

## **Appendix D – CTS Scheme Review General Risks and Issues**

The following general risks and issues were identified in relation to the scheme options set out within Appendix B of the report and based upon the conditions prevailing immediately before the Emergency Budget on 8<sup>th</sup> July 2015.

A preliminary analysis of the impacts and risks related to the announcements in the Emergency Budget is contained within the main Cabinet report.

1. If the Council is unable to review and determine any changes required to its CTS scheme by 31<sup>st</sup> January 2016, the existing CTS scheme for 2015/16 will continue to apply for 2016/17 and beyond until it is revised or replaced.
2. Any slippage in the CTS review timetable may affect any proposed consultation duration and review timings thereby increasing the potential risks from both legal challenge and determining a revised scheme for 2016/17 by the statutory cut-off date of 31<sup>st</sup> January 2016.
3. The statutory requirements for CTS require that consultation commence firstly with the GLA, then a draft CTS scheme must be published and then consultation with such other persons as the Council sees fit must take place. Any slippage in the CTS review timetable may impact on the timetable for commencing any consultation required with the GLA and documenting the draft scheme design (or designs) with sufficient time to then commence consultation with the public to permit a 12 week duration, indicated as best practice, thereby increasing the risk of legal challenge.
4. The precise level of any financial “surplus” / “deficit” in relation to CTS scheme expenditure cannot be determined with precision as the CTS grant is “rolled-up” within the Revenue Support Grant settlement.
5. 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 performed. In particular, any changes that could have the effect of bringing former claimants back into entitlement such as may occur if Tax Credits reduced, cannot be quantified and could therefore impact on the financial modelling results shown within the main report.
6. 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 but could skew the results shown and evaluated within the main report.
7. Any deterioration in the prevailing economic climate may result in an increased number of claims for CTS and hence overall scheme expenditure.
8. Any scheme design that protects claimants subject to other welfare reforms could result in more claimants being protected than currently

experienced leading to additional scheme expenditure. Once determined by Full Council, a CTS scheme has to remain in place for the entirety of the subsequent financial year before it can be revised or replaced.

9. The 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. The effects of these have not been incorporated within the financial modelling undertaken.
10. Financial modelling has been undertaken using a tool provided by the Brent Council Benefits software suppliers. Whilst there are some “bugs” within the tool, the effects of these are minimal and allowance has been made for these accordingly within the modelling.
11. Whilst the software provides a general ability to award transitional protection if required, this would have to be manually calculated by the assessor rather than being automatically determined and therefore increases the potential risk of error in the calculation and the assessment timescale.
12. Any significant options to be progressed in relation to changes to the CTS scheme for 2016/17 may require software development. Until the options concerned have been determined, evaluation of any required system functionality can not be tested for compliance.
13. 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 modelled dependent upon the timetable and pace of UC roll-out.
14. The impact of the CTS scheme on costs of Council Tax collection has not been included within the financial modelling as they may be subject to separate contract negotiations with Capita Business Services Ltd, the Council’s contractor for Council Tax collection.
15. Any local scheme changes resulting in increased CTS expenditure could have the effect of reducing overall Council Tax receipts at a time when central government funding is significantly falling. Any increased CTS expenditure in such circumstances, would have to be found from elsewhere.
16. A potential risk from any changes to the CTS scheme may arise in terms of Council Tax collection and hence bad debt provision. Any change to the existing bad debt provision will require a review of the provision allocated for that purpose. Reductions to budgeted collection rates also potentially affect the Council Tax base set which is used to determine the Band D Council Tax level for the Borough.
17. The effects of wider welfare reforms and any CTS scheme changes may result in demographic changes to the Brent population and influence customer decisions concerning where they live and work. This could potentially impact upon 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.

18. Applications for discounts under Section 13A Local Government Finance Act 1992 that permit the Council to provide a discount for particular cases of Council Tax Payer or for classes of Council Tax Payer may increase as a consequence of any CTS scheme changes and the wider welfare reforms and if awarded, will need to be met by the General Fund.
19. The central government review of localised arrangements for CTS provision and the potential for incorporating these within the Universal Credit arrangements in the future may remove the need for local provision. Consequently, any investment made in the scheme at this stage, could potentially be for a limited duration.
20. If additional work is required to model alternative CTS scheme scenarios that will also require public consultation, this could have the effect of reducing the consultation timescale available.
21. The financial modelling takes no account of any future Council Tax increases. It is assumed that if the Council resolves to increase set Council Tax levels, then the resultant increase in CTS expenditure will be met from the increased revenue derived from the Council Tax rise.
22. 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  
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.