

# REPORT FOR: **CABINET**

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<b>Date of Meeting:</b>	13 December 2012
<b>Subject:</b>	Localisation of Council Tax Benefit
<b>Key Decision:</b>	Yes <i>[Decision required on the content of the new Harrow Council Tax Support Scheme]</i>
<b>Responsible Officer:</b>	Julie Alderson, Corporate Director of Resources
<b>Portfolio Holder:</b>	Councillor Sachin Shah, Portfolio Holder for Finance
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	No, as the decision is reserved to Council
<b>Enclosures:</b>	Consultation booklet and survey - Appendix A Telephone Survey (BMG Research) – Appendix B Residents Panel Survey (Quantify) – Appendix C Summary of face to face activity and web/hard copy survey – Appendix D Greater London Authority (GLA) formal response – Appendix E Harrow Association Disabled People (HAD) formal response – Appendix F Harrow Mencap formal response – Appendix G Harrow Local Council Tax Support Scheme – Appendix H Council Tax Support Equality Impact Assessment – Appendix I <i>[The appendices have been circulated to</i>

*Cabinet Members, the Leader and Deputy Leader of the Conservative Group, Chair and Vice-Chairman of O&S Committee and key officer(s) only. A hard copy has been placed in the Members' Library and Group Offices. The document has been published with the agenda and can be viewed on the website.]*

## **Section 1 – Summary and Recommendations**

This report sets out the changes to Council Tax Benefits and Local Authorities new responsibilities for the development and adoption of a localised Council Tax Support Scheme by 31 January 2013 with implementation on 1 April 2013. The report provides members with feedback from the consultation carried out with Harrow residents and stakeholders and shows how the feedback has informed the development of the new Localised Council Tax Support Scheme being put to Members for discussion.

### **Recommendations:**

Cabinet is requested to make the following recommendations to full Council:

1. Agree and adopt the new Harrow Localised Council Tax Support scheme (Appendix H).
2. Agree and adopt the parameter configuration set out in Scheme 1 for the two year period April 2013 to March 2015 as recommended by officers, which fully manages the funding gap.
3. Agree that the scheme will remain in perpetuity after the two year period, with parameters updated as per the scheme rules, unless a policy decision is taken to replace or alter the scheme at annual review.
4. Agree to continue with the existing s13A policy on hardship agreed by Cabinet on the 3/8/2006 and now known as s13A(1)(c).

### **Reason: (For recommendation)**

The Council has carried out a wide consultation to ensure that residents within Harrow were given the opportunity to give their view and help shape the new Council Tax Support Scheme. Feedback from the consultation has informed the recommendations to Cabinet and helped towards identifying the impacts of the changes.

Statutorily the scheme must be agreed by 31 January 2013 to enable the Council to make the required savings of approximately £3.8m for the year 2013/14 and £5.1m the following year 2014/15. If this deadline is not met and a local scheme agreed, the Council will be required to deliver the default Council Tax Support Scheme. This does not allow the authority to manage

the funding gap between the reduced devolved grant given to the Council and the Council Tax Support expected expenditure.

## **Section 2 – Report**

### **Introduction**

- 2.1 In April 2013, Council Tax Benefit will be abolished and help for individuals to pay their Council Tax will be localised. This was announced as part of the 2010 Spending Review, which also committed to reduce UK government expenditure on benefits overall. The review announced that it would localise support for Council Tax from 2013/14, but that it would also reduce expenditure by 10%. In March 2012 the Welfare Reform Bill received Royal Assent and contains provisions for the abolition of Council Tax Benefit (CTB). In October 2012 the Local Government Finance Act became law and includes the framework for localised Council Tax Reduction Schemes which will be known as the Council Tax Support (CTS) Scheme in Harrow.
- 2.2 Local Authorities will receive 90% of the current funding to deliver the new scheme. The funding gap will equate to more than 10% due to potential increase in caseload and Council Tax inflation. Therefore this reduction in funding means the Council must make savings of approximately £3.8m in the first year of operation, 2013/2014 and approximately £5.1m in the following year 2014/2015.
- 2.3 The Council has approximately 88,000 domestic households of which 17,438 are Council Tax Benefit claimants. The Government has concluded that claimants of pension credit age should be protected and the cut in funding should not apply to them. The Government has published draft regulations laying out a prescribed scheme for pensioners, which will ensure they get the same help with their Council Tax as they currently receive.
- 2.4 However, this means that working age claimants will bear the full reduction in grant to cover future Council Tax Support expenditure. Out of the existing 17,438 Council Tax Benefit claimants, 6,404 are pensioners, leaving 11,034 working age claimants to take the full brunt of the reduction in funding.
- 2.5 Local Authorities have been given autonomy to develop schemes that meet the needs of their local area. To enable this activity to be taken forward, the Government provided Local Authorities with a statutory framework that included the following:

- § Local Authorities must have their new schemes agreed by 31<sup>st</sup> January 2013
  - § Financial help with Council Tax will now be seen as a discount and not a benefit
  - § There will be no change to the amount of help claimants who are of pension credit age currently receive
  - § Councils can decide the rules for their new schemes, but should consider the impact on the most vulnerable when designing their schemes
  - § The new scheme should encourage people to work and should not act as a disincentive to working.
- 2.6 Further regulations and guidance have been provided to Local Authorities to support the development of the local schemes.
- 2.7 In line with the Council's vision, these changes are being taken forward in partnership with the community following a major consultation, involving residents, representative groups and other stakeholders. This ensured residents in Harrow were given the opportunity to shape the new localised CTS Scheme. The consultation followed the principles of openness and transparency, as agreed within Harrow's Consultation Code of Practice.
- 2.8 This report contains a summary of the findings from the consultation activity and puts recommendations to Councillors for the localised CTS scheme within Harrow to meet the resources made available from the Government.

### **3. Financial Context**

#### **Current Scheme background**

- 3.1 Council Tax Benefit is an income-related benefit payable to households with low incomes, where they are liable to pay Council Tax on a property in which they are resident. In 2011/12, £19.827m was spent on CTB in Harrow, and as of November 2012, £20.2m has been estimated to be awarded for 2012/13. Currently 17,438 households receive the benefit.
- 3.2 The Department for Work and Pensions (DWP) currently subsidise all Local Authority spend on Council Tax Benefit (CTB) at a rate of 100%.

#### **Funding & Localised Council Tax Support**

- 3.3 In April 2013, Council Tax Benefit will be abolished and help for individuals to pay their Council Tax will be localised and administered through the CTS Scheme.
- 3.4 However the DWP, from 2013/14, will no longer subsidise expenditure and instead, Local Authorities will be given an un-ringfenced grant as part of Formula grant, to cover future CTS expenditure. The grant is based upon previous expenditure on Council Tax Benefits with a cut of 10% but uprated only by the same percentage as formula grant. This means that the Council needs to manage the funding gap by putting in place an appropriate local CTS scheme, which gives out CTS awards only to the level of the budget available. This means that working age claimants will bear the full reduction in grant to cover future CTS expenditure.
- 3.5 Below is a table of the likely funding for 2013/14 and the possible gap regarding CTS, if awards continued as under CTB. At this stage the actual grant has not yet been disclosed to the Council however the estimates used have been provided by the Department for Communities and Local Government (DCLG). The grant settlement is expected in late December 2012.

3.6 Likely Funding 2013/14

2012/13 Financial Year							
Current & expected CTB expenditure as @ 31-03-13	100%	£20,220,000					
Expected DWP Contribution	100%	£20,220,000			No GAP to manage		
Expected GLA Grant		n/a					
2013/14 Financial Year							
Unmanaged Projected CTS expenditure		£21,387,502			Current expenditure updated by 2% CT inflation & 3.7% caseload/CTS expenditure increase		
Expected Grant		£14,073,000					
Expected GLA Grant		£3,670,000			Estimated as per Funding Arrangements Consultation Papers and GLA supplied data		
Less contingency		-£93,000					
Less grant proportion allocated to cover additional council tax recovery costs		-£150,000					
<b>Grant Available to Cover Scheme Exp</b>		<b>£17,500,000</b>			<b>Maximum Awards under Harrow CTS scheme</b>		
<b>Expected GAP</b>		<b>£3,887,502</b>			<b>£14.073m + £3.67m = £17.74m</b>		

\*The above assumes 2% Council Tax increase.

Please note that any expenditure regarding CTS is shared 79.46% Harrow & 20.54% GLA.

3.7 The £14.073m estimated grant for Harrow's scheme is still an estimate, as advised in the consultation papers back in May 2012. If this is less than we have factored in, this will add to the funding gap.

3.8 The funding gap has been calculated as follows;

Using 2012/13 as baseline	2013/14	2014/15
Forecast CTB expenditure based on 2012/13 estimated spend baseline of £20,220,000 plus 2% council tax inflation plus 3.7% case load growth pa (re 2014/15 again CTax increase of 2% & 3.7% caseload increase)	£21,387,502	£22,622,416
Less CTB Grant using 2012/13 consultation estimates – Harrow £14,073,000 GLA £ 3,670,000 Less Contingency £ - 243,000	£17,500,000	£17,500,000
Forecast shortfall	<b>£3,887,502</b>	<b>£5,122,416</b>
<b>Harrow Gap ( @ 79.46%) Including pressure @ 5.7 % Year 1 and 5.7% Year 2</b>	<b>£3,089,009</b>	<b>£4,070,271</b>

3.9 Following wide consultation, officers are now recommending the adoption and implementation of a local CTS scheme that allows Harrow to manage the financial gap. The detail of the consultation process and of the three schemes put forward for consideration are explained later in this report.

3.10 Two of the schemes, Scheme 1 and Scheme 2 manage the funding gap, but the impact will vary for different groups of claimants. Scheme 3 is based on the Local Authority accepting a transitional grant offered for one year only by Central Government. However implementing

Scheme 3 will not allow Harrow to manage the funding gap. The pros and cons of each are articulated later in this report.

3.11 The two schemes that manage the funding gap will cap expenditure so that it does not exceed £17.5m as this is the maximum amount covered by the grant. Schemes 1 and 2 have been designed to be two year schemes, with parameters decided in advance for each of the two years. If expenditure does not increase above the level of the grant the scheme is to stay in place and remain in place until such a time as a policy decision is made to further consult again on further proposed changes. In effect, the local scheme has been designed with a certain amount of future proofing built in; unless external factors demand a fundamental reconfiguration of the parameters, either to lower or increase expenditure. However, there are risks due to assumptions made and the following need to be taken into consideration.

- § Although CTB estimates have been calculated for this year, 2012/13, one complication is that the exact out-turn expenditure data will only be available at 31/3/2013.
- § The forecasts make the assumption that the current Council Tax Benefit will end and be replaced by the proposed CTS scheme, with funding reduced to the level of the estimated DCLG grant and factors in increases for both Council Tax (as set out in the Medium Term Financial Strategy (MTFS)) and for caseload increases (from our best estimates)
- § The forecasts do not take into account how the introduction of Universal Credit may affect the figures. No analysis has been completed on this since it is dependent on the future design of the replacement Universal Credit schemes which is out of our control.
- § The model calculates the proportion of people in receipt of CTB and then projects the proportions forward.
- § The model assumes no disproportionate increase in pensioner claimant numbers even though at 36.8%, pensioner claimants are well below the national average rate of 40.6%. Pensioners are defined as being those aged “above pension credit qualifying age”, this is a moving definition, as the changes to female state pension age continue to roll out.
- § Large increases in the benefit population may not always map through proportionately to CTS, particularly due to the inertia of benefit take-up. However as the benefit will in future be seen as a discount, this again may pose a risk if more claimants come forward. There is some national evidence to suggest that there is significant under claiming in particular groups due to the current system being a benefit, rather than a discount. Within Age UK’s response, in October 2011, to the Government’s consultation on the changes to Council Tax Benefit they state that ‘Council Tax Benefit is the least claimed entitlement provided for older people. Between 36 to 44 per cent of older people entitled to benefit do not receive it’<sup>1</sup>

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<sup>1</sup> Age UK’s response to the consultation Localising Support for council Tax in England October 2011

- § Council Tax Benefit expenditure is usually affected directly or indirectly, by virtually every change to policy on benefits and tax credits as well as the economic climate. It is impossible to forecast these changes - adding additional uncertainty to the estimates.

### **Transitional Support**

- 3.12 To assist the transition process, the DCLG announced in October that an additional £100 million of funding would be made available to councils to help cushion the cuts in support to claimants. The additional grant was to be a one off transitional grant for one year only and dependent on councils setting their local scheme within prescribed parameters as set out by DCLG. Non adherence to these parameters negates an authority's right to claim the grant. Due to the late publication of this grant, the Council was unable to consult on its use or option 3 specifically.
- 3.13 Scheme 3 has been modelled in accordance with the transitional grant prescribed parameters and would allow the Council to claim £380k in transitional grant for year one. However, the financial implications are such that, although the scheme is being put forward as an option later in this report, officers recommendations are that it is rejected. Accepting the grant would mean putting in place a scheme that would only reduce Council Tax Support expenditure in 2013/14 by £1.69m, when the combined amount the Council needs to save (Harrow/GLA) is £3.88m. Taking the grant would therefore, result in the Council still having to cover a funding gap, which the one off grant of £380k for the Council and £98k for the GLA would not bridge in full.

### **3.14 Funding Alternatives considered**

A further alternative considered was to absorb the costs of the scheme and fund the gap from revenue budget. The table below shows the required increases should the Council decide to meet the potential financial gap through Council Tax. These figures exclude the GLA proportion.

<b>Year</b>	<b>CTS expenditure (net of GLA proportion)</b>	<b>Subsidy payment</b>	<b>Harrow funding gap</b>
	£(m)	£(m)	£(m)
2013/14	**£17.07	14.07*	£3.00
2014/15	**£18.07	14.07*	£4.00

\*\* with 3.7% case load increase and 2% council tax inflation for both years (2013/14 & 2014/15)

- 3.15 The funding gap of £3m (£3.88m less GLA share) equates to 3.2% rise in council tax which would take us above the "referendum threshold" or result in further cuts to services. As an alternative the Council could seek to find savings from other service budgets to meet the funding



gap. However, the Council already has significant savings to make due to the reduction in overall grant and other national and local pressures.

- 3.16 It was clear, very early on, that the only viable option was to fully passport the funding gap to the working age claimants. This was because Harrow is an Authority that receives less grant per capita, through the financial settlement, than its neighbouring authorities. Additionally Harrow is also having to manage a difficult funding gap as well as trying to increase its reserves which are currently low compared to the overall expenditure. Therefore the option of covering the gap would entail either an increase in Council Tax or cutting other service budgets which is not recommended as a viable option considering our financial position.

### 3.17 **Council Tax Technical Reforms**

The Greater London Authority (GLA), as part of the consultation, raised the issue of how Harrow intended to take advantage of the technical reforms to existing Council Tax discounts and exemptions, which provides greater flexibility in relation to discounts, exemptions and premiums for second and empty homes.

- 3.18 **SUBJECT TO NOVEMBER CABINET DECISION** Cabinet considered these reforms in November 2012 and it recommended that full Council change and abolish the exemptions, introduce 0% discounts and charge the maximum 150% on properties meeting the definition of long term empty and to charge Council Tax to mortgagees in possession as soon as secondary legislation so allows.

- 3.19 It is expected these changes will raise approximately £1.1m in additional Council Tax, with around £620k expected to be retained by Harrow (after GLA share and allowance for losses). However the recommendation was made based on the overall financial position of the Council and the need to raise additional revenue generally, not specifically to reduce the funding gap created by the abolition of Council Tax Benefit or because of the introduction of CTS with only 90% funding by Government.

- 3.20 The Government has confirmed that use of the new powers to reform existing discounts and exemptions could help alleviate the pressures on the new CTS by partly meeting the funding gap. However, this is not viable in Harrow, as the reforms of discounts and exemptions raises £1.1m while the funding gap left by the reforms to Council Tax Benefit is £3.9m.

- 3.21 **Hardship Relief and Policy re power under s13A(1)(c)**

The Local Government Finance Act 2012 (“the 2012 Act”) also made changes to section 13A of the Local Government Finance Act 1992 (“the 1992 Act”) (a power which was inserted by s76 of the Local Government Act 2003). Whilst the new revised s13A(1)(c) provides for the Local Authority to determine and implement a local Council Tax Reduction Scheme, which is the reason for this report, the 2012 Act also retained the power to remit Council Tax under s13A(1)(c), which is a restatement of the current law; this allows an authority to reduce a person’s Council Tax liability to a lower amount, or to nil.

- 3.22 Under s13A(1)(c), the Council could exercise this power in some instances (e.g. individual hardship, in cases where the taxpayer was not eligible for Council Tax Benefit, where the dwelling was not their sole or main residence), or it may determine classes of cases in which liability is to be reduced (i.e. the equivalent of the Council determining exempt dwellings classes, or reductions in circumstances other than those prescribed in regulations under section 13 of the 1992 Act). This has been done, for example, by some authorities creating an additional exempt class so victims of floods did not have pay Council Tax until the flood damage was repaired and the house made habitable.
- 3.23 On the 3/8/2006, Cabinet already elected that the Council would use s13A, now s13A(1)(c), only in exceptional circumstances and that any use of this power in future would be subject to a Cabinet decision. This was to ensure that the Council’s intentions in relation to s13A of the 1992 Act were explicit.

3.24 **Risks of adopting such a policy**

It is a prescribed requirement that the CTS sets out the procedure by which a person can apply for a reduction under s.13A(1)(c). It is therefore necessary for the Council to review its policy under s.13A(1)(c).

- 3.25 The cost of adopting a policy could potentially be open ended and increase the risk to the collection fund, which would have to bear any cost of reductions agreed to the Council Tax charged to those who might be awarded relief. Any potential loss would however, be shared roughly on a 80/20 ratio with preceptors. By deciding to adhere to the previous decision, in effect the Council determines that it does not think it is appropriate to offer any further reductions outside of the CTS scheme.
- 3.26 There is a risk that by adopting the use of s13A(1)(c) for hardship purposes, the Council would be agreeing a policy, with no detail on the amount of take up.
- 3.27 Whilst it is relevant that members review this area of discretion as part of considering the proposals in this report to introduce CTS, consideration must be given to the fact that budgets are set in advance and to allow people further reductions could potentially place the budget in jeopardy. Adoption of s13A(1)(c) would provide for additional

categories not specifically covered by the CTS, however it is difficult to set clear parameters as to the exceptional circumstances which could be covered. It is therefore difficult to analyse the financial impact of any change of policy.

3.28 It is also worth noting that Harrow is establishing a general “Welfare Assistance Scheme” to support residents suffering from financial hardship due to a variety of reasons including the wider impacts of Welfare Reform. This scheme will be funded from our un-ring fenced allocation of Social Fund grants, discretionary housing allowances and a sum specifically put aside for this purpose and will in effect provide an alternative to the s13A(1)(c) power for hardship purposes. The Scheme will provide support for those who are considered the most destitute in accordance with the policy and relevant criteria (the policy document coming to a future Cabinet for adoption).

### 3.29 **Recommended action regarding s13A(1)(c)**

It is therefore proposed that the Council retains its existing policy regarding s13A(1)(c). This report recommends that the Council continues with its policy that it will only consider exercising its statutory discretion in exceptional circumstances, for the reasons mentioned above as well as;

- § Use of the power would have an adverse financial impact on the Council, as it would reduce the income from Council Tax;
- § A wider entitlement to reduced liability would require considerable administration to assess requests; and
- § The benefits system exists to ensure that those on low incomes receive financial assistance with their Council Tax

3.30 If exceptional circumstances arise, the matter would be referred to Cabinet together with the financial implications of exercising the discretion, and Cabinet would be asked to determine whether that discretion should be exercised.

### 3.31 **Options Considered**

Due to the Councils financial position funding the gap from reserves, cuts in other services or increases in Council Tax were not considered as viable. This is because Harrow has low cash reserves, is already having to consider cuts to some services in order to manage the overall budget funding gap and increasing Council Tax is already scheduled within the MFTS to balance the budget in general. Funding could not therefore be sought from elsewhere within the Council.

3.32 Prior to the consultation, the Steering Group worked closely with the Council to understand the effects of the savings within the scheme that would have to be made to address the funding shortfall. It was agreed

that the consultation would focus on identifying the groups that would be most impacted by the changes, the impact of the changes and seeking views on the ways in which the changes could be made to meet the principles of the scheme design. The questions asked within the consultation followed the principles and are attached with the Consultation Booklet at Appendix A.

- 3.33 The consultation materials included examples of schemes and scenarios showing the impact of the changes on different groups of Council Tax Benefit claimants.
- 3.34 Further to the consultation proposed options were brought to the Steering Group for discussion and to ensure they reflected the feedback from the consultation. Following this meeting the options were modelled further to take account of feedback, changes in expenditure and the grant allocation, and the outcome of the EqIA. The proposed models are included within this report as Schemes 1 and 2.
- 3.35 A further model Scheme 3 is also shown which was designed in response to the announcement by DCLG that transitional funding would be available to individual billing authorities should they introduce a scheme based on specific prescribed parameters. Details of this are set out both in the reports sections 'Transitional Support' and in the scheme itself, Scheme 3. This funding is too low to make the implementation of Scheme 3 a viable option although it is presented in this report for consideration by Members.
- 3.36 Recommendations for the localised Council Tax Support Scheme are included within the body of this report.

## **4. Welfare Reforms**

- 4.1 The Welfare Reform Act 2012 became law in March 2012 and abolished Council Tax Benefit and introduced localised support. This Act makes substantial changes across the Benefits system including the following:
- § Introduction of Universal Credit
  - § Introduction of Personal Independent Payments
  - § Changes to Employment and Support Allowance
  - § Benefits cap
  - § Changes to the Social Fund
  - § Localisation of Council Tax Benefits
  - § Size criteria
  - § Other changes to Housing Benefit
- 4.2 The localisation of Council Tax Benefits cannot be taken forward in isolation of all the above changes and therefore sits as a workstream reporting to the Welfare Reform Project Board.

## **5. Current Scheme background**

- 5.1 Council Tax Benefit is a means tested benefit payable to residents on low incomes where they are liable to pay Council Tax on the property they live in. Council Tax Benefit is administered by the Local Authority on behalf of the Department of Work and Pensions (DWP).
- 5.2 The maximum level of CTB payable is equal to the “eligible Council Tax”. This is essentially the Benefit Claimant’s Council Tax liability (after any discounts, e.g. for single occupancy, have been applied).
- 5.3 People receiving “passported benefits” (Income Support, income-based Jobseeker’s Allowance, income-based Employment and Support Allowance, or the Guarantee Credit element of Pension Credit) are automatically entitled to the full level of CTB. For other claimants, the amount of CTB payable depends upon income. There is a taper of 20% for any income above an “applicable amount”. Income rules are aligned with, or marginally more generous than, those in the “passported benefits”. The structure of personal allowances and premiums making up the “applicable amount” is also aligned with these benefits. Deductions may also be made for any non-dependants because they are expected to contribute towards the Council Tax. An amount is deducted for each non-dependant aged at least 18, based on their gross weekly income, though there are some exceptions to this. The Council Tax payer is responsible for the collection of the contribution from the non-dependants and subsequently to use that money to pay for the residual Council Tax due.
- 5.4 If a person meets the criteria to claim Council Tax Benefit their contribution is paid directly into the Council Tax account and therefore no money is paid directly to the resident.

## **6. Approach to designing a scheme**

- 6.1 At an early stage, it was recognised that the changes to Council Tax Benefits could have an impact on residents living in Harrow. To understand these impacts and ensure residents were given the opportunity to shape the new scheme a partnership driven structure was developed to take the development of the new scheme forward. In February 2012, at the beginning of the process, a multi-agency Steering Group was developed.
- 6.2 The Steering Group has a thirty strong membership, which includes local Councillors, representatives from Precepting Authorities, local voluntary organisations such as Harrow Mencap, MIND in Harrow, Harrow Carers, Age UK, CAB, Harrow Association for people with Disabilities (HAD), Jobcentre Plus, Harrow Equalities Centre, Landlords Association, Harrow Association of Somalie Associations (HASVO), Unions and Harrow Council services. The purpose of the Steering

Group is to ensure the consultation process for the localisation of Council Tax Reduction is effective, inclusive and transparent and to help the Council understand the impacts of any changes.

6.3 The Steering Group have worked closely with the Council in all the following activity to support the development of the scheme:

- § Understanding the make-up of the borough and the existing caseload;
- § Modelling to understand where the savings could be made and what groups of people may be affected;
- § Development of the principles for Harrow's local Council Tax Support Scheme as follows:
  - The scheme design will be developed within the statutory framework
  - The scheme will be developed to meet the resources made available from the Government
  - The scheme will provide support to the most vulnerable groups in Harrow within the funding available
  - The scheme will encourage people into work and will not provide any disincentives to work

§ Development and delivery of the Communications and Consultation Plan, which included a fourteen week consultation held from 11<sup>th</sup> June 2012 to 21<sup>st</sup> September 2012.

6.4 The Steering Group has been involved in understanding the feedback collected throughout the consultation and shaping the changes that are being put to Councillors for recommendation within this report.

6.5 We would also like to publically thank all of the participating Voluntary Organisations for their participation and support throughout this process. They have given endless hours of input to ensure the consultation was inclusive and brought to their clients whose feedback was invaluable in shaping the final scheme design.

## 7. Consultation Duties

7.1 The 2012 Act had not received Royal Assent throughout most of the development of the CTS. The 2012 Act received Royal Assent on 1 November 2012. However, the corresponding Bill confirmed at Schedule 4 the requirements for preparation of the scheme. This included the following:

- a) Consult any major precepting authority which has power to issue a precept to it;
- b) Publish a draft scheme in such manner as it thinks fit; and

c) Consult such other persons as it considers are likely to have an interest in the operations of the scheme.

7.2 Subsection (2) of paragraph 3 of this Schedule confirmed that the fact these requirements were not in force when any of the above steps were taken is to be disregarded in determining whether there had been compliance with the Schedule. This means that the fact that consultation pre-dated the Act receiving Royal Assent does not prevent such consultation meeting the statutory duty.

## 8. **The Communications and Consultation Strategy**

8.1 The Communications and Consultation Strategy has been developed in partnership with the Communications team and the Steering Group. This approach has ensured that the Council complies with its duties in relation to consultation and also validated that all elements of the plan were inclusive, easy to understand, raise awareness of the changes and gave people the opportunity to have their say.

### 8.2 **Awareness Campaign**

The Awareness campaign is continuing to ensure this very complex issue is communicated in plain English, so that all residents will understand the key issues and potential impact, as well as having the opportunity to have their say.

8.3 The campaign utilised the visual identity (branding) which has been developed and used for Council Tax communications, which ensures the residents are able to identify that the changes relate to Council Tax services. The campaign has included a range of activity, raising awareness of the changes and the consultation which has included adverts, editorials, briefings, posters, targeted letters and interactive web pages on Harrow Council's website.

8.4 The Awareness Campaign will continue post consultation to make sure residents are aware of the decision making process, how their views have shaped the Council Tax Support Scheme, why the changes have been made and what the changes will mean for individual claimants.

### 8.5 **Consultation Plan**

The consultation strategy was developed to ensure the consultation was inclusive giving the opportunity for all residents within the borough to give their views on the design of the new scheme. The consultation focussed on identifying whether and why any groups of people within Harrow would be adversely affected by the changes and to gain feedback on the principles that could be used to make the savings within the design of the new scheme.

8.6 The principles on which the consultation was based were developed in partnership with the Steering Group and authorised via an urgent

special report of the Portfolio Holder for Finance dated 28<sup>th</sup> May, 2012, ref 001/12.

8.7 The consultation included both quantitative and qualitative activity. The quantitative activity included a telephone survey, postal survey carried out with the Residents Panel and the responses received from the survey included within the Consultation booklet and replies on the web. This feedback helped the Council to get a response from a representative sample of the community as well as providing quality assurance for the qualitative element of the consultation. The qualitative activity included face to face activity in the form of Roadshows, 'Go to' days, events, discussion groups and workshops. This activity helped us to explain the proposals in detail to people who may not respond to consultations in other formats and to get in depth feedback that will provide support on identifying groups in the community that will be most affected by the changes and gives an opportunity to raise awareness.

8.8 All of the consultation materials were designed in partnership with the Steering Group and an 'easy read' version of the Consultation Booklet was developed by Harrow Mencap.

8.9 **Consultation Activity**

A formal consultation was carried out with the Precepting Authorities as required in statute. Formal feedback was received from the GLA and a summary is included within the Consultation Feedback Section of this report.

8.10 The public consultation was carried out from 11<sup>th</sup> June 2012 to 21<sup>st</sup> September 2012. The Steering Group played a key role in shaping the consultation approach and activity and participated and delivered workshops and other events which helped ensure the consultation reached as many of the residents as possible. Because of their support and their ideas Harrow had a particular high response rate to the consultation compared to other authorities. The Steering Group met throughout the consultation and continued to identify gaps and help develop additional strategies to reach more residents.

8.11 The following activity was held

<b>Consultation Activity</b>	<b>Response rate</b>
Telephone interviews	1010 Residents 310 Council Tax Benefit recipients
Written survey to Harrow Council's Residents Panel	616 responses (55%)
Dedicated consultation web pages	4086 hits on cover page 152 surveys completed on line
Consultation booklet and survey distributed widely with opportunity for comment through	346 forms returned 52 telephone responses 16 emails



Consultation Activity	Response rate
freepost/telephone/email and web	
Face to face activity includes Roadshows/'Go to' days/events/community group meetings/workshops and discussion groups	71 different types of face to face activity held – over 4000 people spoken to
Twitter	1658 followers
Facebook	250 followers and updates reach 350 users

### 8.12 Consultation Feedback

The feedback to the proposals for change was collected and shared with the Steering Group. The Steering Group discussed the feedback, impacts of the changes and proposed local Council Tax Schemes. The full reports from the Telephone Survey and Residents Panel Survey are attached at [Appendix B and C](#) respectively and a summary of the face to face activity and web/hard copy survey is attached at [Appendix D](#) in power point format.

8.13 A summary of the feedback is included below:

The groups of people that were identified through the consultation feedback as most likely to be highly impacted by the changes and the reasons why are as follows:

Groups identified as highly impacted by the changes	Reasons given why the groups are affected:
Household that includes somebody who has a disability/people with a disability	<ul style="list-style-type: none"> <li>§ Disproportionately affected by the Welfare Reform Act due to multiple impacts</li> <li>§ More likely to be disadvantaged in being able to access jobs due to disability/employer prejudice/accessibility/access to work schemes</li> </ul>
Lone parents	<ul style="list-style-type: none"> <li>§ May not have other support available/no other income to rely on</li> <li>§ Costs associated with bringing up children</li> <li>§ Limited employment opportunities</li> </ul>
Large families	<ul style="list-style-type: none"> <li>§ Disproportionately affected by the Welfare Reform Act due to multiple impacts</li> <li>§ Not necessarily under occupying, therefore cannot move to smaller/cheaper accommodation</li> </ul>
Carers	<ul style="list-style-type: none"> <li>§ Save the Government thousands and earn nothing</li> <li>§ Unlikely to be able to access full time work in order to better their outcomes</li> <li>§ If the Second Adult Rebate is withdrawn they might have to pay 25% extra costs</li> </ul>

8.14 The common themes that arose throughout the consultation in relation to the proposals for change were as follows:

8.15 **People didn't want the following to be taken forward:**

- Work incentives to be taken away in relation to support when people start work
- Disability Living Allowance to be included as income
- Capital threshold to be lowered below £16,000

8.15.1 **People had mixed views about the following proposals for change:**

- Limiting the amount of benefit somebody can receive dependant on the value of their house
- Extra benefit being given for people who increase the number of hours they work
- Expecting those who could work to pay more towards their Council Tax than those who can't work
- Using Child Benefit as income
- Ending Second Adult Rebate

8.15.2 **People agreed with the following proposals:**

- Increasing the contributions from other adults in the household
- Developing a Hardship Fund

**Response:** *The Council has listened to the outcome of the consultation and incorporated feedback into the development of the schemes.*

8.15.3 General comments from the consultation have been brought together and developed into themes and an overall summary of these themes are:

- § Savings should be made from elsewhere, either nationally by making savings from banks, corporate businesses paying their tax, and higher tax payers or locally, by finding the savings from other services

**Response:** *Unfortunately the Council is unable to influence the national picture. However in relation to the local picture and as stated earlier in this report, the Council has some difficult financial decisions to make to meet the reduction in funding in other areas. The Council has therefore made a decision to recover the shortfall in funding from the Council Tax Support Scheme rather than cut services further.*

8.15.4 Many people raised concern that in the current climate they are unable to access job opportunities and work programmes

**Response:** *The Council currently runs employment programmes under the Xcite brand. This includes construction training, a graduate*

*placement scheme, a programme for people wishing to become self-employed as Market Traders and work clubs for all residents. Xcite has organised a number of Job Fairs with local employers providing opportunities for local recruitment. However funding for all but construction training is due to end in March 2013. Between April and September 2012 Xcite has supported 90 people back into work.*

*The Council work closely with Jobcentre Plus who also provide work programmes.*

- 8.15.5 There were concerns raised regarding the health impacts for people affected by these changes i.e. stress due to low income

**Response:** *It has been recognised that there could be impacts on health as a result of these changes. The Council is working closely with NHS Harrow to minimise these impacts. A Health Impact Assessment has been developed and is attached to this report.*

- 8.15.6 Issues relating to the economy which included the high prices currently being charged in supermarkets and petrol stations v low incomes people are currently earning

**Response:** *As stated earlier in this report the Council is considering establishing a general "Welfare Assistance Scheme" to support residents suffering from financial hardship due to a variety of reasons including the wider impacts of Welfare Reform. This scheme will be funded from our un-ring fenced allocation of Social Fund grants, discretionary housing allowances and a sum specifically put aside for this purpose and will in effect provide an alternative to the s13A(1)(c) power for hardship purposes. The Scheme will provide support for those who are considered the most destitute in accordance with the policy and relevant criteria (the policy document coming to a future Cabinet for adoption).*

- 8.15.7 During the consultation activity many ideas were put forward to help the Council ensure the consultation was inclusive which the Council took on board where possible. There were also many positive comments relating to the consultation

**Response:** *These comments have been recorded and will be taken into account when conducting future consultation activities.*

- 8.15.8 **Issues regarding fraud were raised in relation to all services.**

**Response:** *The Council has a Corporate Anti-Fraud Team (CAFT) who are working to reduce/eliminate fraud throughout the Council.*

- 8.16 Formal feedback from the consultation was also received from the Greater London Authority, Harrow Association of Disabled People (HAD) and Harrow Mencap.

## 8.17 Greater London Authority

The full response from the Greater London Authority is attached at Appendix E. The response included the following points:

- § GLA complimented Harrow on the extensive consultation which it has undertaken;
- § Concern raised regarding awareness of working age claimants and therefore risk to collection rates;
- § Local Authorities are asked to consider, before finalising their local schemes, the challenges which they will face in collecting relatively small sums of money from claimants on low incomes;
- § Local Authorities are asked to consider how the technical reforms to Council Tax are taken advantage of to reduce the impact of the funding shortfall
- § Key priority for the scheme is to ensure that it does not disincentivise people in work or moving into work and therefore should consider whether proposals put forward in the consultation could potentially disincentivise working claimants.

8.17.1 **Response:** *The concern about collection rates is dealt with in the Risk Management Section of this report. The Council has considered the use of technical reform of Council Tax and this is dealt with earlier in this report and below.*

8.17.2 *The GLA, as part of the consultation, raised the issue of how Harrow intended to take advantage of the technical reforms to council tax set out in clauses 9 – 13 of the Local Government Finance Bill, now clauses 11 to 13 of the Local Government Finance Act 2012, which provides greater flexibility in relation to discounts, exemptions and premiums for second and empty homes.*

8.17.3 *In this respect Harrow has elected to abolish exemptions, introduce zero % discounts and to charge the maximum 150% on properties meeting the definition of long term empty and to charge Council Tax to mortgagees in possession as soon as secondary legislation so allows.*

8.17.4 *It is expected these changes will raise approximately £620k in additional Council Tax for Harrow. However the decision taken at Cabinet on the 22/11/2012 to effect the above, was taken based on the overall financial position of the Council and the need to raise additional revenue generally, not specifically to reduce the funding gap created by the abolition of Council Tax Benefit or because of the introduction of CTS with only 90% funding by Government. However investing this additional money in services generally will also support the vulnerable albeit in a different way.*

8.17.5 *We have continued to ensure work incentives exist within the scheme.*

## 8.18 Harrow Association of Disabled People (HAD)

The full response from HAD is attached at Appendix F. The response included the following points:

- § Concerns that disabled people will be disproportionately affected by having to pay more Council Tax because of the cumulative effect of other financial decisions such as changes to work related benefits (with higher likelihood that disabled people will be unable to work through both illness and many existing barriers faced by disabled people accessing work), having to contribute to care costs, loss of concessionary travel and potential loss of Disability Living Allowance (DLA) through the new PIP scheme
- § There would be mixed views from disabled people about whether Child Benefit should be included as income however most people recognise it is additional income and therefore reasonable to treat it as such
- § DLA is specifically provided to cover the extra costs of the disability and should not be treated as income
- § In significant number of cases the Council would be no better off as the financial re-assessment would simply be moving the person's financial responsibility between paying for care costs and Council Tax
- § HAD's view is that disabled people need to be protected from losing Council Tax Benefit

**8.18.1 Response:** *the views from HAD has been considered in the Council's EqIA and mitigating measures have been considered. As a result of the feedback all proposed Schemes do not include DLA as income and Scheme 1 also reduces the liability cap for people with disabilities who meet the criteria. Whilst the response regarding Child Benefit was mixed throughout the consultation activity adverse impacts were identified for families with children. Therefore the proposed schemes continue to disregard Child Benefit as income.*

## 8.20 Harrow Mencap

Harrow Mencap's feedback was based on day to day contact with people with learning disabilities, their families and their carers and a focus group held on 5<sup>th</sup> September attended by individuals with a learning disability, families and carers. The Consultation Team attended the focus group on the 5<sup>th</sup> September and the feedback from this meeting has been incorporated in to the feedback from all face to face activity. The full response is attached at [Appendix G](#) and is summarised as follows:

- § Concerns raised that disabled people require support because they are more likely to live in poverty than other citizens and are amongst the most disadvantaged groups in the UK.
- § Disabled people have unequal access to education and employment and higher costs through having to pay for support for disability

- § Millions of disabled people also rely on financial and other support from the state to help meet basic needs and the extra living costs associated with a health condition/impairment
- § Disabled peoples finances are likely to reduce further because of cumulative impacts i.e. changes to Disability Living Allowance and Employment Support Allowance
- § Cumulative impacts of all the changes of the Welfare Reforms.
- § The group gave their overall opinion to the questions asked in the consultation and felt strongly about the following:
  - DLA should not be included as income when assessing a claimants income for Council Tax Benefit;
  - Charges should not be made to other adults living in the household as it would disproportionately affect disabled people their families and carers as disabled adults are likely to be living in the family home for longer due to the lack of appropriate housing and care support;
  - People getting extra help when starting work to avoid discentivising people starting work
- § The group stated that disabled people would be disproportionately affected and stated that two further groups should be protected
  - Employment Support Allowance (main phase) claimants; and
  - Carers

8.21 **Response:** *The responses from Harrow Mencap have been considered in the Council's EqIA and mitigating measures considered. As a result of the feedback all proposed Schemes do not include DLA as income and Scheme 1 also reduces the liability cap for people with disabilities. The Council's schemes also considered non-dependant deductions but unfortunately these could not remain at current levels as expenditure had to stay within the grant limits.*

8.22 The impacts raised throughout the consultation have been brought together and incorporated into the Equality Impact Assessment and subsequently the development of the proposals for the new scheme.

## 9. Local Council Tax Support Scheme Proposals

9.1 There are many different Council Tax rules that can affect the amount of Council Tax Support a claimant receives. These rules form the basis of the Council Tax Support scheme. Below are the main rules, in their current form, that are being changed in the local Council Tax Support scheme:

9.1.1 **Council Tax Liability Cap** – within the current scheme people on the lowest incomes are able to receive Council Tax Benefit calculated using 100% of their Council Tax liability

9.1.2 **Taper** – If a person has more money coming in than the minimum the law says they need to live on, it would mean for every £1 over the

minimum, they would be expected to pay 20p towards their Council Tax.

- 9.1.3 **Non-dependant deductions** – A non-dependant is someone who is over 18, normally lives in the liable persons home, is not their partner, or liable for the Council Tax and doesn't pay rent. The Council Tax payer's benefit assessment will consider whether the non-dependant is working and if they are working their gross weekly income. A sliding scale of deduction is then introduced, which is currently between a minimum of nil and a maximum of £9.90.
- 9.1.4 **Income from Capital** – Includes cash, money in current accounts, savings and all other accounts held with a bank, Building Society or the Post Office, premium bonds, National Savings Certificates, stocks and shares, property and any other savings or investments. For persons of working age currently for every £250.00, or part of £250, a person has in capital over £6000.00; £1 per week is added to their income figure.
- 9.1.5 **Second Adult Rebate** - This is awarded to customers who are the only person liable to pay Council Tax whose income or capital is above the level at which they would qualify for support but have other adults living with them, all of whom are on a low income.
- 9.1.6 **Minimum weekly payment** - This is the minimum amount of weekly benefit that can be awarded which is currently 1p.
- 9.1.7 **Backdating** – Currently claims can be backdated by 6 months if good cause is shown.
- 9.1.8 **Self-employed income** – Currently income from self-employment is calculated using the business' actual income and expenditure.
- 9.1.9 **Underlying entitlement** – Overpayments are currently calculated using the amount of benefit that would have been awarded if the authority had known the true facts at the time of calculation.
- 9.1.10 **Diminishing capital** – This currently applies where a recoverable overpayment has been created because capital is not being declared. It reflects the fact that the claimant's capital may have been used if less Council Tax Benefit had been awarded in the first place.
- 9.1.11 The policy document that provides the local framework for the CTS is based on changes to the above rules and is attached at [Appendix H](#).

## 9.2 **Proposed Schemes**

Three proposed schemes have been developed and are included within this report. Scheme 1 and Scheme 2 have been shaped by feedback from the consultation and meet the required level of savings. Scheme 3 does not make the required savings, however, meets the Government's criteria to be able to access transitional support grant.

9.3 As stated in the consultation feedback section of this report, feedback from the consultation activity highlighted people with disabilities as the group that would be most impacted by the changes and following this group, lone parents, families with children and carers. These groups of people have been brought together under the following headings to show how the scheme has been shaped by listening to the feedback. Having taken into consideration the Armed Forces Covenant War Pensioners and War Widows have also been added.

**Group A** – is a household where the customer, a partner or a dependant child is physically or mentally disabled and receives one of the following:

- ☐ Disability Living Allowance (any component)
- ☐ Employment Support Allowance (Support group)
- ☐ Incapacity Benefit
- ☐ Mobility Supplement
- ☐ Severe Disablement Allowance

People who are registered blind or registered partially sighted, people who live in a property which has been granted a disabled band deduction or anyone who receives War Disablement Pension or War Widows Pension

**Group B** – Lone parents/families with children/carers\* who do not fall into Group A

\*Carers that do not fall into Group A however fall into Group B are people who receive Carers Allowance for caring for someone other than their resident partner or resident dependent child.

**Group C** – Anybody that doesn't fall into Group A or B

9.4 Tables 1, 2 and 3 give an overview of the three proposed schemes showing, expenditure and savings, changes within the scheme, benefits and impacts over the two year period – Year 1 2013/14 and Year 2 2014/15.

<b>TABLE 1</b>			
<b>Model Scheme 1 (2013/2014)</b> 2% Council Tax increase 3.7% caseload increase		<b>Model Scheme 1 (2014/15)</b> 2% Council Tax increase in 2013/14 2% Council Tax increase in 2014/15 3.7% caseload increase	
<b>Available DCLG Grant</b>	<b>£17,500,000.00</b>	<b>Proposed DCLG Grant</b>	<b>£17,500,000.00</b>
<b>Total expected spend through scheme</b>	<b>£17,480,669.31</b>	<b>Total expected spend</b>	<b>£17,493,976.97</b>



Projected expenditure (unmanaged)	£21,372,540.00	Projected expenditure	£22,590,774.00
Expected saving via localised scheme	£3,891,870.69	Potential saving	£5,096,797.03
Band	Expected spend - Council Tax Band	Band	Expected spend – Council Tax Band
A	£134,981.12	A	£136,247.55
B	£1,307,274.72	B	£1,328,496.36
C	£5,479,012.42	C	£5,455,459.32
D	£5,946,883.38	D	£5,923,026.35
E	£3,535,881.73	E	£3,559,062.72
F	£831,646.33	F	£840,018.34
G	£237,832.33	G	£244,331.53
H	£7,157.28	H	£7,334.80
<ul style="list-style-type: none"> <li>§ 90% liability cap for Group A</li> <li>§ 77.5% liability cap for Groups B and C</li> <li>§ Doubled existing non-dependant deductions</li> <li>§ Minimum non-dependant deductions for non-dependants receiving passported benefits and/or contribution based employment and support allowance</li> <li>§ 30% taper</li> <li>§ £2 minimum weekly Council Tax Support</li> <li>§ Removed Second Adult Rebate</li> <li>§ Removed income from capital</li> </ul>		<ul style="list-style-type: none"> <li>§ 86% liability cap for Group A</li> <li>§ 70% liability cap for Groups B and C</li> <li>§ Doubled existing non-dependant deductions</li> <li>§ Minimum non-dependant deductions for non-dependants receiving passported benefits and/or contribution based employment and support allowance</li> <li>§ 30% taper</li> <li>§ £2 minimum weekly Council Tax Support</li> <li>§ Removed Second Adult Rebate</li> <li>§ Removed income from capital</li> </ul>	
<b>Benefits of the Scheme</b>			
<ul style="list-style-type: none"> <li>- Council Tax Support assessed on 90% (year 1) and 86% (year 2), of the Council Tax liability for Group A instead of 77.5% (year 1) and 70% (year 2) for Groups B and C</li> <li>- Needs allowances will continue to be built into the scheme to take into account disability, age and household composition</li> <li>- For people who are working, the scheme continues to include earning disregards based on circumstances and additional hours disregards, as well as the 4 week benefit in place for</li> </ul>			

people returning to work

- The scheme will no longer take into account any income earned from capital
- Child Benefit and Child Maintenance will not be taken into account when an assessment of income is undertaken
- Disability Living Allowance will not be taken into account when assessment of income is undertaken
- There will continue to be no non-dependant deductions if the claimant is receiving care component of Disability Living Allowance
- There will continue to be a minimum deduction of £3.30 if the non-dependant is receiving Employment Support Allowance (ESA) contribution based
- There will continue to be no non-dependant deduction for non-dependants who are full time students

### **Impacts of the Scheme**

- These proposals will impact all 10,882 working age claimants, as they will be required to pay more, or something, towards their Council Tax Bill in the future.
- 66% of Council Tax Benefit claimants currently receive 100% Council Tax Benefit and are on the lowest income. For the first time all these claimants will have to pay at least 22% of the full Council Tax charge, or 10% for people with disabilities and in Group A, in the first year 2013/14 and 30% and 14% for people with disabilities who fall in Group A in the second year 2014/15.
- Non-dependants who are not receiving a passported benefit or Employment Support Allowance (ESA) contribution based will have to contribute double their current amount towards the Council Tax bill for the household. The new amount payable is dependant on income and will range between £6.60 and £19.80 (currently £3.30 to £9.90).
- Non-dependants who are receiving a passported benefit or ESA contribution based will be required to make a minimum payment of £3.30, currently nil for those receiving a passported benefit and £3.30 for those receiving ESA contribution based.
- People who have more income than the law states they need to live on will have their weekly Council Tax Support reduced by 30p in the £1 rather than 20p in the £1 as currently takes place.
- Introducing a cap on the minimum amount of benefit a person can receive to £2 a week
- Removing Second Adult Rebate will affect 0.7% of current Council Tax Benefit claimants.

### **TABLE 2**

<b>Model Scheme 2 (2013/2014)</b> 2% Council Tax increase 3.7% caseload increase (year on year)		<b>Model Scheme 2 (2014/15)</b> 2% Council Tax increase in 2013/14 2% Council Tax increase in 2014/15 3.7% caseload increase	
<b>Available DCLG Grant</b>	<b>£17,500,000.10</b>	<b>Proposed DCLG Grant</b>	<b>£17,500,000.00</b>
<b>Total expected spend through scheme</b>	<b>£17,462,079.30</b>	<b>Total expected spend</b>	<b>£17,454,911.65</b>
<b>Projected expenditure (unmanaged)</b>	<b>£21,372,540.00</b>	<b>Projected expenditure</b>	<b>£22,590,774.00</b>
<b>Expected saving via localised scheme</b>	<b>£3,910,460.70</b>	<b>Potential saving</b>	<b>£5,135,862.35</b>
<b>Band</b>	<b>Expected spend - Council Tax Band</b>	<b>Band</b>	<b>Expected spend – Council Tax Band</b>
A	£134,141.60	A	£135,058.01
B	£1,292,064.77	B	£1,307,532.76
C	£5,467,792.06	C	£5,436,430.27
D	£5,953,170.92	D	£5,924,535.79
E	£3,540,993.15	E	£3,564,079.21
F	£828,245.64	F	£834,749.51
G	£238,450.19	G	£245,107.22
H	£7,220.97	H	£7,418.89
§ 79.5% liability cap for all claimants (Groups A, B and C)		§ 72.5% liability cap for all claimants (Groups A, B and C)	
§ Doubled non-dependant deductions		§ Doubled non-dependant deductions	
§ Minimum non-dependant deductions for non-dependants receiving passported benefits and/or contribution based employment and support allowance		§ Minimum non-dependant deductions for non-dependants receiving passported benefits and/or contribution based employment and support allowance	
§ 30% taper		§ 30% taper	
§ £2 minimum weekly Council Tax Support		§ £2 minimum weekly Council Tax Support	
§ Removed Second Adult Rebate		§ Removed Second Adult Rebate	
§ Removed income from capital		§ Removed income from capital	
<b>Benefits of the Scheme</b>			
In relation to the proposals for change that were taken to the consultation:			
- Needs allowances will continue to be built into the scheme to take into account disability, age			

and household composition

- For people who are working, the Scheme continues to include earning disregards based on circumstances and additional hours disregards, as well as the 4 week benefit in place for people returning to work
- The scheme will no longer take into account any income earned from capital
- Child Benefit and Child Maintenance will not be taken into account when an assessment of income is undertaken
- Disability Living Allowance will not be taken into account when assessment of income is undertaken
- There will continue to be no non-dependant deductions if the claimant receives care component of Disability Living Allowance
- There will continue to be a minimum deduction of £3.30 if the non-dependant is receiving Employment Support Allowance (ESA) contribution based
- There will continue to be no non-dependant deduction for non-dependants who are full time students

### **Impacts of the Scheme**

- These proposals will impact all 10,882 working age claimants as they will be required to pay more or something towards their Council Tax Bill in the future.
- 66% of Council Tax Benefit claimants currently receive 100% Council Tax Benefit and are on the lowest income. For the first time all of these claimants will have to pay at least 20.5% of their full Council Tax charge in the first year 2013/14 and 27.5% in the second year 2014/15.
- Non-dependants who are not receiving a passported benefit or Employment Support Allowance (ESA) contribution based will have to contribute double their current amount towards the Council Tax bill for the household. The amount payable is dependant on income and will range between £6.60 and £19.80 (currently £3.30 to £9.90).
- Non- dependants who are receiving a passported benefit or ESA contribution based will be required to make a minimum payment of £3.30, currently nil for those receiving a passported benefit and £3.30 for those receiving ESA contribution based.
- People who have more income than the law states they need to live on will have their weekly Council Tax Support reduced by 30p in the £1 rather than 20p in the £1 as currently takes place.
- Introducing a cap on the minimum amount of benefit a person can receive to £2 a week
- Removing Second Adult Rebate will affect 0.7% of current Council Tax Benefit claimants.

<b>TABLE 3</b>			
<b>Model Scheme 3 (2013/2014)</b> 2% Council Tax increase in 2013/14 3.7% caseload increase (year on year)		<b>Model Scheme 3 (2014/15)</b> 2% Council Tax increase in 2013/14 2% Council Tax increase in 2014/15 3.7% caseload increase	
<b>Available DCLG Grant</b>	<b>£17,500,000.00</b>	<b>Proposed DCLG Grant</b>	<b>£17,500,000.00</b>
<b>Total expected spend through scheme</b>	<b>£19,696,400.96</b>	<b>Total expected spend</b>	<b>£20,819,087.55</b>
<b>Amount in excess of proposed DCLG Grant (overspend)</b>	<b>£2,196,400.96</b>	<b>Amount in excess of proposed DCLG Grant (overspend)</b>	<b>£3,319,087.55</b>
<b>Band</b>	<b>Expected spend - Council Tax Band</b>	<b>Band</b>	<b>Expected spend – Council Tax Band</b>
A	£145,736.78	A	£153,754.41
B	£1,395,950.27	B	£1,473,192.37
C	£6,178,208.51	C	£6,527,778.70
D	£6,816,914.63	D	£7,209,477.12
E	£3,976,123.54	E	£4,204,012.12
F	£919,740.37	F	£972,102.09
G	£255,672.45	G	£270,247.03
H	£8,054.43	H	£8,523.73
§ 91.5% liability cap for Groups A, B and C		§ 91.5% liability cap for Groups A, B and C	
§ Non-dependant deductions increased by 15%		§ Non-dependant deductions increased by 15%	
§ No non-dependant deductions for non-dependants receiving passported benefits		§ No non-dependant deductions for non-dependants receiving passported benefits	
§ 25% taper		§ 25% taper	
§ £2 minimum weekly Council Tax Support		§ £2 minimum weekly Council Tax Support	
§ Removed Second Adult Rebate		§ Removed Second Adult Rebate	
§ Removed income from capital		§ Removed income from capital	
<b>Benefits of the Scheme</b>			
In relation to the proposals for change that were taken to the consultation:			
- Needs allowances will continue to be built into the scheme to take into account disability, age and household composition			

- For people who are working, the Scheme continues to include earning disregards based on circumstances and additional hours disregards, as well as the 4 week benefit in place for people returning to work
- The scheme will no longer take into account any income earned from capital
- Child Benefit and Child Maintenance will not be taken into account when an assessment of income is undertaken
- Disability Living Allowance will not be taken into account when assessment of income is undertaken
- There will continue to be no non-dependant deductions if the non-dependant is receiving a passported benefit.
- There will continue to be a minimum deduction of £3.30 if the non-dependant is receiving Employment Support Allowance (ESA) contribution based.
- There will continue to be no non-dependant deductions if the claimant receives care component of Disability Living Allowance
- There will continue to be no non-dependant deduction for non-dependants who are full time students

### **Impacts of the Scheme**

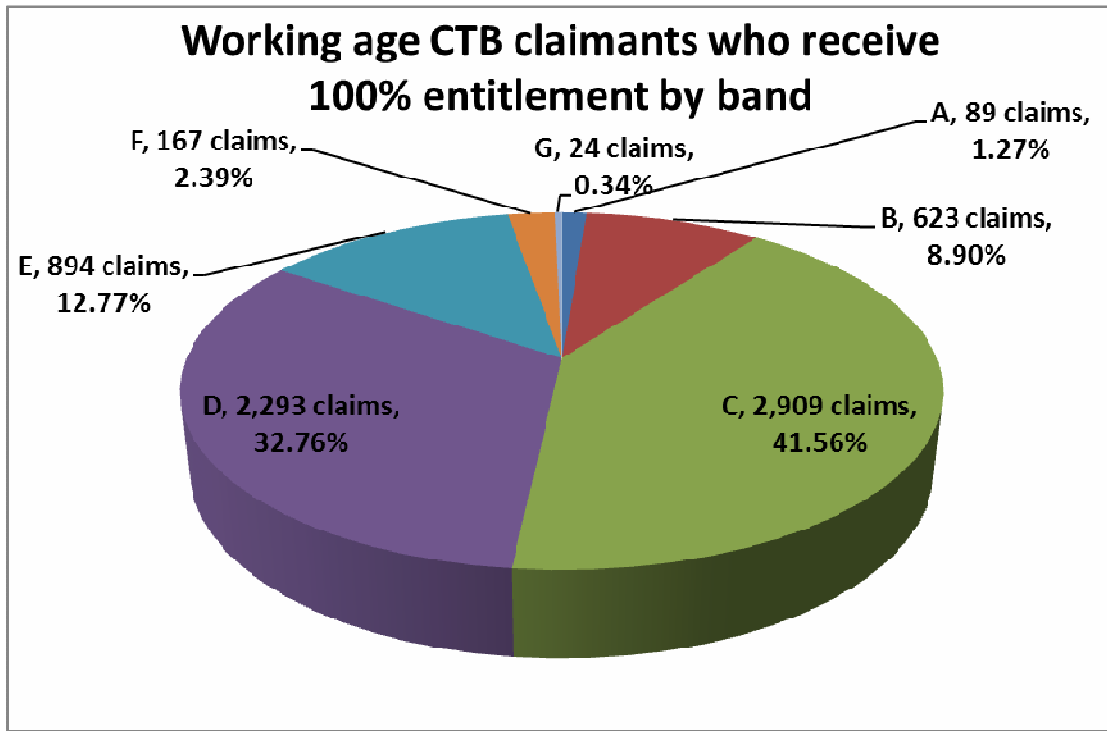
- These proposals will impact all 10,882 working age claimants as they will be required to pay more or something towards their Council Tax Bill in the future.
- 66% of Council Tax Benefit claimants currently receive 100% Council Tax Benefit and are on the lowest income. All of whom will have to pay at least 8.5% of their full Council Tax charge in the first year 2013/14 and 8.5% in the second year 2014/15.
- Non- dependants who are not receiving a passported benefit or Employment Support Allowance (ESA) contribution based will have to contribute 15% more towards the Council Tax bill for the household.
- People who have more income than the law states they need to live on will have their weekly Council Tax Support reduced by 25p in the £1 rather than 20p in the £1 as currently takes place.
- Introducing a cap on the minimum amount of benefit a person can receive to £2 a week
- Removing Second Adult Rebate will affect 0.7% of current Council Tax Benefit claimants.

## **9.5 Recommended Scheme**

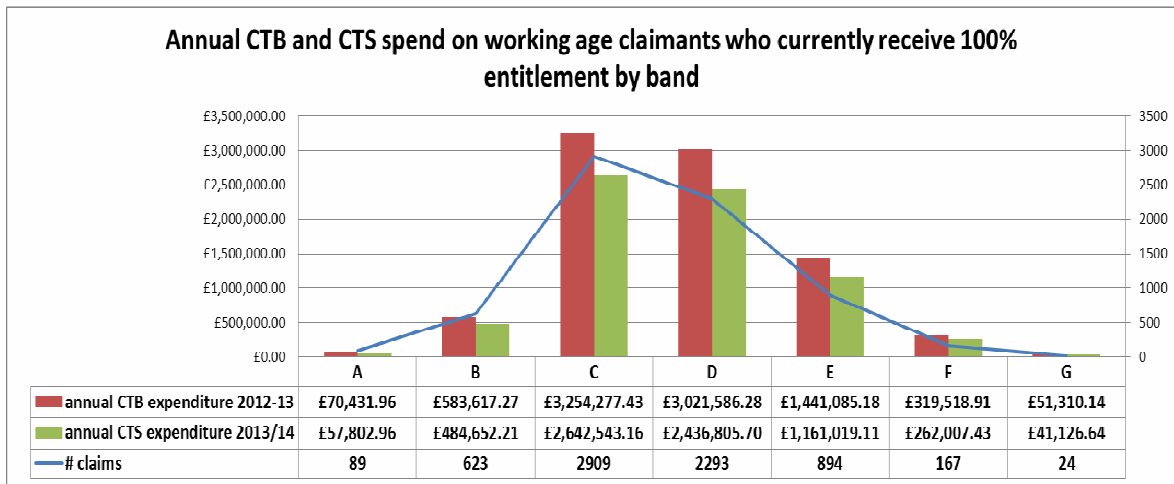
Officers are recommending that Members agree to Scheme 1 being implemented as the Council Tax Support Scheme for Harrow. This scheme reflects the outcome of the consultation to the greatest extent and can be implemented within the resources made available by the Government for Council Tax Support.

- 9.6 The majority of respondents to the consultation highlighted people with disabilities as the most impacted by the changes. Within this scheme, this group (Group A who meet the criteria) will have a lower increase than all other groups. This scheme also continues to disregard DLA (and in future Personal Independent payments PIPs) and retains disability premiums, therefore offers further support to people with disabilities who fall within the required category.
- 9.7 This scheme also provides support to other groups identified as highly impacted by the changes i.e. lone parents, large families and carers, by continuing to disregard Child Benefit and Child Maintenance when assessing for income. For example the scheme continues to include higher needs allowances for families with children and people receiving carers allowance.
- 9.8 The recommended scheme, whilst not supporting all carers, will however ensure that all those carers who fall into Category A by virtue of being the carer of a partner or dependent child who lives with them and for whom they receive Carers Allowance will benefit from the lower liability cap in this scheme.
- 9.9 Specific impacts of the recommended scheme

It is worth mentioning that on current working age claimants who are receiving 100% Council Tax Benefit in the financial year 2012/13 will be impacted by an average of £5.03 per week or £21.79 per month financially. The following illustrations detail the numbers of working age claimants and the approximate financial amount they will be affected by with effect from 1<sup>st</sup> April, 2013.

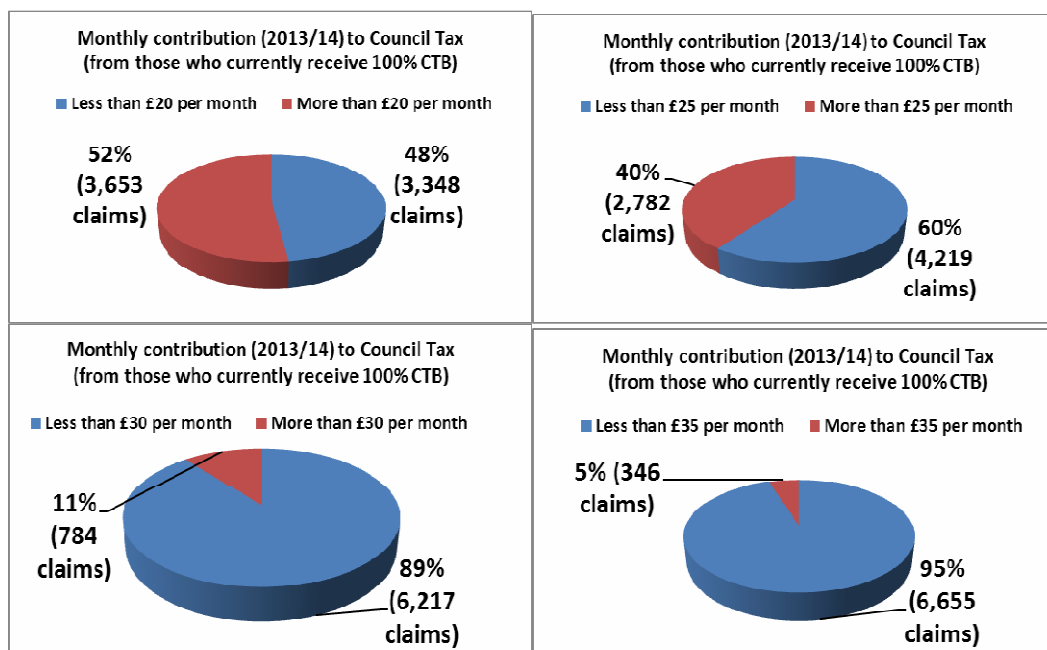


9.10 The diagram below shows the total number of claimants per Council Tax band and the expenditure that is expected in 2013/14 per band.





9.11 The following diagrams apportion the claimants within range of losses therefore illustrating the monetary impact on households.



## 10. Legal Implications

Section 33 of the Welfare Reform Act 2012 abolishes Council Tax Benefit and any replacement scheme is excluded from the scope of the Universal Credit system set up by Section 1 of that Act. The Local Government Finance Act 2012 (“the 2012 Act”) amends the Local Government Finance Act 1992 (“the 1992 Act”) to make provision for the localisation of Council Tax Support.

### 10.1 Council Tax Reduction Scheme

The 2012 Act amends the 1992 Act by adding a new section 13A to state that Council Tax will be reduced to the extent set out in an authority’s Council Tax reduction scheme and to such further extent as the authority sees fit (new s13A(1)(c) replicating the existing provision for authorities to adopt specified additional classes). Local authorities must make a Council Tax Reduction scheme setting out the reductions which are to apply in its area by persons or persons in classes consisting of persons whom the authority considers to be in financial need. The scheme must be agreed no later than 31 January 2013, to take effect for the financial year commencing 1 April 2013. The 2012 Act amends the 1992 Act to make approval of the scheme a function of full Council. Failure to adopt a scheme by 31 January 2013 will result in the default scheme taking effect.

- 10.2 Schedule 4 of the 2012 Act adds a new Schedule 1 to the 1992 Act providing requirements for the scheme. This includes the following requirements:
- The scheme must state the classes of person who are entitled to a reduction, by reference to income or capital of the liable person or other household members, the number of non dependants and whether the person has made an application;
  - The scheme must set out the reductions to the classes of person and different reductions can apply to different classes;
  - The reduction can be a percentage discount, set discounted amount, set maximum Council Tax liability or whole amount of Council Tax (thereby reducing liability to nil).
  - The scheme must specify the application procedure, including an appeal procedure and application procedure to apply for any reduction under s.13A(1)(c).
  - The scheme must include any prescribed requirements set out in regulations
- 10.3 Draft prescribed requirements regulations have been published. The regulations require that pensioners as a class of person must be included in the scheme and prescribed persons who must be excluded, including those subject to immigration control. The regulations prescribe the eligibility, income and capital eligibility calculations, reductions and extended reductions for pensioners. In relation to all applicants, it sets out procedural requirements for an application and appeal, extended reductions for movers into an authority's area, requirements for information and evidence, amendment and withdrawal of applications and duty to notify change of circumstances.
- 10.4 In preparing the scheme, the Council was obligated to follow a statutory process set out in the 2012 Act. This required the authority to consult any major precepting authority, publish a draft scheme and consult such persons as it considers are likely to have an interest in the operation of the scheme. The Act confirms that compliance with any of these steps prior to enactment is acceptable. Any subsequent revisions or replacement schemes must go through similar consultation and publication requirements.
- 10.5 **Public law considerations**
- On 21 May 2012, DCLG published a guidance note setting out the key local authority duties affecting vulnerable people in relation to the decision to localise council tax support. This covered the public sector equality duty, which is set out elsewhere within this report, duty to mitigate the effects of child poverty, the armed forces covenant and the duty to prevent homelessness
- 10.6 The Child Poverty Act 2010 requires local authorities and other public bodies to co-operate, understand needs and develop and deliver a strategy for their local area. The joint strategic needs assessment 2011 identifies health needs for the community and covered

information on child poverty. The strategy is covered in the Harrow Children and Young People's Commissioning Plan 2011-2014 and the joint strategic needs assessment 2009-2013.

- 10.7 The Armed Forces Covenant seeks to redress the disadvantages that the armed forces community face in comparison with other citizens. Historically the Council Tax Benefit regulations required local authorities to disregard the first £10 per week of war pension and armed forces compensation scheme payments, when calculating income. In the local CTS scheme this will continue for pensioners but for other working age recipients of Armed Forces War Pensions, the full amount of the pension will be disregarded therefore benefitting this group of claimants. Should further legislation be issued allowing full disregard of the income for claimants of pensionable age, then it is Harrows intention to review the scheme at the earliest opportunity to also disregard this income for pensioners.
- 10.8 The Housing Act 1995 requires authorities to formulate homelessness strategies and to seek to prevent homelessness and secure sufficient accommodation and support in their areas. It is advisable to have good publicity to ensure that those in financial hardship are aware of the council tax reductions they are entitled to and encouraged to apply for these, so as to prevent homelessness due to non-payment of rent. The Council's housing department provide advice and assistance to those threatened with homelessness.
- 10.9 When making policy decisions, the Council must take into account of all relevant material, including financial resources, consultation responses and potential equality impacts in order to reach a decision. This report presents a number of options and the financial implications of these and makes a recommendation. However, this does not preclude Cabinet from recommending that another option is the most appropriate way forward.
- 10.10 There is a statutory duty to consult on the Council Tax support scheme. A summary of the details of the consultation responses are set out in the report and attached as an appendix. Case law has confirmed that when determining whether to change policy, the Council must be receptive to reasonable arguments against the proposals, however this does not simply involve a head count of those for and against the proposals. In the case of withdrawal of benefits, it will not be surprising if a number of respondents are against the proposal. The Council must take these views into account and must balance this with other relevant information to decide whether to recommend an option.

## 11. **Financial Implications**

- 11.1 This is a report of the Corporate Director of Resources and deals with financial matters throughout.

- 11.2 However it must be reiterated that considering the current budget position it is not a viable option for Harrow to fund the gap either in full or in part. The Government did not only cut funding for this benefit by 10% but it passed the risk of future caseload increases to billing authorities as well as any increase to the benefit due to future council tax increases; the unringed fenced grant, which replaced the council tax benefit subsidy, only being uprated by the same percentage as formula grant increases in future, not in line with council tax increases. Introducing the recommended scheme set out in the report removes risk from future expenditure as CTS costs will be capped by the local scheme.
- 11.3 Harrow has had to lower its tax base rate by 1% which in effect reduces the tax take from council tax. This was a direct consequence of the introduction of the local council tax support scheme as bad debt provisions of £1m were estimated to be additionally required due to expected non payment from the working age claimants. This amount assumes a 30% non-collection rate on the £3.8m being passported to claimants and close monitoring of this position will take place to ensure the correct provisions are made and to ensure an early review takes place should the estimate be incorrect.

## 12. **Performance Issues**

- 12.1 There may be in year collection performance issues as initial resistance to the changes manifests itself. To mitigate this, a 70% collection rate has been incorporated into the tax base with regards to the additional monies to be collected from working age claimants, rather than the 98.5% used for the rest of the Council Tax. This could be a risk to the budget if we collect less than the expected collection rate, as it could result in a deficit in the Council Tax collection fund which will be a first call on future budgets.
- 12.2 The levying of additional amounts of Council Tax on the borough's most financially deprived residents may also encourage behaviours that may result in additional contact with the Council, therefore creating additional pressures in both the Council Tax office and in Access Harrow. To a certain extent, this is being mitigated by the allocation of extra budget to the Council Tax service to ensure adequate increased staffing is present to deal with the additional contacts. Claimants may also seek to find ways of avoiding payment of any additional charge. As such, additional recovery action may need to be undertaken to ensure monies are actually paid where due. However the Council is also developing a collection and debt strategy, which will incorporate a vulnerability check, to ensure those in genuine financial difficulties who "cannot pay" can be dealt with in a different way to the "won't pay"; although we have to accept this will be a costlier way of dealing with Council Tax debtors if in effect the council has bespoke processes outside the efficient and automated procedures that currently exist.

### **13. Environmental Impact**

13.1 There are no direct environmental impacts.

### **14. Risk Management Implications**

14.1 Collecting monies from claimants, who have previously received 100% support, will be difficult which may pose a risk to Council Tax collection. Harrow has factored in a 70% collection rate for the £3.9m being passported to these claimants which leaves 30% or approximately £1m as a contingency for bad debt. It is hoped, that increasing the bad debt estimates on this specific amount to 30% instead of having a flat bad debt provision built into collection of 1.5%, (as Harrow has for the rest of the Council Tax income), that this will minimise the risk to both Harrow and GLA budgets.

14.2 There is also a wider corporate risk that robust enforcement of Council Tax may conflict with the wider corporate collection priorities if Departments compete in an unco-ordinated way to collect money from residents. Considering the size of Harrow's housing stock and the implications for the HRA account, we will need to ensure that intelligent collection of monies occurs, that Departments share information and that debts are prioritised as per our overarching Debt Recovery Strategy. This will mean that our processes for collection of income going forward will need to change to cater for the new pressures on our residents.

14.3 With regards to Adult Social Care Contribution collection it will also be necessary for processes to be co-ordinated and for the relevant Departments to share vulnerability information in order that appropriate collection processes are deployed, therefore minimizing distress and risk.

14.4 We are also mindful of the wider Welfare Reform impacts that may be affecting our claimants and reducing their household income. This may affect social cohesion, widen the gap between the poor and the rich and cause potential friction within the community. The Welfare Reform Project Group aims to mitigate some of the impacts through several workstreams specifically set up to look at different areas i.e. debt management, child poverty and housing affordability and options etc.

14.5 There is also a risk that should be economy worsen and greater number of claimants apply for support beyond the 3.7% factored into the expenditure growth, that we will overspend on council tax support and risk a deficit within the collection fund. This could also be true if pensioner numbers claiming also increase considering that this category of claimant is below the national average in Harrow, as alluded to earlier in this report.

## 15. Equalities implications

- 15.1 A full detailed EqIA has been carried out in relation to the changes to Council Tax Benefit. The EqIA was opened in February 2012 and has been updated on a monthly basis at meetings of a multi-agency Sub Group.
- 15.2 When making this decision, Cabinet should have due regard to the Public Sector Equality Duty. The Council completed an equality impact assessment and a summary of results is shown below.
- 15.3 Section 149 of the Equalities Act 2010 created the Public Sector Equality Duty. Section 149 states:-
- (1) A public authority must, in the exercise of its functions, have due regard to the need to:
    - (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
    - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
    - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 15.4 When making policy decisions, the Council must take account of the equality duty and in particular any potential impact on protected groups.
- 15.5 The Steering Group was key to the compilation of the EqIA. A sub group of the Steering Group was created to specifically look at impacts and the group met on regular throughout the consultation in order to update and evolve the outcomes as they became known. The impacts were analysed and discussed with the full Steering Group and the EqIA mitigations action plan was updated to take into account the known impacts when developing the scheme.
- 15.6 The EqIA is attached at Appendix I and the results of the impacts on the protected characteristics are summarised in table 4 below:

<b>Protected Characteristic</b>	<b>Impacted group</b>
Age	<ul style="list-style-type: none"><li>§ All working age claimants will be required to contribute towards their Council Tax Bill</li><li>§ 7,001 working age claimants currently receive 100% Council Tax Benefit – all will be required to contribute towards their Council Tax Bill</li><li>§ Working age large families will be adversely impacted due to the cumulative impact of Welfare Reforms</li></ul>

	<ul style="list-style-type: none"> <li>§ Working age lone parents will be adversely impacted as they have a limited ability to be able to access work and they also could have a lack of support.</li> <li>§ Children could be adversely impacted due to increased poverty levels</li> <li>§ Young people leaving care who are moving into their own accommodation</li> <li>§ Non-dependants would be expected to contribute more towards the households Council Tax bill</li> </ul>
Disability	<ul style="list-style-type: none"> <li>§ People with disabilities due to cumulative impacts of Welfare Reforms and difficulties in accessing employment</li> <li>§ Carers because likely to have extra outgoings and less likely to be able to access full time employment</li> </ul>
Race	<ul style="list-style-type: none"> <li>§ Large families may be of ethnic origin and therefore may be affected by the changes</li> </ul>
Gender	<ul style="list-style-type: none"> <li>§ Lone parents are more likely to be women and for those claiming Council Tax Benefit 96% are female lone parents.</li> </ul>
<p>No specific adverse affect has been identified for the following groups:</p> <ul style="list-style-type: none"> <li>§ Pregnancy and maternity</li> <li>§ Gender reassignment</li> <li>§ Religion or belief</li> <li>§ Sexual orientation</li> </ul>	

15.7 Table 5 describes the cumulative impacts of the changes

<b>Table 5</b>	
Cumulative Impact	People affected
Removal of £15 excess payment to tenants who rented a property below the LHA rate	Potentially could affect anybody renting and receiving Council Tax Support – approximately 9% of Council Tax Benefit claimants were affected by this change
Increase in the deduction for non-dependants	This change has already taken place and affects 17.2% of Council Tax Benefit claimants who have one or more non-dependants living in a household
Under 35s restriction to a room in a shared house	Affects people in self contained accommodation – 1.5% of Council Tax Benefit claimants affected
Capping the Local Authority Housing Allowance to the rate of a 4 bed house	Solely affect larger families with 3 or more children – 6% of Council Tax Benefit claimants
Overall benefit cap	Greatest affect on families with 3 or more children – 6% of Council Tax Benefit claimants
Introduction of the Contributions Policy	People of working age receiving care services through Community Health and Wellbeing – approximately 1.5% of Adult Social Care

	<p>users receiving CTB and making a contribution towards their care.          These changes could affect access to care if care users are unable to make a contribution because of lack of money</p>
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15.8 As a result of the outcomes of the EqIA the recommended scheme includes a lower liability cap and continues to disregard DLA for people with disabilities who meet the required criteria. Those carers who fall into Group A by virtue of being the carer of a partner or dependent child who lives with them and for whom they receive Carers Allowance will also benefit from the lower liability cap in this scheme. There will continue to be additional needs allowances for people with disabilities and carers.

15.9 Large families and lone parents were also highlighted as impacted by the changes and therefore the scheme will continue to disregard Child Benefit when assessing income. In addition there will continue to be additional needs allowances for families with children.

## 16. Mitigations

16.1 Throughout this report mitigating actions and strategies are mentioned in relation to the impacts of the changes.

## 17 Corporate Priorities

17.1 The report addresses the Council's corporate priorities as the change in policy will ensure we are managing the funding gap created by the changes in legislation. Although it can be argued that we are cutting monetary awards from our most financially deprived residents, the reality is that should Harrow not introduce a localised scheme that restricts expenditure, then the outcome would be a further cut in council income which would need to be found by cutting other services.

17.2 By ensuring we manage the funding gap we will not indirectly cause further funding reductions to other key services where further cuts in service would create more unpalatable and potentially noncompliant outcomes with legal and financial implications.

17.3 The local scheme still supports and protects people who are most in need and as such reflects the aims of our corporate priorities.



### **Section 3 - Statutory Officer Clearance**

Name: Julie Alderson  Chief Financial Officer

Date: 30 November 2012

Name: Sarah Wilson  on behalf of the  
Monitoring Officer

Date: 29 November 2012

### **Section 4 – Performance Officer Clearance**

Name: Liz Defries  on behalf of the  
Divisional Director  
Strategic  
Commissioning

Date: 15 November 2012

### **Section 5 – Environmental Impact Officer Clearance**

Name: John Edwards  Divisional Director  
(Environmental  
Services)

Date: 15 November 2012

### **Section 6 - Contact Details and Background Papers**

#### **Contact:**

Fern Silverio (Divisional Director – Collections & Housing Benefits),  
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#### **Background Papers:**

Local Government Finance Act 2012  
<http://www.legislation.gov.uk/ukpga/2012/17/enacted>

Council Tax Reduction Schemes (Prescribed Requirements) Regulations  
2012 [http://www.legislation.gov.uk/uksi/2012/2885/pdfs/uksi\\_20122885\\_en.pdf](http://www.legislation.gov.uk/uksi/2012/2885/pdfs/uksi_20122885_en.pdf)

Localising support for Council Tax: A statement of intent:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6091/2146581.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6091/2146581.pdf)

**Call-In Waived by the  
Chairman of Overview  
and Scrutiny  
Committee**

**NOT APPLICABLE**

*[Call-in does not apply as the  
decision is reserved to Council]*