

CABINET

18 DECEMBER 2012

LOCALISING SUPPORT FOR COUNCIL TAX

Portfolio Holder: Councillor Alan Jarrett, Deputy Leader and Portfolio Holder for Finance

Report from: Mick Hayward, Chief Finance Officer

Author: Jon Poulson, Revenues & Benefits Manager

Summary

This report seeks Members' approval of a council tax support scheme, based on recommendations made by Cabinet on 27 November, for adoption by Full Council.

1. Budget and Policy Framework

1.1 It is the Cabinet's responsibility to propose a budget to be agreed by Council. The introduction of a localised Council Tax Support scheme (CTS) will have an impact on both the taxbase calculation and the budget requirement that underpin the budget proposal. The consequences of dealing with these issues will directly impact on the level of council tax.

2. Background

2.1 As part of the Spending Review 2010 the Government made a policy commitment to localise support for council tax by 2013/14 accompanied by a declared intention to reduce expenditure by 10%.

2.2 The Welfare Reform Act 2012 (WRA2012), which received royal assent on 8 March 2012, abolishes Council Tax Benefit (CTB).

2.3 The Local Government Finance Act 2012 (LGFA2012), which received royal assent on 31 October 2012, established a framework for localised CTS. It stated that each billing authority in England must make a CTS scheme by no later than 31 January 2013, and the first financial year to which that scheme relates must be the year beginning with 1 April 2013. It also states that each billing authority must undertake public consultation on the content of its proposed scheme.

- 2.4 The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 (SI 2012/2885) and The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 (SI 2012/2886) were laid before Parliament on 22 November 2012 and provide details of what is to be incorporated within a CTS scheme.
- 2.4 The requirements of the revision to CTB were reported to Cabinet on 4 September 2012 (decision number 147/2012) and the contents of a consultation on proposals for an eight week period were agreed (decision number 148/2012).
- 2.6 The Cabinet considered the results of the consultation exercise on 27 November 2012 and asked officers to draw up a local council tax support scheme based upon the preferred scheme that was part of the consultation (decision number 189/2012).

3. The Scheme

- 3.1 The localising council tax support regulations as detailed at 2.5 above prescribe:
- Requirements for all council tax reduction schemes (including provisions relating to persons who have attained the qualifying age for state pension credit and who are not in receipt of work-related benefits – referred hereafter as pensioners)
 - The default council tax reduction scheme that would be imposed on the Council should it fail to adopt its own local scheme. The default scheme broadly follows the current council tax benefit scheme.
- 3.2 The provision for pensioners is that they continue to receive the same level of support as under council tax benefit.
- 3.3 The provisions for non-pensioners broadly follows the default scheme (and as such the council tax benefit scheme) with the following adaptations:
- Reduces the liability used to assess Council Tax Support by 25%
 - Extends the minimum deduction in respect of non-dependants to include any such person in the household, aged 18 years or more, who is in receipt of a means tested benefit
 - Removes the second adult rebate scheme
 - Extends the protection for pensioners to those people who receive a war widow or war disablement pension.
- 3.4 In accordance with the Cabinet decision officers have drawn up the detail of a proposed scheme based on the preferred scheme option. This is a technical document and given the importance and sensitivity the draft document is being checked for conformity with the regulations by CIPFA.
- 3.5 *A copy of the full scheme will be circulated prior to the Cabinet meeting following a full technical review by CIPFA.***

4. Advice and Analysis

4.1 When considering making changes to policies, the decision maker needs to comply with its obligations as to equalities under the Equality Act 2010. In essence this requires decision makers to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

Protected characteristics, as defined in the 2010 Act, are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

4.2 Having due regard to the above needs involves:

- Removing or minimising disadvantages suffered by people due to their protected characteristics.
- Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
- Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.

4.3 In order to comply with its equality duties, the Council is required to engage with service users, representative groups, staff and unions and to use the information and views gathered as a result of such engagement (together with other equality information the local authority has) in assessing the equality impact of the proposals.

4.4 In order to meet these obligations a diversity impact assessment has been undertaken and is attached at Appendix A. The assessment has identified a number of potential adverse impacts together with some mitigating factors being incorporated into the scheme.

5. Risk management

Risk	Description	Action to avoid or mitigate risk
Failure to produce a scheme	Likelihood D (Low) Impact 2 (Critical) If a scheme is not in place the Council will be obliged to use the default scheme (continuation of existing CTB scheme).	Project/Implementation plan drawn up with milestones
Forecast cost of scheme falls short	Likelihood D (Low) Impact 3 (Marginal) Claimants may have reduced benefits 'unnecessarily'	Use of data modelling tools and data analysis
Forecast cost of scheme excessive	Likelihood D (Low) Impact 2 (Critical)	Use of data modelling tools and data analysis
Effect on collection	Likelihood B (High) Impact 2 (Critical) Dependant on method of funding, but new scheme likely to produce small debts and debtors who have not had to pay before	Quick and efficient recovery processes
Comparison to neighbouring authorities	Likelihood D (Low) Impact 2 (Critical) If the Medway scheme is markedly more generous than surrounding authorities' schemes there is a possibility of claimants migrating into Medway placing additional stress on funding	Maintain links to other local authorities

6. Financial and legal implications

- 6.1 The financial considerations were explained fully in the Cabinet report on the consultation outcomes and the scheme now drafted will reduce expenditure on the CTS scheme relative to the former CTB regime by £2.7 million. But this still falls short of the compensatory grant funding by £0.3 million.
- 6.2 The additional flexibilities for exemptions and discounts to Council tax will yield £0.7 million for the restriction of empty homes exemption to 3 months and a further £70,000 for the cessation of the exemption to repossesses. The latter flexibility has yet to be reflected in amended regulations but the saving is intended to utilise these funds to establish a hardship fund.
- 6.3 The legal issues are covered in the body of the report.

7. Recommendations

7.1 That Cabinet recommend the Council Tax Support scheme to Council for adoption on 24 January 2013.

8. Suggested reasons for decisions

8.1 The scheme balances the need for supporting those currently in receipt of council tax benefit and the ability of the Council to fund the scheme within the current budgetary constraints.

8.2 The scheme has been drawn up in accordance with Cabinet's recommendation on 27 November 2012, which was reflective of the fact that the majority of respondents to the consultation were in agreement with the principles of the scheme.

8.3 CIPFA have confirmed that the scheme meets the aims and recommendations of Cabinet.

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Background papers

Letter dated 5 April 2012 from CLG to Chief Finance Officers
Localising support for council tax in England: Government's response to the outcome of consultation

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8467/2053712.pdf

Localising support for council tax – A Statement of Intent

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6091/2146581.pdf

Localising Support for Council Tax report to Cabinet 4 September 2012

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=17548>

Localising Support for Council Tax report to Cabinet 27 November 2012

<http://democracy.medway.gov.uk/mgconvert2pdf.aspx?id=18309>

APPENDIX A

Diversity Impact Assessment: Screening Form

Directorate Business Support	Name of Function or Policy or Major Service Change Localisation of Support For Council Tax		
Officer responsible for assessment	Date of assessment	New or existing?	
Jon Poulson Revenues & Benefits Manager	December 2012	Existing	
Defining what is being assessed			
1. Briefly describe the purpose and objectives	<p>Central government policy:- From 1st April 2013 every Council has to introduce its own localised Council Tax Support scheme to replace the nationally designed Council Tax Benefit scheme. Between 11-14% of current funding is being removed by the Government. Councils have the discretion to design their own local scheme and decide who to financially support. There are some nationally prescribed elements to the scheme including the full protection of pensioners (i.e. we cannot reduce the benefit currently paid to pensioners as a direct result of developing our own scheme)</p> <p>Medway council policy: Our approach has been to develop a scheme that is fair to all which also takes into account the reality of the funding cut.</p> <p>Officers originally briefed cabinet members on 14 May regarding the Government proposals following which a task group, led by Members, considered a range of options for consultation. Officers explained aspects of the current benefit scheme and provided data to show the effect of the proposals on the affected working age benefit population. Three options came to the fore, with one of those becoming the preferred option.</p> <p>The proposals will ensure working age customers who are in receipt of an Armed Forces Compensation Scheme or War Pensions Scheme payment in respect of War Widow(er) or War Disablement Pension are no worse off than under the current scheme.</p> <p>For the remainder of working age claimants the proposals include a 25% reduction to the maximum amount of council tax support payable. This means that every working age person affected who receives council tax support will have to pay at least 25% of the council tax liability. Currently there is no reduction to the maximum amount of support available to council tax benefit customers.</p> <p>There is also a proposed minimum deduction in</p>		

respect of other adults who reside in the household. Currently council tax benefit is reduced by set deductions which include taking into account the gross income of adults in remunerative work and the income of those who receive DWP benefits based on their national insurance contribution. In future a reduction will apply for anyone entitled to a state benefit; for example where income related Job Seekers Allowance and Employment Support Allowance is awarded.

It is proposed that Second Adult Rebate is abolished. This rebate is assessed by taking into consideration the income of any other adults resident in the property, where to do so would give a single council tax payer a higher award than they would be due in council tax benefit. This may mean that a claimant is not entitled to council tax benefit by virtue of their own income but they are entitled because another adult in the property has a low income.

Wherever possible we are looking to protect the vulnerable and those who are least able to afford to pay more Council Tax. The average reduction in benefit will be £233.48 per annum, with a range from £0.52 per annum to £943.28 per annum with those people in higher Council Tax bands or with non dependants where there will now be a deduction paying proportionately more.

The proposals for consultation were put before Cabinet on 4 September 2012, with Cabinet Members having previously been briefed on the options on 6 August 2012.

The consultation took place in September/October for a period of 8 weeks.

All Medway residents had the opportunity to contribute to the consultation, as did key stakeholder groups. The stakeholder list attached to this document provided for consultation among groups and organisations representative of the key protected characteristic groups.

A variety of engagement methods were used including an article in Medway Matters, issued to every household in Medway during the consultation period, details in the monthly e-newsletter issued to residents and social network sites including Medway website and Twitter. Press releases and local advertising took place in local papers and at Council libraries and Leisure Centres.

Responses to the consultation were encouraged by use of an online survey; paper copies were made available from the main office and contact points. Responses were also taken via the automated phone system.

	<p>The consultation questions included key questions regarding equality and fairness.</p> <p>On 27 November 2012 the results of the survey were placed before the Cabinet who asked officers to draw up a localised scheme for council tax support based on the above proposals.</p>
<p>2. Who is intended to benefit, and in what way?</p>	<p>All current and future recipients of Council Tax Benefit / Council Tax support are affected by the changes.</p> <p>Council Tax Support will be payable to people on a low income who are liable to pay council tax on the property they live in, whether it is rented or owned.</p> <p>Pensioners and War Pensioners are protected leaving a further potential 14,180 working age beneficiaries.</p> <p>By ringfencing the loss in funding to the new scheme, the remaining population of Medway will be protected from cuts in frontline services that may be required to make up the shortfall, or any increase in the Council Tax they pay to offset the reduction in Government funding.</p>
<p>3. What outcomes are wanted?</p>	<p>A fair and equitable council tax benefit scheme that protects the vulnerable whilst also encouraging those capable of work to do so.</p> <p>In doing so the scheme should</p> <ul style="list-style-type: none"> • not disadvantage the working poor or reduce the incentive to work. • minimise a negative impact on Council Tax collection rates. • be cost effective to administer. • enable the impact to be further assessed • not change the current national eligibility criteria which determine who is eligible for support (NB: this does not preclude reviewing how much support individuals should receive)

<p>4. What factors/forces could contribute/detract from the outcomes?</p>	<p><u>Contribute</u></p> <p>Increased employment rates – The number of CTB claimants has fallen over the last two months which could be an indication that employment levels have increased</p> <p>Increase in council tax capped at 2%. The smaller the increase the less effect the changes to the benefit scheme will have in monetary terms to existing claimants</p> <p>The alternative to the benefit changes and/or increase in council tax is to cut other services which may have an even greater effect on current benefit claimants (ie support services for carers)</p> <p>Opportunity to plan for the scheme to consider changing demographic population locally and the potential for regeneration & employment this may have in the future (increase in East European migrants expected end of 2013)</p>	<p><u>Detract</u></p> <p>Increased take up of benefits. Whilst the trend over the last 2 months has been in the opposite direction after three years of almost continuous growth, this position could change in the future</p> <p>Decrease in council tax collection rates resulting from non payment by those now expected to contribute more towards their bills. This can lead to further increases in council tax which in turn leads to a further decrease in collection rates.</p> <p>Achieving efficiency savings whilst applying a 25% reduction in benefit across all protected groups with the exception of the elderly Assumption that this measure could be used to address structural deficit in employment opportunities locally and incentivise unemployed people back to work</p> <p>Failure to account for the changing demographic population locally and the demand this may place on the service in the future (increase in East European migrants expected end of 2013)</p>
<p>5. Who are the main stakeholders?</p>	<p>Claimants, council taxpayers, customer representative groups such as CAB; Housing Advice Centres; landlords (A full list of all persons contacted in the consultation exercise is contained in Appendix A to the Cabinet Report).</p>	
<p>6. Who implements this and who is responsible?</p>	<p>Medway Revenues & Benefits Service</p>	

Assessing impact		
7. Are there concerns that there <u>could</u> be a differential impact due to <i>racial/ethnic groups</i>?	YES	Medway Council undertook consultation with stakeholders representing racial/ethnic groups as part of the process of determining what impact this policy will have.
		There will be no difference in the way ethnic groups are treated under any new Council Tax Reduction scheme. However, some ethnic groups may experience different levels of disadvantage and therefore they may find it more difficult to respond to the changes in, for example, finding work. This may be because they face discrimination in the job market and possibly because of access to skills include language skills in some cases.
What evidence exists for this?		<p>The protected characteristics of the entire claimant population are not known. However we do know that 6,258 of the current 14,180 claimants have provided details of their ethnicity. The data shows that of 6,258, 92.4% are White (5,783), 3.1% are Asian (195), 2.7% are Black (167) , 1.7% are Mixed (106) and 0.1% are Chinese & Other (7).</p> <p>Following data modelling the profile of future recipients shows that of 6,023, 92.3% are White (5,560), 3.2% are Asian (190), 2.7% are Black (162), 1.7% are Mixed (104) and 0.1% are Chinese & Other (7).</p>
8. Are there concerns that there <u>could</u> be a differential	YES	Medway Council undertook consultation with stakeholders (such as RAD,

<p>impact due to <i>disability</i>?</p>		<p>RNIB, learning and Physical Disability services etc) representing disability groups as part of the process of determining what impact this policy will have. In addition all surveys contained questions relating to disability to enable any trends amongst groups to be established.</p> <p>A number of responses were received from disabled claimants who felt they should be protected along the same lines as pensioners.</p> <p>The Council has decided to ensure the scheme provides for certain elements of a disabled person's income to be disregarded and for certain premia to be applied. It is therefore possible for additional disregarded income to be obtained without effecting benefit levels.</p> <p>However disabled persons in general are also less likely to find employment and are therefore generally on lower incomes whilst having greater costs often as a result of having a disability. Given the aim of the legislative changes is to return people to work, and that this would be more difficult for disabled persons due to difficulties accessing the labour market it compounds the differential impact.</p> <p>Other welfare reforms may further impact on some members of this group and also some of the services that members of this group receive are being reduced under austerity measures.</p>
<p>What evidence exists for this?</p>		<p>See for example The Poverty Site, www.poverty.org.uk, and The Joseph Rowntree Foundation www.jrf.org.uk. Also, SCOPE, report, Destination Unknown, 2010 shows the likely impact of welfare reforms on disabled people. Also, in the first quarter to 2012 DWP national figures reveal a significant gap in the employment rate for disabled people and non-disabled people, with the biggest gap being working age people 35-44 years olds.</p>
<p>9. Are there concerns that there <u>could</u> be a differential</p>	<p>YES</p>	<p>Brief statement of main issue As 64% of claimants are female, the</p>

<p>impact due to <i>gender</i>?</p>		<p>impact will be greater than on males. In addition, 95.2% of single parents claimants are female. The aim of the legislative changes is to return people to work, and that will be more difficult for single parents as the costs of childcare, coupled with difficulties finding employment that fits with the rhythm of caring, compounds the differential impact.</p> <p>According to the EU, over half of all migrants worldwide are women. Thus women migrating from the EU to work will also be impacted. Moreover, language issues may impact migrant women to a greater extent and would be a factor in access to employment progression to higher paying jobs</p>
<p>What evidence exists for this?</p>		<p>Of the total number of current working age claimants 14,180, 36% are male (5,104.8) and 64% are female (9,075.2).</p> <p>2010 UK Women's Budget Group report entitled A Gender Impact Assessment of the Coalition Government Budget shows that a large proportion of the cuts detailed in the budget would be borne by women</p> <p>The NOMIS official labour market statistics (Jul 2011 to June 2012) state that 5,800 females (9.8%) are unemployed in Medway compared to 5,900 males (8.0%).</p>
<p>10. Are there concerns there <u>could</u> be a differential impact due to <i>sexual orientation</i>?</p>	<p>NO</p>	<p>We do not keep case level data on a person's sexual orientation as it would not be relevant to the calculation of Council Tax Benefit.</p>
<p>What evidence exists for this?</p>		
<p>11. Are there concerns there <u>could</u> be a have a differential impact due to <i>religion or belief</i>?</p>	<p>NO</p>	<p>We do not keep case level data on a person's religion or belief as it would not be relevant to the calculation of Council Tax Benefit.</p>
<p>What evidence exists for this?</p>		
<p>12. Are there concerns there</p>		<p>The proposed scheme is subject to some</p>

<p>could be a differential impact due to people's age?</p>	<p>YES</p>	<p>national prescription relating to protecting pensioners' entitlements. Therefore we have no discretion about whether or not to follow this principle.</p> <p>In addition, a minimum non dependant deduction of £3.30 from those on means tested benefits will hit the 18 -24 age group harder than other age groups.</p> <p>However, means tested benefits awarded by the DWP take living expenses into consideration and as such it could be expected that they contribute to the household council tax bill.</p> <p>Those aged 50+, particularly women are more likely to be carers and/or disabled and as such are likely to be indirectly adversely affected by age.</p>
<p>What evidence exists for this?</p>	<p>The Government stated in their "Localising Council Tax – EIA" in January 2012 that...</p> <p><i>"The Government has considered the situation for low income pensioners who would currently be eligible for support with their council tax bill. Unlike most other groups, pensioners cannot be expected to seek paid employment to increase their income. The Government therefore proposes that as a vulnerable group, low income pensioners should be protected from any reduction in support as a result of this reform".</i></p> <p>Scrutiny of the current benefit caseload shows that 74% of non dependants affected are aged between 18 and 24 years old</p>	
<p>13. Are there concerns that there could be a differential impact due to being transgendered or transsexual?</p>	<p>NO</p>	<p>If someone currently undergoes a gender reassignment then it currently only affects what they are referred to as on official documents/systems. This does not affect any part of the calculation. Due to the sensitivities around this particular group we may approach Stonewall to seek their feedback rather than include specific questions about this in the consultation / diversity questions.</p>
<p>What evidence exists for this?</p>		
<p>14. Are there any other groups that would find it difficult to access/make use of the function (e.g. speakers</p>	<p>YES</p>	<p>If yes, which group(s)? 1).Carers. A number of carers expressed concern that the increased charge would mean they could no longer look after their</p>

<p>of other languages; people with caring responsibilities or dependants; those with an offending past; or people living in rural areas)?</p>	<p>NO</p>	<p>wards. Given this may mean the Council would have to take up the care provisions it is suggested it would be more economical to protect carers.</p> <p>In mitigation, the Council has designed the scheme to provide for certain premia to be applied.</p> <p>However carers in general are also less likely to find employment and are therefore generally on lower incomes whilst having greater costs. Given the aim of the legislative changes is to return people to work, and that this would be more difficult for carers, it compounds the differential impact.</p> <p>2). Those subject to the bedroom tax. With effect from 1 April 2013, those tenants in social sector accommodation who are deemed to have one bedroom over needs will lose 14% of their housing benefit, whilst those who have 2 or more bedrooms in excess will lose 25% of their entitlement.</p> <p>Whilst the local council tax support scheme will not in itself adversely affect this group more than any other, the combined effect could result in a major reduction in income. The fact that they are in social sector accommodation and on benefits suggests that they are on low income.</p> <p>3). Children. Any reduction in household income amongst low earning families could have an effect on their children's standard of living.</p>
<p>What evidence exists for this?</p>	<p>Access to the service is not changing</p>	
<p>15. Are there concerns there <u>could</u> be a have a differential impact due to <i>multiple discriminations</i> (e.g. <i>disability and age</i>)?</p>	<p>NO</p>	<p>Brief statement of main issue</p> <p>The main issue is the 25% reduction to the maximum amount of council tax support payable. This will only apply once no matter how many potentially vulnerable categories a claimant may belong to.</p>
<p>What evidence exists for this?</p>		

<p>Conclusions & recommendation</p>		
<p>16. Could the differential impacts identified in questions 7-15 amount to there being the potential for adverse impact?</p>	<p>YES</p>	<p>Brief statement of main issue</p>

17. Can the adverse impact be justified on the grounds of promoting equality of opportunity for one group? Or another reason?	YES	<p>YES Older people and war pensioners are protected from the changes in the new scheme.</p> <p>YES The Council is mitigating against certain adverse impacts by ensuring its scheme keeps the current allowances, premiums & income disregards for vulnerable groups such as disabled, single parents and families with dependant children.</p> <p>YES. The reality of the cut in funding and the aims of Welfare Reform in general contribute to the Government's aim to reduce expenditure in welfare payments and given the way in which the scheme has been devised, is a proportionate means of achieving a legitimate aim.</p>

Recommendation to proceed to a full impact assessment?

NO	This function/ policy/ service change complies with the requirements of the legislation and there is evidence to show this is the case.	
NO, BUT ...	What is required to ensure this complies with the requirements of the legislation? (see DIA Guidance Notes)?	Minor modifications necessary (e.g. change of 'he' to 'he or she', re-analysis of way routine statistics are reported)
YES	Give details of key person responsible and target date for carrying out full impact assessment (see DIA Guidance Notes)	Jon Poulson

Action plan to make Minor modifications		
Outcome	Actions (with date of completion)	Officer responsible
Review proposed scheme	Undertake consultation and target individuals from the protected characteristic groups and those most affected by the proposed new scheme Collect data from those groups not currently identifiable from existing records	Jon Poulson Jon Poulson
If necessary amend scheme	Any amended scheme must be consulted upon. However, lessons learnt show this needs to be a more fundamental part of the construction of the scheme and needs to include interaction with relevant focus groups	Jon Poulson
Undertake a full diversity impact assessment within 6 months of new scheme coming into force		Jon Poulson

Planning ahead: Reminders for the next review		
Date of next review	30 June 2013	
Areas to check at next review (e.g. new census information, new legislation due)		
Is there <i>another</i> group (e.g. new communities) that is relevant and ought to be considered next time?		
Signed (completing officer/service manager)	Date	
Signed (service manager/Assistant Director)	Date	

NB: Remember to list the evidence (i.e. documents and data sources) used