

COUNCIL TAX REDUCTION SCHEME

Reporting Officer: Director of Finance

SUMMARY

The purpose of this report is to enable the Council to approve the new localised Council Tax Reduction Scheme to be implemented from 1 April 2013 and to consider and ratify some technical changes to Council Tax exemptions and discounts following amendments to the provisions of the Local Government Finance Act 1992, introduced by the local Government Finance Act 2012. The Council is required to agree a Council Tax Reduction Scheme by 31 January 2013.

RECOMMENDATIONS: That

- a) **the adoption of the Council Tax Reduction Scheme proposed by Cabinet, be approved initially for a two year period from 1 April 2013 and, as part of the scheme, the continuation of the pensioner discount scheme under the revised Section 13a of the Local Government Finance Act 1992 be approved.**
- b) **the rules for the operation of the London Borough of Hillingdon Council Tax Reduction Scheme be adopted.**
- c) **the new Scheme of Council Tax Discounts, which replace some of the abolished Council Tax exemptions, be approved.**

INFORMATION

COUNCIL TAX REDUCTION SCHEME

The Local Government Finance Act (LGFA) 2012 revised Section 13A of the LGFA 1992 allows for the Council Tax

“to be reduced to the extent, if any, required by the authority’s council tax reduction scheme (see subsection(2))”,

where subsection 2 states:

“Each billing authority in England must make a scheme specifying the reductions which are to apply to amounts of council tax payable in respect of dwellings situated in its area, by

- (a) persons whom the authority considers to be in financial need, or
- (b) persons in classes consisting of persons whom the authority considers to be in general in financial need.”

The Council has complied with the provisions of Subsection 2 and devised a local council tax reduction scheme, set out in the attached report and approved for recommendation to Council by Cabinet on 20 December 2012. The scheme will be funded by means of a grant, based on the previous allocation for Council Tax

Benefits reduced by 10% and the proposed scheme is designed to be cost neutral to the Council.

The Council will continue to discount bills for over 65's under Section 13A (1)(C) of the Local Government Finance Act 1992 (as now amended). As was the case under Council Tax Benefit provisions, persons whose council tax is reduced under the new Council Tax Reduction Scheme, will not be eligible to receive the over 65's discount.

Although guidance on incentivising work within local scheme was only issued by Central Government on 18 December 2012 Central Government, London Borough of Hillingdon had already considered these matters in designing their local Council Tax Reduction Scheme and is therefore compliant with the guidance.

Scheme Rules

In addition to designing a local scheme, Councils were also required to develop scheme rules for the operation of their local scheme. These rules define who is eligible and the method of calculating entitlement for 'working age' residents. The scheme rules have been kept broadly in line with current Council Tax Benefit regulations, with the following amendments:

- The maximum amount of reduction that any household can receive is 80% of the council tax liability;
- Second Adult rebate is no longer payable;
- Back-dating is limited to 3 months (previously 6) bringing this in line with pensioners; and
- The overall capital/savings of £16,000 limit will continue, although under £10,000 (currently £6,000) will be disregarded, and a weekly-assumed income of £1 will be taken for every £500 (currently £250) between £10,000 and £16,000.

Where the person liable for council tax (or their partner, if applicable) is entitled to the Disability Premium, or they receive a War Widows Pension, War Disablement Pension or Armed Forces Compensation Payment they will not be subject to the local restriction of 80% council tax liability. War Widows Pensions, War Disablement Pensions and Armed Forces Compensation Payments will also continue to be fully disregarded as income.

The Government has prescribed the rules for assessing Council Tax Reduction for pensioners (those who have reached the qualifying age for state pension credit), which is largely the current Council Tax Benefit Scheme. These rules have been included in the Hillingdon scheme and ensure pensioners entitled to a Council Tax Reduction will be no worse off.

Hard copies of the scheme rules are available in Group Offices and accessible on line at: <http://modgov.hillingdon.gov.uk/ieListDocuments.aspx?CId=117&MId=1277>

TECHNICAL CHANGES TO COUNCIL TAX

The LGFA 2012 also introduced some technical reforms to Council Tax which give authorities additional powers in relation to certain Council Tax discounts and

exemptions. Amended Council Tax Regulations then deleted certain exempt classes of properties and replaced them with discount classes. As a result of this legislation, the Council is now required to approve the application of these new powers.

The new powers allow authorities to determine the level of discounts applicable to classes of dwellings and the durations for which such discounts can apply. At this time it is recommended that these powers be applied to give effect to a scheme of discounts which replicates the impact of the current exemption scheme and, in effect, makes no changes on the liability for these classes of dwelling. The recommended Scheme of Council Tax Discounts is attached at Appendix A.

ADDITIONAL INFORMATION

Equality Impact Assessment and information to Impacted Residents

At the meeting of Executive Scrutiny on 20 December, following Cabinet agreement to recommend the proposed Scheme to Full Council for adoption, some additional information was requested in relation to the Community Groups who were consulted during the formal consultation on the scheme and on the communications which were being sent to those affected by the introduction of the new scheme. This additional information is detailed below:

Community groups consulted:

- Afghans Women's' Group
- Age UK
- Disability Assembly
- Hillingdon Association of Voluntary Services
- Hillingdon Carers
- Hillingdon Disabled Tenant and Residents Group
- Hillingdon Parent Carers Support Group
- Hillingdon Senate
- Landlord Forum
- Learning Disability Forum
- Learning and Disabilities Partnership Group
- Refugees in Effective and Active Partnership
- Royal British Legion
- Sheltered Housing Forum
- Uxbridge Library Coffee Morning (Older People)
- Youth Council

Communications on the scheme to residents and to affected claimants -

- A press release will be issued following approval of the Scheme by Council;
- The Council's website will be fully updated with relevant information at the beginning of February;
- In mid February all affected residents will be sent a letter enclosing a leaflet giving an overview of the scheme and informing them that they will be affected by these changes;

- During the first week in March a payment card will be sent to all those residents who will become liable to pay Council Tax for the first time;
- During the week commencing 11 March Council Tax bills will be sent out; and
- A follow up article will be published in the March/April edition of Hillingdon People reminding residents of the scheme.

Financial Implications

This is a financial report and the comments of Corporate Finance are contained throughout.

Legal Implications

The attached report to Cabinet contains detailed legal advice on Hillingdon's proposed Council Tax Reduction Scheme. Cabinet was advised that the Secretary of State had the power to issue regulations requiring the Council to include specified matters in its Council Tax Reduction Scheme. The Borough Solicitor confirms that no further regulations have been issued, although the Secretary of State issued further guidance to local authorities on 18 December 2012. The report shows that this guidance had already been taken into account by the Council.

SCHEME OF COUNCIL TAX DISCOUNTS

The LGFA 2012 introduced some technical reforms to Council Tax which give authorities additional powers in relation to certain Council Tax discounts and exemptions. Amended Council Tax Regulations (SIs 2964 and 2965) then deleted certain exempt classes of properties and replaced them with discount classes.

The key areas where central government have replaced exemptions with locally set discounts and have given discretion to vary existing discounts from April 2013 are detailed below along with the Hillingdon's application of the power.

- **Class A** - Unoccupied properties undergoing repair or major structural alternation. Currently 100% exemption can be awarded for up to 12 months. From 1 April 2013 this exemption is abolished and will be replaced with a local discount of 100% for up to 12 months. Where there is currently an exemption the combined exemption and discount periods will run for up to 12 months. Effectively there would be no change for residents and landlords to the existing arrangements.
- **Class B** - Second homes. Currently 25% local discount on the council tax bill can be claimed for furnished properties that are either second homes or furnished property in between rentals. This level was set by the Council in 2004 and it is unchanged through the application of the new powers.
- **Class C** - Unoccupied and unfurnished properties. Currently 100% exemption can be awarded for up to 6 months. From 1 April 2013 this exemption is abolished and will be replaced with a local discount of 100% for up to 6 months. Where on 1 April 2013 a property is in receipt of an exemption the discount will commence on 1 April 2013 and the combined period of exemption and discount will not exceed 6 months. Effectively there would be no change for residents and landlords to the existing arrangements.
- **Class L** - Repossessed Homes (Class L) The current exemption will be abolished and will be replaced with a 100% discount.

Long term empty property

The Council resolved in 2004 to charge full council tax to properties that remained empty after the 12 month Class A exemption or 6 month Class C exemptions had expired. The same charge will apply once the relevant discount periods have been exhausted.

COUNCIL TAX REDUCTION SCHEME – A LOCALISED SCHEME TO REPLACE COUNCIL TAX BENEFIT

Cabinet Member(s)	Councillor Jonathan Bianco
Cabinet Portfolio(s)	Finance, Property & Business Services
Officer Contact(s)	Paul Whaymand, Finance
Papers with report	Appendix A - Consultation Results Appendix B - Equalities Impact Assessment

1. HEADLINE INFORMATION

Summary	This report seeks Cabinet approval to implement a local Council Tax Reduction scheme, with effect from 1 April 2013, when Council Tax Benefit is abolished. This local reduction scheme for pensioners and vulnerable groups will replicate the current Council Tax Benefit Scheme, while the scheme for other working age claimants will restrict the maximum level of support to 80% of Council Tax liability.
Contribution to our plans and strategies	Achieving value for money is an important element of the Council's medium term financial plan.
Financial Cost	The Government has announced that funding for the localisation of support to Council Tax will be 10% lower than funding for Council Tax Benefit. This equates to an estimated financial pressure of £2.25m in 2013/14 and £2.30m in 2014/15. The recommended reduction scheme will mitigate this pressure in full and prevent the need for either an equivalent cut in service budgets or an increase in Council Tax for residents of the Borough.
Relevant Policy Overview Committee	Corporate Services & Partnerships
Ward(s) affected	All

2. RECOMMENDATION

That Cabinet approves for recommendation to Council the adoption of the proposed Council Tax Reduction Scheme initially for a 2 year period from 1 April 2013.

Reasons for recommendation

The Local Government Finance Act introduces the requirement for Local Authorities to design and implement a local reduction scheme for Council Tax from 1 April 2013 to replace Council Tax Benefit, which is being abolished under the Welfare Reform Act 2012. The proposal is to implement the proposed scheme for an initial period of 2 years, during which time its impact alongside the broader sweep of welfare reforms will be monitored.

Alternative options considered / risk management

Alternative options

In considering the options for scheme design, the aim was to develop a simple scheme which minimised the impact across affected claimants, while protecting Council Tax payers. A reduction scheme that will eliminate the funding shortfall announced by the Government and that fits with a wider range of policy considerations is recommended as set out at paragraph 25. However, a range of possible options were considered by Cabinet in July 2012 and a draft scheme was issued for consultation with residents during the period August and October 2012.

Risk Management

1. As a result of other changes contained within the Welfare Reform Act, there is a risk that these could lead to increased migration from high-rent areas and therefore an increase in the claimants for Council Tax Reduction in Hillingdon. This is difficult to predict as existing customers affected by the local housing allowance (LHA) rent changes still have transitional protection, which ends in December 2012.
2. Due to the current economic situation, there is a risk that the number of claimants requiring support continues to rise with a consequential increase in the net cost to the Council, particularly in-year increases that will need to be funded.
3. The implementation of a Council Tax Reduction scheme coincides with significant changes and additional administrative burdens in 2013/14 including;
 - Introduction of Universal Credit.
 - Administration of the overall benefits cap limiting the overall total income for a benefit recipient to £500 / £350 per week (families / single).
 - Social sector rent restrictions for under occupancy.

- Local delivery of the replacement scheme for Community Care Grants and Crisis Loans.
4. In addition, all of the above changes and the introduction of a local Council Tax Reduction (CTR) scheme may cause confusion with some claimants as some will be directly affected by other welfare reform changes.
 5. There is also an increased likelihood and risk that all of the changes may make collection of Council Tax due difficult and lead to a reduction in current collection performance. Similarly, with an unprecedented level of change proposed there is a risk that there may be an adverse impact on the processing performance for claimants.
 6. Options to mitigate all these risks are being developed.

Policy Overview Committee comments

None at this stage

3. INFORMATION

Background

1. The Welfare Reform Act (WRA), which received royal assent on the 8 March 2012, abolishes both Housing Benefit and Council Tax Benefit, and will be brought into force by means of commencement orders made by the Secretary of State. Housing costs will eventually be met through Universal Credit (UC). The current Housing Benefit administration will be transferred from Local Authorities to the Department for Work and Pensions (DWP) over a phased period currently expected to be from April 2014 to March 2017. A local Council Tax Reduction (CTR) scheme is to be administered by Local Authorities from 1 April 2013.
2. The Local Government Finance Act (LGFA) is the mechanism for introducing the new CTR scheme. The Act introduces a number of changes to Council Tax, including a local reduction scheme and also some technical reforms to discounts and exemptions.
3. Council Tax Benefit has previously been fully funded by the DWP. However, under the new arrangements funding will be reduced by 10% of the total Council Tax Benefit bill. The saving required nationally is between £480m and £500m. Council Tax Benefit will be replaced by a locally designed support scheme (CTR) with Local Authorities taking responsibility for the assessment and application of the reduction to applicable claimants.
4. Local Authorities have the option to implement a local scheme which does not pass on this funding cut to those currently eligible for Council Tax Benefits. However, the cost of this protection would fall on the General Fund and would therefore be borne by Council Tax payers, either through a reduction in expenditure on services or through a Council Tax increase.

Council Meeting – 17 January 2013

(Cabinet 20 December 2012)

5. In 2011/12 Hillingdon paid out £22.5m in Council Tax Benefit. However, assuming that demand for Council Tax Support continues to increase by about 1% per annum the pressure could be increase to £2.3m in 2014/15.
6. The grant will be paid to both billing and major precepting authorities (i.e. the GLA in London), reducing each authority's Council Tax requirement and off-setting the reduction on the Council Tax base. Council Tax support grant from Central Government will be paid as part of the implementation of retained business rates funding and will be applied as a reduction to each billing authority's Council Tax base. Allocations will be set for the first two years through the Local Government Finance Settlement for the period 2013/14 and 2014/15 based on a forecast of spending on Council Tax Benefits for 2013/14.
7. Currently, approximately 21.6% of a resident's annual Council Tax bill is collected on behalf of the precepting body, the Greater London Authority (GLA). All figures quoted above include the GLA precept. Therefore, the estimated pressure of £2.3m would be shared proportionately between Hillingdon and the GLA.
8. The Government's aims with the overall Welfare Reform changes are to:
 - create the right incentives to get more people into work by ensuring work always pays;
 - protect the most vulnerable in our society, and;
 - deliver fairness to those claiming benefit and to the taxpayer.
9. The Government confirmed in the 2010 Comprehensive Spending Review that it will continue to support the most vulnerable whilst ensuring all sections of society who are able to do so contribute to the public sector deficit reduction.
10. The Government decided to localise Council Tax support to:
 - give Local Authorities a greater stake in the economic future of their local area;
 - provide Local Authorities with the opportunity to reform the system of support for working age claimants;
 - reinforce local control over Council Tax by enabling decisions taken locally about the provision of support with Council Tax are consistent with the driver for greater local accountability (referendums);
 - give Local Authorities a significant degree of control over how a 10 per cent reduction on the current Council Tax Benefit cost is achieved, and;
 - give Local Authorities a financial stake in the provision of support for Council Tax and create a stronger incentive for Councils to get people back into work.
11. This report sets out the proposed local CTR scheme which will mitigate the £2.3m financial pressure transferred from Government.
12. The Council needs to introduce a local scheme from 1 April 2013 and therefore it must make a decision on its design by 31 January 2013. If Council

fails to adopt a scheme the CTR default scheme will be imposed and the gap in funding of £2.25m in 2013/14 will need to be found. Cabinet are asked to consider and approve the recommendation in this report, following which a report will be taken to full Council in January for ratification.

13. The Government has stated that councils will not be permitted to reduce Council Tax support for pensioners. This will be achieved by retaining default national rules for pensioners, with eligibility and rates defined in broadly similar regulations as those for Council Tax Benefit.
14. The Government has also said that Local Authorities are expected to maintain an appropriate level of support for other 'vulnerable groups' that have not yet been clearly defined. However, the Government's response to the consultation 'Localising support for Council Tax in England', which was published in December 2011 refers to Local Authorities' responsibility towards vulnerable groups under various acts including;
 - Child Poverty Act 2010;
 - Disabled Persons (Services, Consultation and Representation) Act 1986
 - Chronically Sick and Disabled Persons Act 1970, and
 - Housing Act 1996.
15. The Council has 25,226 Housing Benefit and Council Tax Benefit claimants of which, approximately 21,700 include claims for Council Tax Benefit. It is important to note that after April 2014 new claimants will have to claim their housing support costs from the DWP, as part of their overall benefits under Universal Credit and a separate claim locally for CTR with the Council.
16. However, the Government aims to reduce the need for people to have to repeatedly provide the same information to various public sector bodies and has made amendments to the Local Government Finance Act 2012 to allow data sharing. Data sharing between the billing authority and the DWP and between other billing authorities will be an important way to reduce inconvenience to claimants, reduce complexity and minimise the administrative costs of the scheme.
17. The existing Council Tax Benefit scheme has been developed and refined over a number of years but is ultimately built upon a 'means tested' premise. Most non-working customers are currently eligible for full Council Tax Benefit even if they are working age. This means that they currently do not make any contribution to their Council Tax bill, as their entire liability is met by benefits. Clearly if the Council introduces a requirement for this client group to make a contribution towards their Council Tax liability there is a risk it may lead to tax collection issues.
18. The Government is working with local government associations to look at how Local Authorities can use the existing components of Council Tax Benefit in the design and administration of a local scheme. CLG issued a statement of intent and guidance on 17 May 2012, and their prescribed default scheme regulations in July 2012, which may be readily adapted by any local authority.

The default scheme is broadly the existing Council Tax Benefit scheme and, if adopted or imposed by the Secretary of State, would mean the authority has to meet the 10% shortfall in funding.

19. DWP has recently announced that the subsidy system for CTB will cease 31/03/2013. They have stated that they will not, therefore, pay subsidy on any backdated CTB claims or recovery subsidy on overpayments. An exercise is being undertaken to estimate the likely financial impact on the Council in 2013/14.
20. Implementation of Universal Credit over the period 2013 to 2017 is likely to have an impact upon the operation of the recommended scheme in the future, particularly to ensure all appropriate claimant data is shared between the DWP and the Council for assessment purposes. The decision that Universal Credit is payable a month in arrears will potentially create a delay in receiving information about claimant's eligibility and could also impact on the need to maintain a set of up to date rules once CTB is abolished.
21. There was also a legal requirement to consult on the local reduction scheme with the precepting authority and the public. The Council undertook a consultation exercise between August and October 2012. The results of this are included in Appendix A of this report.

Recommended Council Tax Reduction Scheme

22. The Government has prescribed that local CTR Schemes should ensure that:
 - pensioners should be no worse off;
 - Local Authorities should consider ensuring support for other vulnerable groups; and
 - local schemes should support work incentives and avoid disincentives to work.
23. The principles of the recommended Hillingdon CTR scheme include :
 - everyone will be liable to pay something (excluding pensioners, claimants receiving disability allowance, war widows, war disabled pensioners and claimants receiving armed forces compensation payments);
 - making work pay;
 - restricting the maximum reduction;
 - simplifying backdating arrangements;
 - an expectation that other adult occupiers within the household will contribute;
 - simplifying administration arrangements.
24. The recommended scheme is designed to be as simple as possible, whilst trying to achieve a scheme which absorbs the funding pressure and aligns to the governments overall intentions and protects vulnerable groups. The Government has prescribed the rules for assessing Council Tax Reduction for pensioners, which is largely the existing Council Tax Benefit scheme. The

Council is recommending the same rules are used to assess the CTR for claimants in receipt of disability living allowance (changes to Personal Independence Payment from April 2013) and those claimants entitled to War Widows pensions, war disabilities pensions and armed forces compensation payments.

25. Claimants who are classified as a pensioner or included within a protected vulnerable group (as detailed above) will not be subject to any local restrictions on the maximum amount of CTR payable. The Council's current policy on over 65's discounts, awarded under Section 13A of the Local Government Finance Act 1992 to those Council Tax payers aged over 65 not in receipt of Council Tax benefit, will continue after 1 April 2013 alongside the proposed CTR applicable to those pensioners not eligible for CTR.
26. All other claimants will be assessed for CTR in accordance with the current Council Tax Benefit regulations as amended by prescribed regulations and the following local rules:
- **Council Tax reduction will be restricted to the maximum amount of support of 80%.** This will affect an estimated 13,230 claimants and the average additional cost per claimant would be £4.38 per week (based upon a Band D property)
 - **To remove Second Adult Rebate from people below pensionable age.** Residents can currently claim Second Adult Rebate based on the income of any other adult in the household to compensate them for the loss of 25% Single Persons Discount. It could affect 82 claimants and the average cost to claimants would be £6.55 per week.
 - **To set the Capital Limit for claimants at £16k over which no CTR will be granted and between £10k and £16k CTR will be reduced by £1 for every £500 of capital savings.** This would cost the Council £6k but aligns with the governments intentions to support work incentives and avoid disincentives to work.
 - **Backdating of claims for CTR will be restricted to a maximum of 3 months.** This will align to the current pensioner arrangement.
27. In total it is estimated that this proposed scheme will reduce expenditure by £2.3m per annum which is equivalent to the reduction in funding for localising Council Tax support announced by the government. However, taking account of the financial risk to the Council, the impact on all residents and the impact on claimants, it is recommended that the initial scheme is put in place for a two year period, during which time the scheme can be reviewed and revised, taking account of experience and system developments.
28. Under Council Tax Benefit, guidance, good practice manuals and case law briefings are issued on a regular basis by the DWP. Under CTR this will now be the responsibility of the Council. Officers are currently developing detailed scheme rules based upon the prescribed regulations set by the Government, current CTB regulations, and good practice by other councils and amended where necessary by the recommended local rules for the local approved scheme.

29. Key issues arising from the transition from CTB to CTR are ensuring that:
- existing applicants (working age claimants) for CTB affected by the implementation of the CTR scheme do not have to make a new application;
 - subject to Council approval, the CTR scheme in January 2013, all affected claimants (approx 13,000) will be informed of the changes and how they need to respond in advance of receiving their Council Tax bill for 2013/14;
 - there are arrangements in place to manage new applicants;
 - the revised process for appeals against the Council decisions determining the level of support are clearly laid out and communicated to claimants;
 - Benefits, Council Tax and Customer Services staff are fully briefed on the changes and all processing staff will be cross-trained to support a full administration of the CTR Scheme and be able to process any reduction applied for.
30. The Council's IT system for revenues and benefits delivery is provided by Northgate Information Systems (NIS) who provide systems for over 160 Local Authorities. NIS have provided Local Authorities with assurance that they will have developed a tool, which will allow individual Local Authorities to adjust the parameters for means testing under the Council Tax Benefit system for the development and implementation of a new local scheme for March 2013.

Localising Council Tax Support – Transitional Grant

31. In October 2012 the Government announced a £100m transition grant which sought to encourage best practice in the development of CTR schemes. This is a voluntary grant available to billing and major precepting authorities who design their schemes so that:
- those who would be on 100% support under current Council Tax benefit arrangements pay between zero and no more than 8.5% of their Council Tax liability;
 - the excess income taper rate does not increase above 25%;
 - there is no sharp reduction in support for those entering work - for claimants currently entitled to less than 100% support, the taper will be applied to an amount at least equal to their maximum eligible award;

The impact of moving to a CTR scheme that provides maximum support of 91.5% (as per proposed grant condition) would reduce the income receivable by the Council from £2.26m as per the current recommended scheme to £0.97m leaving a funding gap of £1.3m. Applying Hillingdon's share of the transition grant of £0.53m would reduce the funding gap for 2013/14 to around £0.76m. Further, funding for the transition grant has been announced for one year only.

FINANCIAL IMPLICATIONS

32. Central Government reduction in funding for localising Council Tax Support by 10% will create a budget pressure of £2.25m in 2013/14, potentially rising to

£2.30m in 2014/15. Part of this will fall on the GLA so the net impact on Hillingdon will be about £1.76m with effect from 2013/14.

33. The £2.25m funding gap is based on the information provided by central Government in May 2012 providing an exemplification of the funding distribution for each Council, based upon a 10% reduction to the existing Council Tax Benefit funding across the country. The Government has announced its intention to apply a damping adjustment to some allocations to limit the impact on the worst affected authorities by redistributing some of the funding from the least affected. On present calculations it appears unlikely that Hillingdon's allocation will be affected by this adjustment so an assumption of a 10% reduction remains the best estimate.
34. To offset this pressure the Council has developed a CTR scheme which is broadly similar to the existing Council Tax Benefit scheme and is designed to pass on the costs to claimants, by restricting eligibility and/or individual entitlement as outlined in the report, with the aim of offsetting the net pressure on the Council.
35. The impact of the recommended CTR scheme will mean that an estimated 13,230 residents will now be liable to pay a higher contribution to their Council Tax. This could impact on Council Tax collection rates which could in turn have a further impact on the Council Tax yield. Any proposed change to the collection rate for Council Tax will be considered when the Council approves the Council Tax Base in January 2013.
36. The Government intends that the funding for Local Authorities for local Council Tax support schemes will be within the business rates retention system. For 2013/14 the Local Government Finance settlement will identify the allocations for Local Authorities as a visible line within their baseline funding levels for the first 2 years of the new business rates system. Local Authorities will therefore know what level of funding relates to Council Tax support schemes, to enable planning for the first year of the scheme. However, it is likely that in future years that the amount of government grant for localising Council Tax support will not be specifically identified within the amount of Business Rates retained.
37. This means that going forward the Council will bear the risk of claims varying from their current levels due to changes in economic conditions, demographics etc. In theory fixed-funding could benefit the Council in the longer term if claims reduce, but this is unlikely in the short term as current assumptions are for claims to continue to increase.
38. The Council received about £2.265m administration grant from the DWP in 2012/13. This covered the administration of both the Housing Benefit and Council Tax Benefit schemes. For 2013/14 the Council will receive an administration grant of £2.185m, a reduction of 4.5%.
39. The impact on the Council Tax base of the replacement of Council Tax Benefit with CTR will effectively reduce the Council Tax base and therefore the yield for any given level of Council Tax. This will be dealt with in more

detail when the Council considers the Council Tax Base for 2031/14 in January 2013.

40. In respect of transitional costs, new burdens funding of £84k has been received in 2012/13 to cover the cost of implementing the new Council Tax Scheme. Further funding for transitional costs likely to be at a similar level are expected to be announced for 2013/14.

4. EFFECT ON RESIDENTS, SERVICE USERS & COMMUNITIES

Equality Impact Assessment

The London Borough of Hillingdon has taken care to design a scheme that is simple, efficient and meets the requirements made of it under Government's statement of intent. This is an important agenda, which also supports greater localisation. Vulnerable groups such as pensioners and those with disabilities will be protected from the changes. Nonetheless, it is inevitable that some groups will be affected by the localisation of Council Tax support, in addition to the broader changes under Welfare Reform.

Hillingdon, therefore, recommends an initial CTR scheme to be adopted for 2 years, during which time its impact alongside the broader sweep of Welfare Reforms will be monitored. At the end of this 2 year period, and depending on the impact on equalities and stakeholders, the current CTR Scheme will either be extended for another year, or the next phase of the CTR Scheme will be designed, consulted upon and introduced.

The current caseload consists of the following customer groups

Pensioners	34%	of caseload
Disabled customers	4%	of caseload
Child in household	42%	of caseload
Working Age	20%	of caseload.

76% of the existing customer caseload receives full entitlement to Council Tax Benefit. This means they currently do not have to budget for their annual Council Tax bill. Customers with vulnerabilities or with difficulties in paying are offered support including extended payment arrangements and income benefit maximisation. In addition a review of the Council's collection and recovery policies will be undertaken as part of the implementation of the local scheme.

The results of the consultation exercise showed that the Black, Asian and Minority Ethnic and (BAME) group is the most disproportionately affected by the proposed scheme, however, options which disproportionately affect lone parent households such as removing Child Tax Credit disregard have been excluded for the Council's new scheme.

The Council will continue to monitor the impact of the Welfare Reform changes taking place from April 2013 as it is recognised that these will put an additional burden on the most deprived households or those dependent on Housing Benefit.

A detailed Equality Impact Assessment has been completed and is attached at Appendix B.

Consultation

The Local Government Finance Act specified that before adopting a CTR Scheme, the billing authority must in the following order:
Consult any major precepting authority which has power to issue a precept to it ;
Publish a scheme;
Consults individuals as it considers are likely to have an interest in the operation of the scheme.

Given the impact on the Borough's residents and that consultation would need to be accessible and proportionate, the Council undertook a high quality, co-ordinated consultation, which provided both online and offline opportunities for residents to engage on the published proposed CTR Scheme following consideration of different options by Cabinet in July 2012. The consultation complied with the Council's community engagement framework and lasted 12 weeks, from 1 August through to 31 October 2012.

The proposed scheme and issues for consultation were publicised via:
The Council's website – www.hillingdon.gov.uk;
The Council's magazine – Hillingdon People (which is mailed across the borough);
A leaflet included in letters to Council Tax payers and Council Tax Benefit claimants;
Local meetings with residents, including;
 Hillingdon Older People's Assembly;
 Parent Carers' Group;
 Coffee Morning at Uxbridge Library;
 Hillingdon Senate (made up of Council tenants and leaseholders drawn from various community groups recognised by the London Borough of Hillingdon) (a suggestion by a Senate member is included (see point 7 in the Feedback in Appendix A);
 Coverage in the local press (e.g. Uxbridge Gazette, 20 August 2012).

The consultation generated significant interest:
There were 137 requests for information via telephone, and 359 paper surveys were sent out as a result.
The consultation webpage was viewed 6,887 times in August to October.

Overall, there were 318 responses to the consultation, of which:
60 were postal responses and 258 online.
94 (30%) respondents say their household receives Council Tax Benefit.
67 (21%) are likely to be affected by the changes (working age and receive CT Benefit).

A summary of responses to the consultation is contained in Appendix A.

5. CORPORATE IMPLICATIONS

Corporate Finance

This is a corporate finance report and the implications are detailed within the financial implications above.

Legal

The Local Government Finance Act 2012 amends the provisions of the Local Government Finance Act 1992 in relation to Council Tax Benefit. Section 13A of the Local Government Finance Act 1992 (as now amended) provides for a person's liability to pay Council Tax to be reduced : (a) in accordance with Hillingdon's Council Tax Reduction Scheme and (c) "may be reduced to such extent (or, if the amount has been reduced under paragraph (a), such further extent) as the billing authority thinks fit".

Section 13 (2) then requires the Council to "make a scheme specifying the reductions which are to apply to amounts of Council Tax payable, in respect of dwellings situated in its area, by persons whom the authority considers to be in financial need, or persons in classes consisting of persons whom the authority considers to be, in general, in financial need". This is called the Council Tax Reduction Scheme.

Schedule 1A to the Act makes detailed provision about the matters that are to be included in the Scheme and the consultation that the Council must undertake before it makes its Scheme. The Borough Solicitor confirms that Hillingdon's proposed scheme complies with Schedule 1A, although the Secretary of State retains power under the Schedule to "make regulations prescribing other requirements for schemes". To date, no such regulations have been issued. Given that the statutory deadline for local authorities to adopt a Council Tax Reduction Scheme is 31 January 2013, the Secretary of State has until 20 December 2012 to lay regulations before Parliament. Should any regulations be made by the Secretary of State, the provisions of the Regulations will be incorporated into Hillingdon's own Scheme for approval by the Council at its meeting on 17 January 2013.

Paragraph 3 of Schedule 1A to the Act requires the Council to consult the GLA, publish a draft scheme and "consult such other persons as it considers are likely to have an interest in the operation of the scheme" before it adopts its Scheme. Full details of the consultation undertaken are contained in Appendix A. The Council must consider the views expressed in the consultation before making Hillingdon's Scheme, although some issues (such as general welfare policy and banding of properties for Council Tax) are matters that are outside the Council's control.

Members must also consider the Equalities Impact Assessment (EIA) contained in Appendix B in order to assist the Council in meeting its duty under section 149 of the Equality Act 2010 to advance equality of opportunity for all residents. The EIA shows the adverse effects that Hillingdon's Scheme will have on a large number of Borough residents, the alternative options that were considered to ameliorate these effects and the reasons why these options have not been recommended for adoption by the Council.

Council Meeting – 17 January 2013

(Cabinet 20 December 2012)

The requirement for Hillingdon to adopt its own Council Tax Reduction Scheme arises from the decision of H.M Government to reduce by 10% the amount of financial support for residents in relation to Council Tax. The only way for the Council to ensure that no residents suffer financially as a result of this decision by H.M Government is to divert monies from another budget to make up the reduction in funding. However, if another budget is reduced in order to ensure that residents in receipt of Council Tax Benefit are not financially disadvantaged, other residents will be adversely affected because funding for services on which they rely will be reduced. If the Council wishes to consider making up the shortfall in funding from H.M Government, it must identify the budget from which the funding is to come and then conduct a further Equalities Impact Assessment to determine whether the option is appropriate.

As stated section 13 (1) (c) of the Local Government Finance Act 2012(as amended) confers an additional power on the Council to reduce a resident's Council Tax Liability "to such extent as the [Council] thinks fit". This power was first introduced by the Local Government Act 2003 and ,in 2007, Hillingdon agreed to use this power to grant a discount to qualifying pensioner households. As stated in the Report, the Council proposes to maintain this policy and the Borough Solicitor confirms that it is lawful for the Council to continue to do so.

Finally, the Borough Solicitor advises that Schedule 1A to the Act requires the Council to review its Council Tax Reduction Scheme on an annual basis.

BACKGROUND PAPERS

Report entitled 'Council Tax Support a localised scheme to replace Council Tax Benefit'
Cabinet 26 July 2012



Appendix A - Council Tax Support Scheme Consultation 2012 Report – 6 November 2012

Changes to Council Tax Benefit

- Council Tax Benefit is being abolished by central Government, and each council has to replace it with a locally-funded scheme. The Government is also giving councils less money to fund these local support schemes, meaning that savings are needed if Hillingdon's council tax is to remain low.
- The reduction in funding means the Council will need to make some difficult decisions about who gets financial support and how much. The Council therefore held a consultation with residents on their proposed local Council Tax Support Scheme.

The Consultation

The consultation period ran from 6th August to 31st October 2012.

The proposals and consultation were publicised via:

- The Council's website – www.hillingdon.gov.uk
- The Council's magazine – Hillingdon People (which is mailed across the borough)
- A leaflet included in letters to Council Tax payers and Council Tax Benefit claimants.
- Local meetings with residents, including:
 - Hillingdon Older People's Assembly
 - Parent Carers' Group
 - Coffee Morning at Uxbridge Library
 - Hillingdon Senate (made up of council tenants and leaseholders drawn from various community groups recognised by the London Borough of Hillingdon)
- Coverage in the local press (e.g. Uxbridge Gazette, 20 August 2012).

The consultation generated significant interest:

- There were 137 requests for information via telephone, and 359 paper surveys were sent out as a result.
- The consultation webpage was viewed 6,887 times in August to October.

Overall, there were 318 responses to the consultation, of which:

- 60 were postal responses and 258 online.
- 94 (30%) respondents say their household receives Council Tax Benefit.
- 67 (21%) are likely to be affected by the changes (working age and receive CT Benefit).

There was also a submission by GLA (see Appendix 3), and a suggestion by a Senate member which they wished to be included (see point 7 in the Feedback).

Feedback from the Consultation

1) Vulnerable Groups

The majority of respondents agree that the following 'vulnerable' groups should be protected from the proposed changes:

- Pensioners (80%)
- People in receipt of a disability premium (70%)
- People in receipt of a War Widows Pension or a war disabilities pension (75%)

There were 66 (21%) comments about the proposals for vulnerable groups.

Summary of the points raised:

- These groups are not necessarily more 'vulnerable' than other benefit claimants.
- Other groups (e.g. single parents household) should also be considered as 'vulnerable'.
- Age should not be a factor in determining need, only income.
- Benefits should be means tested on a case-by-case basis.
- Some disability claims are fraudulent, and these cases affect the credibility of the benefits system.

2) Non-vulnerable claimants of working age

The majority of respondents (71%) agree that all 'non-vulnerable' claimants of working age should have to pay a contribution towards Council Tax, while 20% disagree. Half (49%) of those likely to be affected agree, while 39% disagree.

Half (52%) agree with the proposal to make the maximum amount of support to non-vulnerable claimants 80% of their Council Tax bill, while 32% disagree. Those likely to be affected are split 40% v 40%.

There were 89 (28%) comments about the proposals for 'non-vulnerable' claimants of working age.

Summary of the points raised:

- The council tax burden should not only fall on those who work. The benefits system should therefore encourage people to work and contribute to society.
- The terms 'vulnerable' and 'non-vulnerable' create a grey area e.g. why would someone need to claim benefits if they were not 'vulnerable'?
- Some argue that the figure of 80% is too much, others that it is too little.
- The figure of 80% needs to be explained more as it feels arbitrary.
- Benefit should be based on circumstances and means tested.
- Some households with already low incomes will not be able to afford the changes.
- Current benefits are based a minimum amount someone needs to live on. These proposals would reduce some household's incomes below this amount.
- Chasing such small amounts of Council Tax arrears from hard-pressed households will not be cost effective.
- Benefits could be offered in return for voluntary work.

3) Second Adult Rebate

Half (48%) agree the Second Adult Rebate be removed from people who are not pensioners, while 34% disagree.

One third (33%) of those affected agree, which 40% disagree.

There were 47 (15%) comments about the proposals for Second Adult Rebate.

Summary of the points raised:

- Second Adult Rebate often confused with Single Person Discount.
- Some think that the occupancy of the house should be considered, while others that it should be per household.
- Rebate system may be open to abuse e.g. Sub-tenants
- Removing the rebate may penalise those in work and make it better for them to claim benefits instead.

4) Capital (Savings and Investments)

The majority (79%) agree that the Council Tax Support Scheme should encourage people back to employment.

This includes 57% of those affected, while 24 disagree.

Two thirds (65%) agree that the capital limit should remain at £16,000, while 23% disagree.

Just over half (54%) of those affected agree with this, while one third (34%) disagree.

Just over half (55%) agree that the contribution for Council Tax Support should be set at £1 for every £500 of capital savings, while 22% disagree.

Half (49%) of those affected agree, while a quarter (24%) disagree.

Three fifths (58%) agree that £10,000 capital should be disregarded, while one fifth (21%) disagree.

There were similar proportions among those affected (49% v 22% respectively).

There were 54 (17%) comments about the proposals for Capital.

Summary of the points raised:

- People with £10,000 of savings should not be receiving benefits.
- Savers should not be penalised and that those in work should be able to save some of their income.
- Jobseekers are unlikely to have this level of capital so the proposals will not encourage people into work.

5) Backdated Payments

Three fifths (62%) agree that backdating should be restricted to 3 months, while one quarter (26%) disagree.

57% of those affected agree, while 28% disagree.

There were 50 (16%) comments about the proposals for Backdated Payments.

Summary of the points raised:

- Backdating of payments should be abolished.
- Claimants should take responsibility for themselves and claim immediately.

- Backdating should be retained as the delay may not be the fault of the claimant.
- No backdating apart from exceptional circumstances e.g. errors by the Council.

6) Final Comments

There were 59 (19%) final comments.

Summary of the points raised:

- The benefits system needs reforming.
- Need to cut down on fraudulent claims and help those in genuine need.
- The proposals will adversely affect low income households, and people will struggle.
- What will be the impact of Council Tax charges of the proposals?
- There are too few jobs at present to encourage people back to work.
- The consultation should be more widely publicised.
- The proposals may impact on carers and the people they care for (Hillingdon Carers)

7) Alternative Proposal from Senate

A member of the Senate made this alternative proposal:

- The proposed Council Tax Support scheme seeks to cover a shortfall in central Government funding by targeting benefit claimants - a group that are least able to cope with increases in household expenditure. Benefit claimants are often powerless to change their circumstances, and as the cost of essentials (such as food and fuel) rises, many claimants and their families are struggling to make ends meet. An alternative proposal should be considered, which would cover the shortfall in funding by raising Council Tax for higher band properties. Those living in these properties are likely to have a higher level of disposable income, and therefore more able to absorb an increase household expenditure.