

REPORT FOR: CABINET

Date of Meeting:	21 November 2013
Subject:	Review of the Council Tax Support (CTS) Scheme
Key Decision:	Yes
Responsible Officer:	Tom Whiting, Corporate Director of Resources
Portfolio Holder:	Councillor Tony Ferrari, Portfolio Holder for Finance
Exempt:	No
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1 – Original Scheme Rules/Parameters Appendix 2 – Original Scheme EqIA

Section 1 – Summary and Recommendations

This report informs Members of the requirement to consider a review of the localised Council Tax Support Scheme which was introduced on 1/4/2013. Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, as amended by schedule 4 of the Local Government Act 2012, requires the council to consider whether, for 2014-15, the scheme is to be revised or replaced.

Recommendations:

Cabinet is requested to make the following decision:

1. Agree that key figures as set out in the report are updated in line with the rate used by Government for the purposes of calculating income support entitlement.

2. Agree, after considering whether to review the local scheme, that there is no need to review, and to continue the two year CTS scheme as originally adopted by Full Council on 21 January 2013.
3. Note that the CTS scheme is fit for purpose and requires no fundamental changes.

Reason: (For recommendation)

The localised council tax support (CTS) scheme was determined by Full Council and implemented on the 1/4/2013 after extensive consultation designed to ensure that residents within Harrow were given the opportunity to comment and help shape the final scheme provisions.

The Scheme design and consultation process were based upon retaining the provisions for two consecutive financial years, 2013/14 & 2014/15, so long as key conditions remained unchanged This was to ensure that awards of Council Tax Support did not exceed the central government funding made available and for it, as far as reasonably practicable, to enable a degree of stability for claimants and their families.

There have been no significant fundamental changes, either in caseload, demographics, the economy or funding, which would require the Council to consider reviewing or replacing the scheme as determined by Full Council.

However some parameters require an inflation uplift as set out in the determined scheme. Harrow is updating the local scheme to meet these requirements and as such is recommending minor changes to ensure operationally assessments are carried out under the same rules and applied consistently.

Section 2 – Report

Background

- 2.1 Council Tax Benefit (CTB) was previously governed by legislation set by the Department for Work and Pensions (DWP). Councils administered it alongside Housing Benefit (HB) with the same single application and administrative process. CTB was paid out by Councils, with the cost of it being reimbursed to them by the DWP. This system allowed for fluctuations in demand, so if Councils gave more CTB out, the DWP reimbursed the higher costs.
- 2.2 From April 2013, this system changed. CTB was “localised”. There is no longer a nationally governed CTB scheme (except for pensioners).

Councils now determine their own local “Council Tax Reduction Scheme” and CTB has been replaced by “Council Tax Support” (CTS). This is part of the Government’s wider policy of localisation, giving Councils increased financial autonomy and a greater stake in the economic future of their local area.

- 2.3 Pensioners (of state pensionable age) are still protected under these new arrangements. CTS for them is still controlled nationally. This means CTS can still cover up to 100% of their Council Tax bill.
- 2.4 Local Authorities received only 90% of the previously allocated funding to deliver the new scheme, and no provision was made for increasing funding to offset growth due to inflation or additional case load. Harrows’ local scheme was designed to ensure that the funding gap was fully met from within the scheme which resulted in working age recipients receiving less support and who as a result received less generous awards of CTS from 1/4/2013.
- 2.5 The Council must consider whether to revise or replace its Council Tax Support scheme each financial year. As such it is necessary for Cabinet to consider whether the scheme requires reviewing and this report requests that Members consider reviewing the scheme.

Financial Context

- 2.6 The DWP no longer subsidises CTS expenditure. Instead, from 1/4/2013, Local Authorities are given an un-ringfenced grant as part of Formula grant, to cover future CTS expenditure. The grant is based upon pre 1/4/2013 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 on an on-going basis and that any localised CTS scheme must achieve this objective.
- 2.7 The Council consulted on a proposed localised CTS scheme in 2012 and subsequently designed, agreed and implemented a scheme, taking into account the consultation feedback, that would cater for a minimum of two years and restricted expenditure within the available funding. The scheme had pre-set parameters (**see Appendix 1 to this report**) for year 1 (2013/14) which were set with a view to restricting CTS awards to a maximum of £17.5m therefore ensuring a reduction in scheme expenditure of £3.8m occurred. The pre-set parameters for year 2 (2014/15) were worked out on the basis that growth in expenditure would grow by another £1.3m, to £22.6m, therefore requiring expenditure to be restricted by £5.1m to ensure scheme costs in that year did not exceed the maximum ceiling of £17.5m of available funding.
- 2.8 The local CTS funding was subsequently rolled up within the Retained Business Rates funding, with a proportion in local share and the rest in Revenue Support Grant. The funding is one of many elements making up Local Government resource, and is not ring-fenced. The local CTS

funding was identified in Y1 (2013-14) at a local authority level but Ministers agreed that it would not be identifiable thereafter. It is entirely for Harrow, as a local authority, to decide how much it is prepared to spend on Council Tax Support, which is why allocations for future years will not be separately identifiable.

Council Tax Support Scheme Review

- 2.9 Harrow Council has implemented a CTS scheme which sets out the reductions which are to apply in its area to specified classes of persons whom the authority considers to be in financial need. The scheme was agreed by Full Council on 21 January 2013, and took effect for the financial year commencing 1 April.
- 2.10 Legislation requires the authority to consider whether, for 2014-15, the scheme is to be revised or replaced. The Council must consider whether the scheme requires changing and must do this in time to ensure it has sufficient time to consult and determine the scheme prior to the deadline set out in the legislation.
- 2.11 Having reviewed the operation of the scheme, it is considered that the existing scheme, agreed by Full Council on 21st January 2013, is still fit for purpose and appropriate. It is therefore recommended that the scheme is not revised or replaced as no fundamental changes are required.
- 2.13 This view has been reached on the basis that currently (as @ November 2013) CTS expenditure for 2013/14 is approximately £16.5m which is 5.71% or £1m below the maximum budgeted expenditure and in line with expectations. Although there is still the possibility that expenditure will increase between now and the 31/03/2014, as we are continually receiving new claims, there is little risk that the current scheme year 1 parameters will lead to expenditure above the available funding.
- 2.14 Modelling the current CTS caseload commitments and estimating 2014/15 expenditure, would suggest future expenditure in the region of £16.5m to £16.8m in the next financial year.
- 2.15 This is slightly lower than anticipated when the year 2 scheme was agreed by Full Council. However Council Tax collection rates in 2013/14 for CTS recipients are currently slightly below the 70% profile anticipated. It is too early at present to determine whether long term targets will be met. A slight underspend at this stage is therefore not considered to be unreasonable as the collection fund may have to stand any collection losses that arise above the amounts originally estimated.
- 2.12 For processing reasons some minor alterations are being proposed to Cabinet although the existing scheme already allows for these. On page 3 of the determined scheme, under the header "UPRATINGS", the scheme states the following;

“This scheme proposes that any figures set out in the scheme may be uprated, to take effect on 1st of April each year following commencement of the scheme, by the consumer price index (CPI), set out in the preceding September, or by the rate used by the Government in the determination of income support or from April 2014, Universal Credit.”

This report recommends that Cabinet agree to adopt increases at the rate used by central government to determine income support, which will be used by the CTS scheme to determine future uprating increases for working age claimants regarding premiums and allowances used in the calculation of CTS awards.

- 2.16 We are aware that Council Tax payers are being affected, specifically those on Income Support and Job Seekers Allowance as well as those residents on low incomes who are being asked to pay typically £150 - £300 Council Tax per year when previously they had little or nothing to pay. It will not be until the end of 2013/14, when the recovery measures taken by Harrow will have taken effect, that a better picture can be obtained of collection rates and the effect a reduced level of Council Tax Support is having on the households affected.
- 2.17 Full Council determined on the 21 January 2013 to introduce a two year CTS scheme. This took into account the national economic situation and the uncertainty facing Local Government funding in the medium term as there could be no certainty that the Council would be able to continue to financially afford to maintain the CTS scheme at the original levels first determined. The CTS scheme was future proofed and more recent financial modelling suggests expenditure in 2014/15 will be similar to that originally anticipated, assuming no sudden and unexpected changes in government funding support are made.
- 2.18 Statutory provisions require Harrow to consider annually whether it should change the scheme, and if so, in what way. The process to create a revised scheme would involve complex decisions and judgements regarding which groups of claimants would face reduced support. This would also require extensive consultation and approval of the changes before 31/01/2014, including consultation with the GLA, a publication of the draft scheme incorporating the changes and consultation with such persons as may be affected by the operation of the scheme. Having approved a two year scheme originally, Cabinet is simply being asked to consider reviewing its scheme and to agree to continue with the original two year scheme as adopted.

Conclusion / Recommendation

- 2.19 Taking into account the risks and financial implications set out in this report, the fact that the CTS caseload can fluctuate easily by 5% either way and affect CTS awards accordingly, and the fact that financial forecasts are similar to target expenditure, this report recommends that the CTS scheme continues in its current format.

- 2.20 Retaining the existing CTS scheme is supported by the original EqIA (**Appendix 2**) undertaken for the scheme and carried out at the time of consultation. This highlighted the impacts on residents and on which mitigation packages were developed and implemented. The existing scheme also supports the most vulnerable members of our community as it contains more generous provisions for protecting disabled residents (which is applied to any applicant in receipt of Disability Living Allowance or Personal Independence Payment – PIP).

Legal Implications

- 2.21 Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, as inserted by Schedule 4 to the Local Government Finance Act 2012, requires the authority to consider whether, for each financial year, the CTS scheme is to be revised or replaced. Where the scheme is to be revised or replaced the procedural requirements in paragraph 3 of that schedule apply. Any revision/replacement must be determined by 31 of January in the preceding year to the year which the changes are to apply. The council must therefore consider whether the scheme requires revision or replacement and if so, consult with the GLA, publish a draft scheme and then consult with such persons as may be affected by the operation of that scheme prior to determining the scheme before 31st January.
- 2.22 This report recommends that the scheme is not revised or replaced, save for applying the annual uprating to keep the allowances and premiums in line with national benefits entitlement. Uprating is permitted by the original scheme as “variable parameters” which may be adjusted yearly. Cabinet, in this respect, is simply agreeing to “upratings” in line with the percentage increase decided by the DWP for Income Support.
- 2.23 It is too early to judge whether, after only six months, the scheme is under spending when compared to the original estimates. The current underspend is just over 5% of the budgeted amount and considering the natural fluctuations in case loads and spend together with the risks highlighted, the underspend is not so large as to justify a full redesign of the scheme. Additionally, Cabinet is within its right to decide that any underspend in this area be allocated to other council priorities taking into account the financial pressures and the need to reduce costs generally.
- 2.24 The original purpose of consulting and determining a 2 year scheme was to provide certainty to claimants as to what the scheme would be for a longer period. At the end of the 2 year period, the Council would have the opportunity to reflect on the financial situation and any issues or unforeseen consequences of the scheme and consider whether revisions or a replacement scheme was required. The recommendation that the second year of the scheme remain as originally determined is appropriate based on current claimant numbers and financial information.
- 2.25 There are no fundamental changes that required formal consultation but as a matter of courtesy statutory preceptors (GLA) were consulted and their feedback taken into consideration.

Financial Implications

- 2.25 This is a report of the Corporate Director of Resources and deals with financial matters throughout.
- 2.26 Members must consider the Council's financial position and the likelihood of the Council's income decreasing year on year for the foreseeable future. In view of this, it is not a viable option for Harrow to spend any more money on the CTS scheme than it has done in 2013/14; additionally it must also make provisions for contingencies should caseload increase and extra awards materialise.
- 2.27 The local CTS funding is not ring-fenced and it is entirely for Harrow, as a Local Authority, to determine how much it is prepared to spend on Council Tax Support. As such it is right that the scheme continues fundamentally unchanged, ensuring the Council's original decision, continues which will ensure expenditure occurs only within Harrow's available budget, as revised yearly, and with underspends funding losses in collection or being diverted to other pressing Council priorities.
- 2.28 It must be remembered that any changes which increase CTS expenditure have the effect of reducing the council tax base not only for the Council, but also for Preceptors. Reductions in the Council Tax Base adversely affect a local authority's ability to raise income from Council Tax.

Performance Issues

- 2.29 Assessment of Council Tax Support new claims has remained within target of 20 days in 2013. Alignment of the CTS scheme to Housing Benefit statute has enabled more efficient processing of customer applications as their applications and associated data can be used for both purposes and therefore ensures customer enquiries are minimised. The two year CTS scheme agreed by Full Council in 2013 will continue to enable synergies to be achieved from this practice.

Environmental Impact

- 2.30 There are no direct environmental impacts.

Risk Management Implications

- 2.31 The expenditure estimate assumes an increase in caseload in line with the original estimates in 2012 and assumes no disproportionate increase in persons of pension credit age that would be protected from the effects of the scheme; although there is risk here as Harrow has proportionally less pensioners claiming CTS than the national average.

- 2.32 The effects of EU changes to work restrictions and recourse to public funds may in future impact upon overall CTS expenditure. However this risk has been considered within the overall scheme finances and may be further assessed when the scheme is considered for a review or replacement again in 12 months' time.
- 2.33 There is also risk that CTS expenditure will be affected by central government changes to future policies particularly in relation to welfare benefits and tax credits. However this too has been considered in the forecasts and may be further assessed when the scheme is considered for a review or replacement again in 12 months' time.
- 2.34 Finally the uncertainty in the economic climate adds an element of risk to the estimates as it is impossible to accurately forecast the additional scheme costs. This could arise, for example, if one of the businesses or organisations employing a large proportion of Harrow residents were to cease trading leading to large scale unemployment and increased awards of CTS.

Equalities implications

- 2.35 A full detailed EqIA was carried out in 2012 in relation to the CTS Scheme that was proposed and agreed. The EqIA reflected the feedback from the consultation and the multi-agency sub group that worked together with Council to develop and design the scheme taking into account potential impacts and repercussions.
- 2.36 When making policy decisions, the Council must take account of the equality duty and in particular any potential impact on protected groups. Due regard should therefore be had to the Public Sector Equality Duty when giving consideration to a review of the scheme and the recommendations in this report. The Council's original completed equality impact assessment still applies and members should consider its contents in making their decision.

Corporate Priorities

- 2.37 The Harrow Council Tax Support Scheme reflects the aims of our corporate priorities to ensure a fairer Harrow. It also reflects the consultation feedback and continues the policy in place in 2012/13.

Section 3 - Statutory Officer Clearance

Name: Simon George	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 17 October 2013		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 17 October 2013		

Section 4 – Performance Officer Clearance

Name: Martin Randall



on behalf of the
Divisional Director
Strategic
Commissioning

Date: 16 October 2013

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker



on behalf of the
Corporate Director of
Environment and
Enterprise

Date: 15 October 2013

Section 6 - Contact Details and Background Papers

Contact:

Fern Silverio (Head of Service – Collections & Housing Benefits),
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Background Papers:

Appendices, as attached to the main report

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

NOT APPLICABLE

[Call-in applies]

Appendix 1

Tables 1 below summarises the current scheme for persons who are not of pension credit age -over the two year period – Year 1 2013/14 and Year 2 2014/15 – as determined by the Council on 21st January 2013. Persons that are of pension credit age are subject to central government prescribed requirements.

TABLE 1			
Model Scheme 1 (2013/2014)		Model Scheme 1 (2014/15)	
Rules		Rules	
§ 90% liability cap for Group A		§ 86% liability cap for Group A	
§ 77.5% liability cap for Groups B and C		§ 70% liability cap for Groups B and C	
§ Doubled existing non-dependant deductions		§ Doubled existing 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 tariff income from capital		§ Removed tariff income from capital	
Benefits of the Scheme			
<ul style="list-style-type: none"> - 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 - Personal allowances and premiums will continue to be built into the scheme to take into account disability, age and household composition - For people who are of working age, the scheme continues to provide for earning disregards based on circumstances and additional hours disregards, as well as the 4 week extended payment period in place for people returning to work - The scheme will no longer take into account any notional tariff income earned from capital - Child Benefit and Child Maintenance will not be counted when assessing household income - Disability Living Allowance will not be taken into account when assessing household income - There will continue to be no non-dependant deductions if the claimant is receiving the care component of Disability Living Allowance 			

- There will continue to be a minimum deduction of £3.30 per week if a 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 impacted on 10,882 working age claimants, as they were required to pay more, or something, towards their Council Tax Bill.
- 66% of former Council Tax Benefit claimants received 100% Council Tax Benefit and were in receipt of a low income. From 1/4/2013 these claimants will had 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 were not receiving a passported benefit or Employment Support Allowance (ESA) contribution based were expected to contribute double their contribution towards the Council Tax bill for the household. The new amount payable was dependant on income and ranged between £6.60 and £19.80 (previously it was £3.30 to £9.90).
- Non- dependants who were receiving a passported benefit or ESA contribution based were required to make a minimum payment of £3.30, previously it was nil for those receiving a passported benefit and £3.30 for those receiving ESA contribution based.
- People receiving more income than their assessment living needs will have their weekly Council Tax Support reduced by 30p in the £1 rather than 20p in the £1 previously.
- Introducing a cap on the minimum amount of benefit a person can receive to £2 a week

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 does not fall into Groups A or B.