



HILLINGDON  
LONDON

## Appendix B

# Impact Assessment

### STEP A) Description of what is to be assessed and its relevance to equality

What is being assessed? Please tick ✓

Review of a service  Staff restructure  Decommissioning a service

Changing a policy ✓ Tendering for a new service  A strategy or plan

The London Borough of Hillingdon has reviewed the different options available in developing a local Council Tax Reduction (CTR) scheme, as it is required to do under the changes introduced as part of the 2010 Comprehensive Spending Review, and the subsequent Welfare Reform Act, Local Government Finance Act and Local Government Resource Review.

The proposed scheme for 2013/14 is set out below, alongside the alternative options which were considered and subsequently discounted, due to adverse impacts involved in their implementation.

Who is accountable? E.g. Head of Service or Corporate Director

Paul Whaymand, Corporate Director of Finance

Date assessment completed and approved by accountable person

July 2012 – Updated November 2012

Names and job titles of people carrying out the assessment

Nancy Le Roux, Senior Finance Manager - Corporate Finance

A.1) What are the main aims and intended benefits of what you are assessing?

### **Aims of proposed local Council Tax Reduction scheme for 2013/14**

The key aim for the local Council Tax Scheme (CTR) is to deliver a scheme affordable to the Council, which is simple and easy to understand for residents, and which is efficient to deliver and administer. This aligns with the Government's intentions for localising Council Tax Support.

### **National principles**

The Statement of Intent published by CLG sets out the guidelines and constraints in designing a new local scheme. These include:

- No change in the current level of award for existing pensioners and an intention to provide similar protection for future pensioners;
- Consideration of continuing support for other vulnerable groups; and
- Local schemes should support work incentives, and in particular avoid disincentives to move into work.

### **Underpinning principles**

The proposed principles of a local Hillingdon scheme include:-

- Everyone will be liable to pay something (excluding protected groups);
- Making work pay;
- Restrictions on maximum support;
- Simplified backdating arrangements;
- Expectation that other adult occupiers within the household will contribute;
- Simplified administration arrangements.

### **Scheme design**

Pensioners and vulnerable groups (see table 6) will be unaffected by this change as their CTR will be calculated on the same basis as their Council Tax Benefit (CTB).

The initial scheme, for 'working age' customers on the current CTB scheme is set out below with the following modifications:

- Maximum Support will be capped at 80%;
- Removal of Second Adult Rebate
- Backdating will be restricted to 3 months, to align to the pensioner arrangement; and
- Capital restrictions will be aligned to the pensioner arrangements, i.e. the capital limit will be £16k over which no support would be granted and between £10k and £16k, support will be reduced by £1 for every £500 of capital savings.

A.2) Who are the service users or staff affected by what you are assessing? What is their equality profile?

### Total population of CTB claimants

In total, there are 105,631 properties within the Borough with a Council Tax liability (December 2011 figures).

Hillingdon has 21,478 households receiving Council Tax Benefit (April 2012 figures). Consequently, 20.3% of the Borough receives Council Tax Benefit (CTB).

Of a total 21,478 households receiving CTB, the breakdown of affected groups is as follows: 7,304 are pensioners, 821 are classed as vulnerable and 13,353 are working age (other). This information is provided in greater detail below:

<b>Table 1 - Breakdown of current council tax benefit customer profile</b>			
<b>Type of Customer</b>	<b>Number</b>	<b>Yearly (£)</b>	<b>% of Total</b>
Pensioners	7,304	£7,425,929	34%
Passported (IS, JSA, ESA)	8,531	£9,359,918	43%
Single workers	514	£324,168	1%
Single parents working	1,364	£1,025,388	5%
Families - workers	2,121	£2,282,280	10%
Single workers disabled	83	£68,432	0%
Families - workers with a disabled member	152	£157,300	1%
Single non workers	464	£409,032	2%
Single parents not working	263	£279,604	1%
Non working families	98	£94,692	0%
Single disabled non workers	512	£477,620	2%
Disabled non working families	72	£91,624	0%
<b>Total</b>		<b>£21,995,987</b>	<b>100%</b>

### Age of claimants

<b>Table 3- Breakdown of working age council tax benefit customer profile by age</b>		
<b>Age of Customer</b>	<b>Number</b>	<b>% of Total</b>
18 to 21	227	1.7%
22 to 30	2393	17.9%
31 to 40	3935	29.5%
41 to 50	4150	31%
51 to 61	2648	19.9%
<b>Total</b>	<b>13353</b>	<b>100%</b>

The above table shows the breakdown of age ranges for CTB claimants who are of working age. The provisions of the proposed scheme for Hillingdon mean that pensioners continue to receive the same support as they have under CTB. As they are not affected by the proposed changes, they have been excluded from the table above.

## Gender

<b>Table 4- Breakdown of working age council tax benefit customer by gender</b>		
<b>Gender of Customer</b>	<b>Number</b>	<b>% of Total</b>
Male	4,522	33.9%
Female	8,831	66.1%
<b>Total</b>	<b>13353</b>	<b>100%</b>

## Ethnicity

<b>Table 5 - Breakdown of working age council tax benefit customer by ethnicity</b>		
31	White - English / Welsh / Scottish / Northern Irish / British	4434
32	White - Irish	168
33	White - Gypsy or Irish Traveller	0
34	White - Any Other White background	179
35	Mixed / Multiple ethnic group - White and Black Caribbean	46
36	Mixed / Multiple ethnic group - White and Black African	25
37	Mixed / Multiple ethnic group - White and Asian	36
38	Mixed / Multiple ethnic group - Any Other Mixed / multiple ethnic background	36
39	Asian / Asian British – Indian	550
40	Asian / Asian British – Pakistani	433
41	Asian / Asian British – Bangladeshi	160
42	Asian / Asian British – Chinese	41
43	Asian / Asian British - Any other Asian background	353
44	Black / African / Caribbean / Black British – African	1321
45	Black / African / Caribbean / Black British – Caribbean	288
46	Black / African / Caribbean / Black British – Any other Black / African / Caribbean background	114
47	Other ethnic group – Arab	0
48	Other ethnic group – Any other ethnic group	1544
98	Any other	0
99	Not known/not provided	3626
	<b>Total</b>	<b>13353</b>

The table above indicates CTB claimants by ethnicity. 2,583 households did not complete this information, amounting to the shortfall in working age households accessing CTB at the point of data collection (13,353).

## Vulnerability

The classification of a vulnerable person for the purposes of CTR Scheme covers anybody in receipt of one or more or of the following premiums:

<b>Table 6 – Classification of a vulnerable person</b>
Disability Premium
Enhanced Disability Premium
Severe Disability Premium
Disability Premium for Dependents
Enhanced Disability Premium for Dependents
Disabled Earned Disregard
CT Disability Reduction
War Widows Pension
War Disablement Pension
Armed forces Compensation scheme

As part of the design of the CTR scheme for Hillingdon, vulnerable persons will continue to receive the same level of support as under CTB. These individuals are not affected by the changes being introduced under the new scheme.

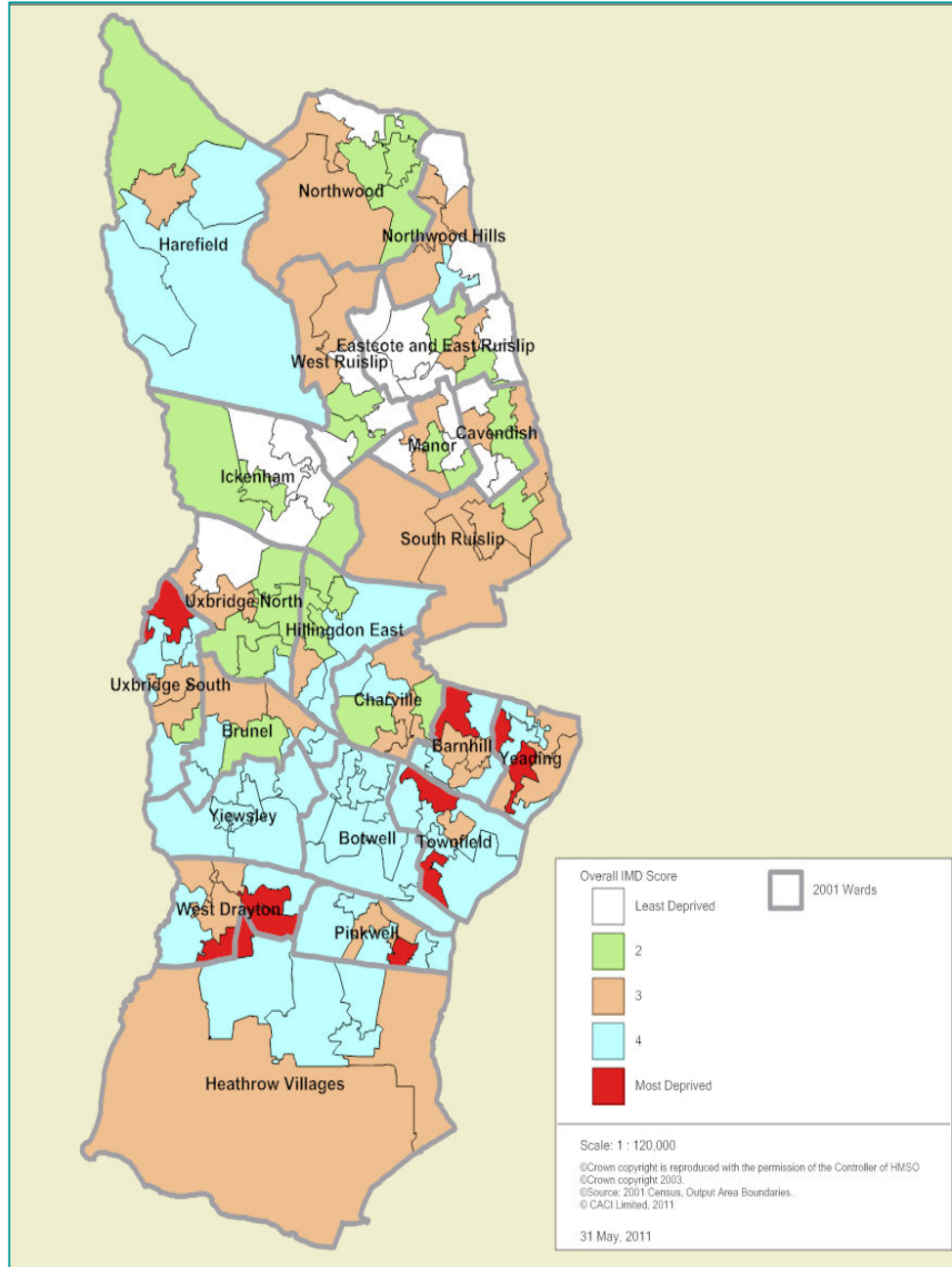
## Deprivation

Working age CTB claimants are more likely to receive Housing Benefit (HB), which is also being reduced as part of the broader Welfare Reform agenda. In Hillingdon, 15,952 households receive HB. 4,424 of these are council tenants; 3,968 live with Registered Social Landlords, and 7,560 are private tenants (October 2012 figures)

The scheme has been designed to protect vulnerable groups, and to avoid the creation of disincentives for claimants to work.

Key provisions which would disproportionately affect low income households have been excluded from Hillingdon's scheme. These include capping support by band of property (75% of households at Band D and above receive Housing Benefit).

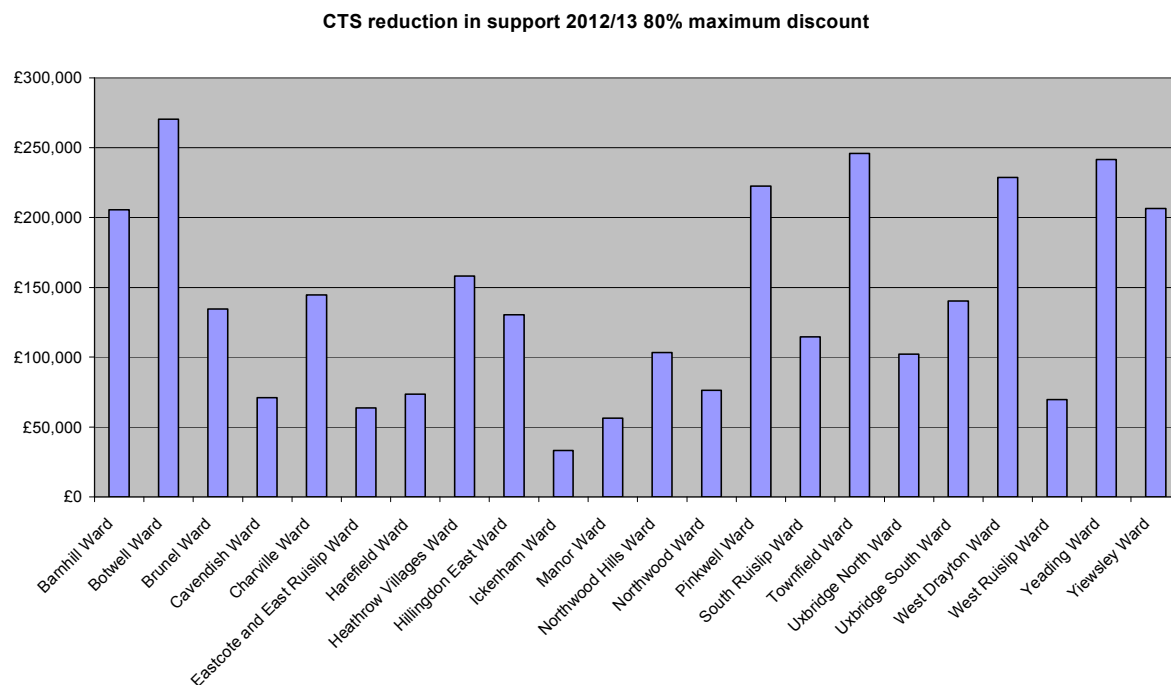
As such, it is likely the impact of the CTR scheme will align with the Borough-wide map of deprivation, below:



This analysis is supported by the ward-level analysis of the impact of introducing the scheme, overleaf.

## Impact by geographical area

**Table 6 – Loss of financial support by geographical area**



The wards most affected by the changes are Barnhill, Botwell, Heathrow Villages, Pinkwell, Townfield, West Drayton, Yeading and Yiewsley. This aligns with the Index of Multiple Deprivation map above.

### A.3) Who are the stakeholders in this assessment and what is their interest in it?

<b>Stakeholders</b>	<b>Interest</b>
Council Tax Benefit claimants	Council Tax Benefit working age claimants will be the customers directly affected by the change in support.
Local Interest Groups	Voluntary and community groups who may work with the affected claimants.
LB Hillingdon	Overall impact on Council budget
LB Hillingdon Housing Benefit and Council Tax services	The services and staff who will administer the future scheme.
Precepting authorities	Collection and overall reduction in funding

Central government (Department of Work and Pensions, Communities and Local Government)	DWP and CLG have made requirements of councils to deliver this scheme for the financial year starting from April 2013.
Council tax payers	Financial pressure on other services from the council if the scheme is not delivered within budget.

A.4) Which protected characteristics or community issues are relevant to the assessment? ✓ in the box.

Age	✓	Religion or belief	
Disability	✓	Sex	✓
Gender reassignment		Sexual Orientation	
Marriage or civil partnership		Community Cohesion	
Pregnancy or maternity		Community Safety	
Race/Ethnicity	✓	Other – please state: Working age residents	✓

## STEP B) Consideration of information; data, research, consultation, engagement

B.1) Consideration of information and data - what have you got and what is it telling you?

### Overall impact of the scheme by equality characteristic

#### **Sex**

The data indicates that the largest group of claimants for CTB are women who are over represented when compared to the total borough population (66 % to 50.4%<sup>1</sup>). As a result, any change to the support provided through this benefit is likely to impact women twice as greatly as men.

#### **Race**

The data indicates that the largest group of claimants for CTB are White British at 33% which is below the total borough population of 68%<sup>2</sup>. BAME people make up 39.6% of claimants compared to 32%<sup>3</sup> of the total borough population and are



therefore disproportionately affected by the changes. Data is unavailable for 27% of claimants which should be borne in mind when drawing any conclusions.

Black African make up 9.9% of CTB claimants, more than double the 4%<sup>4</sup> of the total borough population.

### **Age**

The data shows that people aged 31 to 61 are disproportionately affected when compared to the total borough population: 98% compared to 48%<sup>5</sup>

### **Disability**

The data for those in receipt of a disability based benefit has not been analysed as those people will not be affected by the changes.

<sup>1</sup> Census 2011

<sup>2,3,4</sup> ONS mid year population estimates 2010

<sup>5</sup> Census 2011

## **Consultation**

B.2) Did you carry out any consultation or engagement as part of this assessment?

Please tick ✓      NO       YES ✓

### **If yes, what did you do or are planning to do? What were the outcomes?**

- A full consultation with the public and special interest groups has been undertaken The Council's website – [www.hillingdon.gov.uk](http://www.hillingdon.gov.uk);
- The Council's magazine – Hillingdon People (which is mailed across the borough);
- A leaflet is being 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 2) ;
  - 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

Feedback highlights from the consultation were as follows :

- The majority of respondents agree with the vulnerable groups , pensioners (80%), people in receipt of a disability premium (70%) and people in receipt of War widows Pension or war disabilities pension (75%);
- 71% agreed that non vulnerable claimants of working age should pay a contribution to council tax ;
- 48% agree that the Second Adult Rebate be removed from people who are not pensioners ;
- 79% agree that the Council Tax Reduction Scheme should encourage people back into employment and 65% agreed the capital limit should remain at £16,000;
- 62% agree that backdating should be restricted to 3 months

The detailed feedback is contained within Appendix A to the report 'Council Tax Reduction Scheme – a localised scheme to replace Council Tax Benefit '

Finally, consultation has taken place with precepting authorities.

B.3) Provide any other information to consider as part of the assessment

### **Impact of specific Council Tax Reduction scheme proposals for customers**

#### 1. Overall impact of the scheme

In developing a local CTR scheme, it has been a key principle to consider the impact on residents affected by the changes proposed. Many of the recipients of Council Tax support will also be affected by the wider benefit reforms.

The CTR scheme for Hillingdon will protect pensioners and vulnerable groups, including anybody in receipt of a disability-based benefit or war widows pension. These groups will continue to receive support at the same level as they have done under CTB.

In addition, the London Borough of Hillingdon will continue to monitor the impact of Welfare Reform changes taking place from April 2013, as it is recognised that these will put an additional financial burden on households reliant on Housing Benefit.

All working age CTB claimants will see their level of support reduce under the new CTR. Individuals receiving under approximately £3.50 in support per week will receive no support under the new system.

The London Borough of Hillingdon, therefore, proposes an initial scheme which will

be adopted for the 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 will be designed, consulted upon and introduced.

## 2. Restriction of Maximum Support to 80%

This will restrict the maximum amount of Council Tax reduction that the majority of working age residents claiming a reduction can receive.

Currently residents on either Income Support (IS), income based Job Seekers Allowance and income based Employment Support Allowance with no non-dependants receive Council Tax Benefit equal to 100% of their Council Tax liability.

CTB is currently received by 14,154 working age households of which 30% are low paid working households.

The proposed scheme is the most equitable in that it will equally affect all working age households not deemed vulnerable, irrespective of income. By applying a standard reduction to all working age claimants, the impact is spread across the widest possible group, thereby minimising the impact on each individual affected claimant.

The proposed CTR scheme will be the most efficient to deliver and the easiest to communicate to residents, as the main elements of the scheme will mirror the current Council Tax Benefit and Housing Benefit Schemes. In this way, residents can continue to claim for both schemes on one application form.

## 3. Removing Second Adult Rebate

Second Adult Rebate (SAR) is a scheme that is not means tested on the householder. The scheme was introduced to compensate single Council Tax payers who do not qualify for Council Tax Benefit in their own right, and do not qualify for Single Persons Discount because they have a low income second adult(s) living with them. The second adult(s) is means-tested and depending on their income a reduction between 7.5% and 25% is granted.

Removing Second Adult Rebate would still afford protection for customers on low income through the means tested process as the majority receive SAR through a 'better buy' calculation. This change might have a minimal effect on collection as most of these customers are already paying up to 75% of their liability. There are currently 155 households in Hillingdon receiving Second Adult Rebate, of which 30 are pensioners.

## 4. Alignment of working age backdating limits with those of pensioners

This proposal will limit backdating to three months for working age customers. The current Council Tax Benefit Regulations allow six months backdating providing applicants can show continuous good cause for not applying earlier. Many claims

are received but do not meet the legal conditions to allow back date. In 2011/12 1396 applications were received of which 40% were awarded.

## 5. Realignment of working age capital restrictions

Under the proposed Council Tax Scheme, the capital limit over which no support would be granted will be £16k. Between £10k and £16k, support will be reduced by a tariff income of £1 for every £500 of capital savings. This is an increase on the current level of £6k, before a tariff income is applied and will be an additional incentive to work and save and the cost impact is immaterial.

### **Impact of alternative options for Council Tax Support on stakeholder groups**

#### 1. Capping payments by band

Capping payment by band could predominantly affect families in need of larger accommodation or (for homeowners) affect the asset rich on a low income. It could make people move to smaller more affordable accommodation. There might be a need to increase bad debt provision as these debts may be difficult to collect. The 'capping' would also affect families in private rented accommodation who will have limited income to pay the difference. This option goes against the premise that CTR is based on income and ability to pay.

By capping the discount at Band D properties, the maximum support available to residents would be £1,419.65, if the scheme started in 2012/13.

There are currently 1,252 working age households in borough receiving Council Tax Benefit above Band D broken down as follows:

Band E - 1014

Band F - 197

Band G - 39

Band H - 2

54% of these households are currently receiving maximum Council Tax Benefit.

In addition, 936 (75%) of households are also receiving Housing Benefit and as such could also be subject to the Housing Benefit cuts introduced in April 2012 that imposed a cap on rent levels, and from April 2013 when the overall Benefit caps previously mentioned are introduced. In particular it could disproportionately impact on people who have larger families with 4 children or more (affects 13%).

#### 2. Applying a minimum award for working claimants

Applying a minimum award removes entitlement from those with an ability to pay (from those at the upper end of the low income bracket). These customers are already paying the majority of their Council Tax bill; however, this change would remove any entitlement to support. It does not remove the assessment burden as a full assessment would be required to determine the level of award and then advise the customer they have 'no entitlement'. The change would deliver minimal savings and would affect the 80 households in Hillingdon that receive less than £2 per week.

### 3. Increasing the excess income withdrawal rate

Increasing the current excess income withdrawal rate from 20% to 25% reduces entitlement in proportion to the customer's ability to pay. These customers already have income above their needs (the living allowance the Department for Work and Pensions assesses they need to live on) and currently pay something towards their Council Tax liability. Although, it may seem in conflict with Universal Credit (UC) and increasing incentives to work the government has stated in its response to the consultation to minimise the effect of UC and CTS being withdrawn simultaneously it has proposed higher earnings disregards; these are in addition to their original proposed disregards and are as follows;

- An additional earnings disregard to couples with children of £250;
- Increasing the child element in the earnings disregard from £2,700 to £4,000
- An increase in the minimum disregard per adult of £700, including for single claimants

However, UC will not be introduced for new claims until October 2013 for 'out of work' claims and later for 'in work' claims. Existing cases will migrate to UC between 2013 and 2017. Increasing the withdrawal rate to 30% will affect 2542 claimants, the majority of whom are working and of this some 469 will lose all existing entitlement to support.

### 4. Reducing or removing working tax credit disregards

Removing or reducing the working tax credit disregard affects households that currently have either the claimant or the partner working in excess of 30 hours weekly. Customers that are working less than 30 hours each week do not receive this income disregard. Working tax credit is being subsumed within UC, therefore, this option would need to be reviewed when the UC regulations are published and possibly amended for April 2014.

### 5. Removing child benefit disregard

Child benefit was fully included in the assessment of Housing Benefit and Council Tax Benefit prior to November 2009 it then became fully disregarded. The Government policy aim at the time was to help meet national child poverty targets. The Council could consider removing the disregard, or allowing a % of the child benefit paid to be disregarded, as child benefit will be fully included in the assessment when the benefit cap is introduced in April

There are currently 3485 working households with children receiving Council Tax Benefit in Hillingdon, 39% of which are lone parents. This proposal would disproportionately affect low-income working households, and as a result is a disincentive to work. It also goes against the principles of Universal Credit of 'making work pay' as in-work households will not be subject to the overall Benefit cap from April 2013. Therefore, this is not being proposed as part of the Scheme.

### 6. All claimants with non-dependents

Restricting the increased non-dependent contributions to the working non-dependent could be a fair way of ensuring those non-dependants that are able to pay do so. It may be unreasonable for out of work non-dependants to pay an increased deduction

as they are already on a very low-income. If they were forced to leave the family home this may lead to an increase in shared accommodation increasing pressure on the supply of housing for this group.

#### Legal context

Under the Equality Act 2010, the Council must not discriminate against people with a protected characteristics in the services that it provides. The Council also has a public duty to pay due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations (Equality Act 2010)

#### Financial context

It is predicted that public sector funding will reduce by at least 28% over the life of the current parliament, with Hillingdon Council having to achieve in excess of £60m savings over the four year period.

#### National policy context

As part of the Spending Review 2010, the Government announced that it intended to localise Council Tax Benefit (CTB) from 1 April 2013 with a 10% reduction in expenditure. These plans were included as part of the terms of reference for the Local Government Resource Review and the Welfare Reform Bill contains provisions to abolish CTB.

On 17 May, CLG published a consultation on funding arrangements for the new scheme with responses due by 12 July 2012. On the same date a Statement of Intent was published detailing the proposed methodology for the design and operation of a local scheme for council tax support.

#### National impact assessments

This document has been developed in line with the impact assessments published at the national level by Communities and Local Government. These are listed below:

- *Local Government Finance Bill: Localising support for council tax – Impact assessment* (Communities and Local Government)
- *Local Government Finance Bill: Localising support for council tax – Updated impact assessment* (Communities and Local Government)
- *Localising support for council tax: Vulnerable people – Key local authority duties* (Communities and Local Government)

## **C) Assessment**

What did you find in B1? Who is affected? Is there, or likely to be, an impact on certain groups?

C.1) Describe any **NEGATIVE** impacts (actual or potential):

<b>Equality Group</b>	<b>Impact on this group and actions you need to take</b>
<b>Working age BAME women living in deprivation</b>	<p>This group is the most disproportionately affected by the proposed scheme.</p> <p>Options which disproportionately affect lone parent households, such as removing Child Tax Credit disregard, have been excluded from the Council's new scheme.</p> <p>The London Borough of Hillingdon will continue to monitor the impact of Welfare Reform changes taking place from April 2013, as it is recognised that these will put an additional financial burden on the most deprived households, or those reliant on Housing Benefit.</p> <p>The impact of the changes to the Council Tax Support alongside the broader sweep of Welfare Reforms will be monitored and at the end of the 2nd year of the initial scheme, 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.</p>

C.2) Describe any **POSITIVE** impacts

<b>Equality Group</b>	<b>Impact on this group and actions you need to take</b>
<b>Working age</b>	<p>The CTR scheme has been designed in such a way as to avoid the creation of disincentives to finding work.</p> <p>Options such as increasing the excess income withdrawal rate would serve as a disincentive to work. These have been excluded from the new scheme.</p>
<b>Pensioners</b>	Pensioners are protected from changes in support introduced as part of the CTR scheme.
<b>Vulnerable groups</b>	Vulnerable groups (including individuals receiving disability benefits) are protected from changes in support introduced as part of the CTR scheme.

## **D) Conclusions**

Reducing spending on support for Council Tax is an important contribution to Government's programme of deficit reduction, saving £470 million a year in Great Britain from 2013-14 which, based on previous shares of expenditure equates to £420 million a year in England. The London Borough of Hillingdon has taken care to design a scheme that is simple, efficient and meets the requirements made of it under the 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, in addition to the broader changes under Welfare Reform.

The London Borough of Hillingdon, therefore, proposes an initial scheme which will be adopted for the 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.

**Signed and dated:**



**27 November 2012**

**Name and position:** Paul Whaymand - Corporate Director of Finance