptable and there is no appetite for significant change.
- 3.21 This option would effectively require a minimum Council Tax payment contribution of 33.5% - 35% for all non-protected claimants and would have the effect of increasing the average amount paid by a CTS claimant by 49%.

4.0 Option 4: Changes to deliver a more generous scheme

- 4.1 As set out within Appendix C to the main Cabinet report, a number of scheme designs have been modelled that would allow a more generous scheme in financial terms to be delivered. However, these would require additional funding from other Council budgets. For example, option 3A would enable additional protection (vulnerable status) to be given to care leavers, foster parents, those (currently) affected by the Overall Benefit Cap (OBC) and Bedroom Tax and allow an additional £5.00 earning disregard to be applied for employed claimants which would cost £896K from other Brent Council budgets. Even more generous options could be achieved for example by

reducing the minimum Council Tax payment from 20% for some or all claimants, or giving protection to further groups.

- 4.2 Given the financial steer for the review, a more generous and detailed scheme has not been modelled under this option.

Advantages

- 4.3 This option would have the advantage of reducing Council Tax liability for some or all eligible claimants thereby minimising the potential for non payment of Council Tax, and associated collection costs to the Council, as a consequence.
- 4.4 Protection from paying the minimum 20% Council Tax level would be extended to include other vulnerable groups and those financially disadvantaged by the wider welfare reforms.

Disadvantages

- 4.5 The impact of a more generous scheme may mean that claimants previously entitled to assistance under the former national CTB scheme could potentially become re-entitled and would increase the administrative effort on the service to process their claims and manage enquiries and also the level of scheme expenditure.
- 4.6 The attractiveness of a revised scheme under this option could in some instances act as an attractant to living in the Borough rather than other Local Authority areas, thereby placing greater demands on local public services.
- 4.7 Consultation on scheme matters and any subsequent Council determination for a revised scheme introduce the risk of a legal challenge under judicial review especially if the cost of the scheme has to be funded to a greater extent by Council Tax Payers.
- 4.8 This option would also appear to be contrary to the general view expressed through the stakeholder engagement meetings that the existing scheme is broadly acceptable and there is no appetite for significant change.
- 4.9 The cost of introducing a more generous scheme would entail significantly increased expenditure with a consequential impact on other Council budgets and a potential consideration of a referendum if Council Tax levels had to rise by 2% or more in order to partially or fully fund the increased expenditure.
- 4.10 Significant changes to the scheme have the potential, at least in the short term, to affect claimant knowledge and understanding of how their entitlement has been calculated. This in turn may lead to more enquiries from claimants concerning changes to their CTS entitlement. The cost of communications and publications concerning the proposed changes could be significant, although clearly under this option, the changes may be largely seen positive and therefore may be less contentious.

5.0 Option 5: Changes to the Existing CTS Scheme to replicate the former national Council Tax Benefit (CTB) Scheme

- 5.1 As mentioned above, in undertaking scheme review, it is necessary for the Council to consider a range of options including potentially one that replicates the former CTB scheme. In a recent judicial Review, Haringey Council were found to have not consulted properly because they did not sufficiently evidence that the option of retaining the CTB scheme had been seriously considered, and the reasons for discarding that option.
- 5.2 Under option 5, CTS would be calculated using the full Council Tax liability; the taper would be restored to 20% and the savings limit restored to £16,000; earnings disregards would be reduced by £10 per week and non-dependant charges halved (and removed completely for non dependants on JSA / Income Support). The Second Adult Rebate scheme would be reintroduced and applicable amounts and premiums would be reinstated to current levels.
- 5.3 The cost of reinstating option 5 is calculated to be £3.45M based on the current caseload. However, such a change would also enable significantly more residents – not currently entitled to CTS – to claim, thus inflating the cost to the Council – and potentially the general Council Tax Payer.
- 5.4 A change would be required to reflect the requirements of UC claimants within the new scheme, as has been outlined previously within this Appendix C in relation to other scheme options.

Advantages

- 5.5 This option would have the advantage of reintroducing zero payment Council Tax liability for certain claimants and reduced liability for others, thereby minimising the potential for non payment of Council Tax, and associated costs of collection to the Council, as a consequence.
- 5.6 It is unlikely that transitional protection would need to be considered under this option as most, if not all, claimants would experience either no change to their entitlement or an increased entitlement.

Disadvantages

- 5.7 The impact of the reinstatement of this option would mean that claimants previously entitled to assistance under the former national CTB scheme could potentially become re-entitled and would increase the administrative effort on the service to process claims and manage associated enquiries.
- 5.8 The attractiveness of the scheme under this option could in some instances act as an attractant to living in the Borough rather than other Local Authority areas, thereby placing greater demands on local public services.
- 5.9 The cost of conducting a significant scheme review and undertaking consultation for this option would be significant and may not incorporate the potential implications arising from further welfare reforms over the next 12 months. Additionally, consultation on scheme matters and any subsequent

Council determination for a revised scheme introduce the risk of a legal challenge under judicial review especially if the cost of the scheme has to be funded to a greater extent by the Council Tax Payer.

- 5.10 This option would also appear to be contrary to the general view expressed through stakeholder engagement meetings that the existing scheme is broadly acceptable and there is no appetite for significant change.
- 5.11 The cost of reintroducing a scheme that replicated the former national CTB scheme would entail significantly increased expenditure with a consequential impact on other Council budgets and the potential consideration of a referendum if Council Tax levels had to rise by 2% or more in order to partially or fully fund the increased expenditure.
- 5.12 Significant changes to the scheme have the potential, at least in the short term, to affect claimant knowledge and understanding of how their entitlement has been calculated. This in turn may lead to more enquiries from claimants concerning changes to their CTS entitlement. The cost of communications and publications concerning the proposed changes could be significant, although clearly under this option, the changes may be largely seen as positive and therefore may be less contentious.

6.0 Preliminary Assessment of Further Welfare Reforms

- 6.1 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, families affected will have less disposable income with which to pay their household expenses, including Council Tax.
- 6.2 The revised Overall Benefit Cap (OBC), to be introduced from April 2016, is currently anticipated to affect nearly 2,000 additional CTS claimants' and if the claimants concerned were to be protected from the minimum payment requirement within the local scheme, would potentially result in increased annual Council Tax Support expenditure totalling £346,361.
- 6.3 Table 3 below quantifies the volumes of claimants affected by the OBC changes proposed for 2016/17 by tenure type. However, 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 3 – Impact of OBC by tenure for 2016/17

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

- 6.4 The effects of wider welfare reforms may also 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.
- 6.5 The changes to Child Tax Credit in 2017 are estimated to affect relatively few CTS claimants as the changes apply only to new claims where there is also a newly born third child (approximately 200 claimants based on current estimated figures). However the Working Tax Credit (WTC) changes effective in 2016 will affect significantly more CTS claimants as the vast majority of the CTS “employed” cohorts (5,567 cases) also receive WTC and are subject to the means test as their weekly income exceeds their 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). However, more detailed modelling will be required to predict the full impact of these changes because of the cumulative impact of other changes.
- 6.6 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 potential impact on the CTS scheme could be significant dependent upon the effect of retaining the 2012/13 premiums and allowances within the local scheme for working age claimants in 2016/17. This is because the decreased tax credit income will result in increased CTS entitlement when calculated against the existing needs provision within the means test. However, as mentioned above there could equally be a reduction in caseload and hence overall expenditure, due to the reduction in the OBC (or other economic factors) which could offset the impact of increased entitlement elsewhere.
- 6.7 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 seek 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. However, were this to happen, it 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 CTS. The most realistic likelihood is a phased introduction costing up to £101K, although the current pace of migration would make even this scenario seem unlikely.