

	<h2>Policy & Resources Committee</h2> <h3>21 July 2014</h3>
Title	Council Tax Support: Options for a revised scheme
Report of	Deputy Chief Operating Officer Commissioning Strategy Assistant Director
Wards	All
Status	Public
Enclosures	Appendix 1 - Council Tax Enforcement Procedure Appendix 2 - Initial Equalities Impact Assessment
Officer Contact Details	Jonathan Wooldridge – Revenues and Benefits Manager jonathan.wooldridge@barnet.gov.uk 020 8359 2824

Summary

When responsibility for Council Tax Support (CTS) was devolved to Local Authorities in 2013, Barnet consulted on and implemented a 2 year scheme covering the period 2013/14 and 2014/15. At the time, the Council agreed to consult again after the 2 year period.

This report sets out options for a revised CTS scheme, including a range of contribution rates for those eligible for support and the potential impacts on individuals and on Council revenues. The options considered are:

Option 1: Continue the current CTS scheme, with the Council Tax contribution rate for those in receipt of CTS remaining at 8.5%

Option 2: Increase the Council Tax contribution rate to 15%

Option 3: Increase the Council Tax contribution rate to 20%

Option 4: Reduce the Council Tax contribution rate to zero

Recommendations

1. That the Committee consider the options for a revised CTS scheme set out in this paper and agree which of the options to consult publicly on before implementation. The public consultation will run for a period of 12 weeks, starting in July, with the revised scheme implemented at the start of the 2015/16

Financial Year.

2. That the Committee consider and agree proposals for a new Council Tax enforcement policy set out in Appendix 1 of this report.
3. That the CTS scheme would remain the scheme until revised, and that future changes will be made as part of the budget cycle.

WHY THIS REPORT IS NEEDED

- 1.1 Responsibility for Council Tax Support (CTS) passed to Local Authorities in 2013/14. Previously, responsibility for CTS (then called Council Tax Benefit) was held by central Government and funded through the Department for Work and Pensions (DWP). Government also passed funding for CTS to Local Government but reduced the amount of funding available by 10%. This meant that, unless changes were made to the CTS to reduce spending on support, Councils would face an additional cut to their funding on top of cuts made to the overall Revenue Support Grant (RGS).
- 1.2 Councils therefore had to decide whether to absorb the funding reduction across other areas of their budget or pass it on to recipients of CTS by requiring them to make a contribution to their overall Council Tax bill.
- 1.3 Approaches by Local Authorities have varied greatly across London and the rest of the country. Some authorities have absorbed the funding reduction without making those working age residents eligible for CTS pay a contribution to their Council Tax, whereas others have required residents in support of CTS to make a contribution, in some cases as high as 30% of their total Council Tax bill. In Barnet, the council implemented a 2 year scheme – for 2013/14 and 2014/15 – with a Council Tax contribution rate for those working age claimants in support of CTS at 8.5%. The Council also agreed to consult on a revised scheme after the 2 years.
- 1.4 As we approach the end of this two year period, a decision on a revised scheme is required in July, to allow for a 3 month consultation ahead of inclusion in the Council's draft budget that will go to Policy & Resources Committee in December.
- 1.5 **Financial context**
 - 1.5.1 In 2013/14, when responsibility for CTS was passed to Local Government, funding for the scheme was included as a separate element in in the RSG. For Barnet, the total set aside for CTS was £22.4m as part of overall RSG of £78.8m (28%).
 - 1.5.2 From 2014/15, CTS funding was rolled into the overall RSG and not split out. The overall level of RSG was reduced by 17% in 2014/15, and is forecast to reduce by a further 26% in 2015/16 and 17% in 2016/17. As such, unless spending on CTS is also reduced, there will be less RSG to spend on other services.
 - 1.5.3 The tables below set out the overall impact. **Table 1** shows the reduction in spending on CTS required if it were to fall in line with the overall reduction to RSG over the next 3 years. This would effectively require a 50% reduction in CTS spend between 2013/14 and 2016/17.

1.5.4 **Table 2** shows that, if spending on CTS is not reduced (i.e. if it remains at the level set in 2013/14 of £22.4m) there will be significantly less RSG to spend on other services. This effectively means that a 17%/26%/17% overall RSG reduction over the next 3 years becomes a 24%/40%/32% reduction in the element of RSG not spent on CTS.

	RSG £m	CTS £m	Available to spend on other services £m	% cut on previous year
13/14	78.8	22.4	56.4	
14/15	65.2	18.5	46.7	17%
15/16	48.2	13.7	34.5	26%
16/17	40.0	11.4	28.6	17%

Table 1 - Impact on Council finances if spend on CTS not reduced in line with overall RSG reduction

	RSG £m	CTS £m	Available to spend on other services £m	% cut on previous year
13/14	78.8	22.4	56.4	
14/15	65.2	22.4	42.8	24%
15/16	48.2	22.4	25.8	40%
16/17	40.0	22.4	17.6	32%

Table 2 - Level of CTS reduction if in line with overall rate of decrease to RSG

Barnet's current CTS scheme

1.5.5 During 2012, Barnet developed, consulted on and implemented a 2 year CTS scheme for 2013/14 and 2014/15.

1.5.6 Barnet's approach was to do everything possible within statute before considering whether to pass on the impact of the funding reduction to residents by making those eligible for CTS pay a contribution to their Council Tax. This included other technical reforms of Council Tax such as removing the second home discount; exemptions for empty properties; and introducing a levy for properties which were empty for more than 2 years.

1.5.7 Having done this, Barnet set a contribution rate of 8.5% for all working age claimants towards their Council Tax bill (i.e. working age claimants now receive

91.5% of their maximum CTS compared to the previous level of Council Tax Benefit received).

- 1.5.8 Barnet's scheme included protection for war pensioners (in addition to statutory pension age claimants).
- 1.5.9 Partly, the reason for setting the rate at 8.5% was because of an offer of £0.6m 'transitional funding' from the Government for councils who limited the contribution rate to 8.5% or below. This funding was a one-off contribution for 2013/14 only.
- 1.5.10 During 2014/15, the Council has funded this from reserves in order to maintain the same level of funding.

Collection rates for those in receipt of CTS who are required to make a contribution to Council Tax

- 1.5.11 At the time Barnet's scheme was developed, it was forecast that the Council Tax collection rate for those in receipt of CTS would be 70%. However, data for the 2013/14 Financial Year has shown the actual collection rate to be significantly higher, at 90%. This is only 6% lower than the overall CT collection rate.

1.6 Number of residents affected

- 1.6.1 Currently, 30,500 residents claim CTS, including pension age claimants – some 8.7% of the borough's total population.
- 1.6.2 Of this, 20,700 are working age claimants who are eligible for CTS and, under Barnet's current scheme, are required to make an 8.5% contribution to their overall Council Tax bill (pension age claimants are exempt under statute). The number of working age CTS claimants that are in work are 9,300 opposed to 11,400 who are out of work.
- 1.6.3 Of this, about 1,350 have failed to pay anything at all for 2013/14 and are being pursued for non-payment.
- 1.6.4 Approximately 14,000 working age claimants were not paying any Council Tax under the more generous and Government funded CT benefit scheme.
- 1.6.5 Approximately 3,700 summonses were issued against this 14,000.
- 1.6.6 Of those, 856 still owe a balance. This group are consistent non-payers who have not engaged with the Council despite efforts to contact them.

1.7 How Barnet's current CTS compares to neighbouring boroughs

- 1.7.1 The table below shows that Barnet's current CTS contribution rate is one of the lowest in NW London. Neighbouring boroughs of Haringey, Harrow, Brent and Enfield have all set Council Tax contribution rates for working age CTS claimants at around 20% or higher.

1.7.2 In Barnet, and in other areas, collection rates for those eligible for CTS have been significantly higher than expected. In Barnet, the collection rate was nearly 90% against a forecast rate of 70%. Even in neighbouring boroughs with collection rates of ~20%, collection rates have been around 83% - 84%.

1.7.3 This suggests that, although there is a correlation between contribution rates and collection rates, collection rates are still high even when contribution rates are set at 20%+.

1.7.4 There have been different approaches to enforcing non-payment in different boroughs. Most authorities have avoided the use of bailiffs or enforcement agents to collect unpaid Council Tax. Many authorities, including Barnet, have used outbound calling to remind customers to pay their instalment - recognising that for some customers this is a new burden. Additionally being in contact with taxpayers to prompt or support the repayment process early, before arrears being to accrue has been beneficial – as once a debt builds it is often impossible to repay before the next year's debt is then due.

Authority	CTS contribution rate	CTS collection rate 2013/14	Overall collection rate 2013/14	Notes
Barnet	8.5%	89.8%	96.4% (down 0.2%)	<ul style="list-style-type: none"> Enforcement options used but limited. No use of bailiff. Enforcement costs waived in some circumstances.
Haringey	19.8%	84.1%	95.2 (up 0.1%)	<ul style="list-style-type: none"> Selected use of bailiffs, but all other options considered first. Enforcement costs waived to incentivise payment.
Harrow	22.5%	83.0%	97.5% (up 0.2%)	
Brent	20%	82.9%	95.7% (down 0.8%)	<ul style="list-style-type: none"> Bailiffs used
Enfield	20%		94.86% (down 1.0%)	<ul style="list-style-type: none"> Selected bailiff use

Table 3 - neighbouring borough comparison

2. REASONS FOR RECOMMENDATIONS

2.1 Four options have been considered for a revised CTS scheme in Barnet. These are set out below along with the impact on those eligible for CTS and on Council finances. The options considered are:

Option 1: Continue the current CTS scheme, with the Council Tax contribution rate for those in receipt of CTS remaining at 8.5%

Option 2: Increase the Council Tax contribution rate to 15%

Option 3: Increase the Council Tax contribution rate to 20%

Option 4: Reduce the Council Tax contribution rate to zero

2.1.1 Key considerations applicable to all options

- 2.1.1.1 There is a clear trade-off between the level of contribution rate set for the Council's CTS scheme and the level income received through Council Tax. Purely on financial grounds, section 1.5 demonstrates that there is a strong case for increasing the contribution rate above the current 8.5% level. Although experiences in other boroughs has shown that collection rates reduce as contribution rates increase, they are still around 83% in areas with a contribution rate of 20%. This suggests that the ability of residents to pay Council Tax at a higher contribution rate is greater than originally envisaged.
- 2.1.1.2 Any increase to the contribution rate will impact those on lower incomes, which has the potential to increase their level of total indebtedness. Although the overall annual increase is relatively modest – increasing the contribution rate to 15% adds an additional £70 a year to the Council Tax bill of a couple – it is important to consider the impact of increasing the CT burden of those residents who are also likely to be impacted by wider reform of the benefit system. This is set out below.
- 2.1.1.3 None of the options set out are fully cost neutral to the Council. The scale of the overall funding gap in the RSG and budget shown in section 1.5.3 above is too great to be met by the CTS contribution. To fully close the gap, the Council would need to increase the contribution rate to around 50% for 2016/17 which would be significantly higher than any other Council has set.

Enforcement

- 2.1.1.4 A clear policy is required for defining what how to enforce non-payment, particularly with regards to consistent non-payers. It is important to treat all taxpayers fairly and avoid a situation where those that do not pay – and do not respond to demands – are not pursued. However, in some circumstances additional effort is required to collect relatively small sums of money and that effort may not be economical in view of the value of the debt owned. Furthermore the impact of passing enforcement costs on to residents will only increase the level of the debt further.
- 2.1.1.5 Since April 2014, the Ministry of Justice has provided new regulations to which Bailiffs should now adhere. Referencing these as Enforcement Agents, the regulations similarly make changes to the way in which fees are imposed. The simplified charging model separates the costs into two elements, the compliance stage (£75) and the enforcement stage (£235). These are in addition to the local authority costs of £97.
- 2.1.1.6 Through Barnet's existing policy, the use of enforcement agents has been limited to those tax payers not in receipt of CTS. However, it is proposed to amend the policy to now include the referral to enforcement agents, but to only up to the compliance stage. Enforcement stages and costs would not apply to those in receipt of CTS.
- 2.1.1.7 **Appendix 1** sets out the recommended enforcement policy which should be applied with immediate effect, and applies to all accounts where CTS has been awarded. The Local Government Finance Act 1992 and the Council Tax (Administration and Enforcement) Regulations 1993 sets out the law by which all

council tax are administered. The policy on enforcement of CTS sets out Barnet's commitment to enforce the debt against those that are persistent defaulters. The policy sets out provision for taxpayers to engage with the Council and enjoy extended payment terms to facilitate payment within the financial year.

2.1.1.8 In addition to enforcing the debt the council will consider using its powers under s13 (a) (i) (c) to reduce Council Tax liability for any council tax payer or class of payer and treat all applications on their individual merit. This is discretionary Council Tax Support. Ordinarily, the Council would expect there to be exceptional circumstances to justify any individual reduction and that the reduction would normally only be intended as short term assistance and should not be considered as a way of reducing council tax liability indefinitely. These guidelines are examples of differing situations which need to be considered in assessing an application for discretionary support

- There must be evidence of financial hardship or personal circumstances that justifies a reduction in Council Tax liability
- The taxpayer must satisfy the Council that all reasonable steps have been taken to resolve their situation prior to application
- All other eligible discounts / relief's have been awarded
- The taxpayer does not have access to other assets or savings that could be used to pay their Council Tax
- The Council's finances allow for a reduction to be made

Wider Welfare Reform Impact

2.1.1.9 The current programme of reform to the benefit system, which started in 2011, constitutes the biggest shake up of the welfare state in over 60 years. The reforms that have been rolled out are wide ranging and include changes to some out of work and disability related state benefits, uprating of a wide range of benefits and the locally administered housing benefit and CTS schemes.

2.1.1.10 As part of these changes, the Government expects reforms to reduce the overall benefits bill by £18 billion by 2014/15. In Barnet, the total reduction in benefits received by eligible residents is expected to be £81.4m per annum – the 10th highest reduction in the country. The average loss for each claimant household is £2,100¹. Therefore, when considering the impact on residents from increasing contribution rates for Council Tax, it is important to consider the impact when combined with the impact of wider welfare reform. So, for the average claimant household, any increase in their Council Tax contribution comes on top of an average overall reduction of £2,100.

2.1.1.11 In Barnet, high rents and high levels of benefit receipt have combined to mean that overall welfare reforms lead to very large financial losses. Research by the Centre for Economic & Social Inclusion commissioned by LGA, estimates that in 2015/16 (the year for which the new Council Tax scheme is intended) nearly 40,000 households in Barnet will be affected by at least one of the reforms, the

¹ LGA, August 2013

10th highest in England and the average loss per household will be the 7th highest after Westminster, Kensington & Chelsea, Brent, Wandsworth, Camden and Hackney.

2.1.1.12 There are around 20,000 people affected by any changes to the Council tax Scheme. Of these 14,000 would not have paid anything under the previous scheme. These people are currently losing nearly £13 million annually from the present locally administered HB and localised CTS scheme.

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Reform	LHA	Removal of spare room subsidy	*Benefit cap	Current CTS scheme
No. affected	6,000	780	400	14,000
Average yearly financial loss per household	£2,700	£1,000	£3,100	£95

Around 70 of this cohort are affected by both the cap and the LHA changes

Table 4 - Impact of LA administered benefits

2.1.1.13 In Barnet 60% of the losses from welfare reforms affect working households and the biggest financial losses are from changes to working tax credits (£26.5 m) and Local Housing Allowance rates (£23.2m). Of the 20,000 affected by the changes to Council Tax support, there are around 3,500 working households claiming working tax Credits of whom around 1,200 have a gap of around £2,500 a year between their LHA rate and their rent.

2.1.1.14 Overall, Welfare Reform means that the 20,000 or so working age claimants of CTS that will be affected by any changes to Council Tax support are currently losing nearly £20m already as a result of the locally administered HB and current localised Council Tax Support scheme. In addition to these losses they will also be affected by one or more reductions to Central government administered benefits such as:

- Child Tax Credits
- Working Tax Credits
- DLA replacement with PIP
- 1% up rating (instead of using consumer price index) of all benefits
- ESA

2.1.2 **Expected impact on Council finances**

2.1.2.1 The Table 5 below shows the expected financial benefit to the Council if the contribution rate is increased to 15% and 20%. Assuming an 80% collection rate, the additional gross income is expected to be just over £1m at 15% and £1.8m at 20%. Clearly, if the Council were to reduce the contribution rate to zero, this would lead to a funding reduction which we expect to be £1.1m.

	8.5% contribution (90% collection)	15% contribution (80% collection)	20% contribution (80% collection)	0% contribution
Income collected	£1,320,000	+£1,040,000	+£1,820,000	-£1,320,000
Admin costs		-£210,200	-£212,400	+217,500
Net benefit compared to current position		+£829,800	+£1,607,600	-£1,102,500

Table 5 - Expected financial benefit

2.1.2.2 Increasing the contribution rate is likely to lead to increased postage costs. For 2013/14, additional postage costs as a result of CTS totalled approximately £9,500. An increase to 15% will increase postage by £2,200 and to 20% by £4,400.

Impact on residents

2.1.2.3 It is unknown that if contributions increase, whether residents who have paid and been able to pay, will now be forced into greater indebtedness, and non collection rates increase.

2.1.2.4 Increasing the burden to taxpayers can mean that the debt is never repaid in a timely manner. For those taxpayers in receipt of a passported benefit (Job Seekers Allowance, Income Support, or Employment Support Allowance) deductions can be made from their benefit at source. For the year 2013/14, we have issued 865 instructions to the DWP to make deductions from benefits at source. This is a 91.8% increase on the previous year. The value of debt awaiting deduction is £115,413, with a further £80,611 queued to be collected once a previous year's order has been paid.

2.1.2.5 The maximum the DWP can deduct is £3.75 per week. Therefore with an increasing debt burden, the council tax is never paid at a rate fast enough.

2.1.3 Option 1 - Remain at 8.5% contribution rate

2.1.3.1 At 8.5% the gross net collectable debit (NCD) raised is £1.47m, which at the rate of collection achieved in 2013/14 (89.8%) would yield £1.32m in revenue for the authority.

2.1.3.2 When taking account of admin costs, the revenue available to the council would be £1.1m. However, given that the overall RSG will continue to fall – by £17m in 2015/16 and a further £8.2m in 16/17 – keeping the contribution

rate at current levels will not reduce spending on CTS and will mean there is significantly less RSG for spending on other services.

2.1.4 Option 2 - Increase contribution rate to 15%

2.1.4.1 We have taken the current caseload and modelled a 15% contribution rate. Final outturn in March 2015 will be subject to changes in CTS caseload and Council Tax rates at that time.

2.1.4.2 However, indications using current data would increase the Council Tax burden for working age claimants by £1.29m. That is to say, the Council could potentially benefit from £1.29m in additional revenue, although. If we were to assume an 80% collection rate, this would be more like £1.04m. When factoring admin costs, the net figure would be £829,800.

2.1.4.3 However, increasing the Council Tax contribution rate for those eligible for CTS would increase the financial burden on those residents. The table below sets out the likely additional annual cost burden on specific cohorts:

Claimant Group/ Council Tax Band	Band							
	A	B	C	D	E	F	G	H
Lone parent	£38.08	£44.43	£50.77	£57.12	£69.81	£82.51	£95.20	£114.24
Single Claimant	£41.09	£47.94	£54.79	£61.64	£75.34	£89.04	£102.73	£123.28
Couple	£47.13	£54.98	£62.84	£70.69	£86.40	£102.11	£117.82	£141.38
Family	£46.33	£54.06	£61.78	£69.50	£84.94	£100.39	£115.83	£139.00

Table 6 - Additional Council Tax contribution per annum if contribution increased to 15%

2.1.5 Option 3 - Increase contribution rate to 20%

2.1.5.1 As above, we have taken the current caseload and modelled a 20% contribution rate. Final outturn in March 2015 will be subject to changes in CTS caseload and council tax rates at that time.

2.1.5.2 Indications using current data would increase the Council Tax burden for working age claimants by £2.28m. That is to say, the Council could potentially benefit from £2.28m in additional revenue, although, assuming an 80% collection rate, this would be more like £1.82m. The net figure, taking account of admin costs, would be £1.6m.

2.1.5.3 The financial burden on those residents eligible for CTS would increase. The table below sets out the likely annual additional cost burden on specific cohorts:

Claimant Group/ Council Tax Band	Band							
	A	B	C	D	E	F	G	H
Lone parent	£67.54	£78.80	£90.05	101.31	£123.82	£146.34	£168.85	£202.62
Single Claimant	£72.18	£84.21	£96.24	108.27	£132.33	£156.39	£180.45	£216.54
Couple	£83.39	£97.28	£111.18	125.08	£152.88	£180.67	£208.47	£250.16
Family	£81.58	£95.18	£108.77	122.37	£149.56	£176.76	£203.95	£244.74

Table 7 - Additional Council Tax contribution per annum if contribution increased to 20%

2.1.6 Option 4: Reduce contribution rate to 0% - funding gap problem

2.1.6.1 Whilst reducing the Council Tax contribution rate to zero for residents who are eligible for CTS would benefit those residents financially, it would effectively mean a loss of income for the Council of £1.1m against the current baseline. This would not be affordable unless corresponding cuts were found from elsewhere across the organisation.

3. POST DECISION IMPLEMENTATION

3.1 Following the Committee's decision on a preferred scheme, the Council will consult residents. The consultation will run for 3 months, starting in July, and the results of the consultation and evaluation will be reported to Council in December 2014. Final approval will then be sought, for preparation into the annual billing process commencing in early January 2015.

Milestone	By
Decision by Policy & Resources Committee on the scheme and consultation and engagement proposed in this report	21 July 2014
Consultation	22 July to November 2014
Analysis and consideration of consultation results Final scheme design agreed in principle	November 2014
Policy and Resources Committee agree new scheme	December 2014
Full Council agree new scheme	January 2015
Implementation and testing for annual billing	January 2015 – March 2015

Table 8 - Implementation Timetable

4. IMPLICATIONS OF DECISION

4.1 Corporate Priorities and Performance

4.1.1 The council's Corporate Plan for 2013 – 2016 sets the direction and priorities for the years ahead. It is based around six priorities:

- To maintain a well-designed, attractive and accessible place, with sustainable infrastructure across the borough.
- To maintain the right environment for a strong and diverse local economy.
- To create better life chances for children and young people across the borough.
- To sustain a strong partnership with the local NHS, so that families and individuals can maintain and improve their physical and mental health.
- To promote a healthy, active, independent and informed over 55 population in the borough to encourage and support our residents to age well.
- To promote family and community well-being and encourage engaged, cohesive and safe communities.

4.1.2 The localised Council Tax Support scheme has been designed to 'To maintain the right environment for a strong and diverse local economy', making the best use of resources to provide a scheme which best meets the needs of Barnet residents and ensures a stable Medium Term Financial Strategy.

4.1.3 The new scheme should support the priorities by considering the impacts of the scheme on different demographic groups and mitigating adverse impacts where possible.

4.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

4.2.1 The Council has savings plans totalling £39m over 2014/15 and 2015/16 to enable a balanced budget to be set for these years. While the implementation of these savings is currently on track, some risks exist in the delivery of savings particularly for 2015/16. If additional Council Tax income was received in 2015/16 arising from a change in the CTS scheme this would mitigate against non-delivery of savings and also ensure that the Council starts to address the projected budget gap of a further £72m by the end of the decade.

4.3 Legal and Constitutional References

4.3.1 Council Constitution, Responsibility for Functions, Annex A, sets out the terms of reference of the Policy and Resources Committee, including 'Housing Benefit, Council Tax Support and Welfare programmes'.

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

4.3.3 The 2012 Act amends the 1992 Act by adding a new section 13A to state that Council Tax will be reduced to the extent set out in an authority's Council Tax reduction scheme and to such further extent as the authority sees fit (new s13A(1)(c) replicating the existing provision for authorities to adopt specified additional classes). Local authorities must make a Council Tax reduction scheme setting out the reductions which are to apply in its area by persons or persons in classes consisting of persons whom the authority considers to be in financial need. Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, as inserted by Schedule 4 to the Local Government Finance Act 2012, requires the authority to consider whether, for each financial year, the CTS scheme is to be revised or replaced. Where the scheme is to be revised or replaced the procedural requirements in paragraph 3 of that schedule apply. Any revision/replacement must be determined by 31st of January in the preceding year to the year which the changes are to apply. The council must therefore consider whether the scheme requires revision or replacement and if so, consult with the GLA, publish a draft scheme and then consult with such persons as are likely to have an interest in the operation of that scheme prior to determining the scheme before 31st January. This report recommends that the scheme be revised. If any proposed revision is to reduce or remove a reduction to which a class of person is entitled, the revision must include such transitional provision as the Council sees fit.

4.4 Risk Management

4.4.1 The council must make a decision within a time limit, on whether or not to revise the scheme. In addition to this a number of other factors have been considered.

4.4.2 Fairness: There is also a risk that scheme may be perceived as being unfair. This risk will be studied during consultation in line with the Government's commitment to incentivise work, the recommended scheme requires a contribution. To mitigate this all residents will have access to a discretionary fund.

4.4.3 Culture of non-payment: Since current benefit claimants will mainly be asked to make only a small contribution to their Council Tax bill, existing collection and recovery strategies may not be cost-effective, and small debts may be written off. This may over time develop into a culture of non-payment, where it becomes increasingly difficult and costly to recover small amounts of Council Tax from those who can least afford to pay it. This has been mitigated by minimising the level of contribution for two years and is supported by robust arrears management procedures during the operation of the scheme.

4.4.4 Impact on households who cannot afford the increased expenditure: The scheme seeks to recover part of the funding shortfall from households at the lower end of the income scale. Together with other welfare reforms being implemented by government, the scheme may exacerbate already difficult financial circumstances for some individuals and families.

4.4.5 Principal financial risks and mitigations

Risk	Mitigation
The increased complexity of financial planning that could result from growing pressure from the Council Tax Support scheme if funding reductions are not fully addressed	Cautious assumptions on recovery rate and therefore yield from the scheme
Lower Council Tax collection rate and bad debts	Robust arrears management procedures to maximise collection rate and prudent assumptions on collection rates
Higher administrative costs	Maximisation of council tax collected
Potential growth in the number of claimants.	Realistic assumption on caseload growth based on trends in recent years
The proposed scheme is based on a number of assumptions, including collection rate and take-up rate. A downturn in the economy could lead to higher benefit take-up rates. As a result, the projected funding gap would increase.	Review operation of scheme yearly and modify to reflect experience
If Barnet's population increases, including an increase in the population segment that currently receives Council Tax Benefit, demand for Council Tax Support could increase against a fixed grant from the government. This would increase the funding gap. Such population migration may occur as a result of increased housing costs in central London, or if Barnet's CTS scheme is more generous than those of neighbouring boroughs	Ensure that Barnet's scheme is not significantly more generous than those of neighbouring boroughs.

4.5 Equalities and Diversity

- 4.5.1 The Council's strategic equality objective is expressed both in the Constitution and the Corporate Plan. It gives a commitment that citizens will be treated equally, with understanding and respect; have equal opportunity with other citizens; and receive quality services provided to Best Value principles. The proposals set out in this report support this commitment.
- 4.5.2 The options under consideration for the proposed scheme are based on the draft prescribed regulations that support the Government's intention that pensioners should not be affected by this cut in spending.

4.5.3 Following consultation a full Equalities Impact Assessment will be carried out. The proposals for the new scheme will be assessed to ensure that due regard has been given to the public sector equality duty as enshrined in the Equality Act 2010 using the process set out in the Corporate Plan 2013-16. Section 149 of the Act provides that a public authority must, in the exercise of its functions, have due regard to the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are:

- age;
- disability;
- gender reassignment;
- pregnancy and maternity;
- race;
- religion or belief;
- sex;
- sexual orientation.

4.5.4 The resulting initial Equalities Impact Assessment is presented in Appendix 2. The initial analysis of the preliminary proposals indicate that there will be a further adverse impact by groups that have already been impacted by CTS including large families, lone parents and persons with disabilities. This will be revised following consultation.

4.6 Consultation and Engagement

4.6.1 The council has a statutory duty to consult on changes to its Council Tax Support Scheme as set out in the Local Government Finance Act 1992:

“3(1) Before making a scheme, the authority must (in the following order) –

- a. consult any major precepting authority which has power to issue a precept to it,
- b. publish a draft scheme in such manner as it thinks fit, and
- c. consult such other persons as it considers are likely to have an interest in the operation of the scheme...

(3) Having made a scheme, the authority must publish it in such manner as the authority think fit.”

4.6.2 Case law has confirmed that consultation must

- 4.6.2.1 be undertaken when proposals are at a formative stage;
- 4.6.2.2 include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response;
- 4.6.2.3 give consultees sufficient time to make a response; and
- 4.6.2.4 be conscientiously taken into account when the ultimate decision is taken.

4.6.3 A full consultation plan will be developed that adheres to the statutory duty to consult as set out in the 1992 Act and is in line with the councils' Consultation and Engagement Strategy.

BACKGROUND PAPERS

4.7 APPENDIX 1 - Council Tax Enforcement Procedure

This policy is not a substitute for the Local Government Finance Act 1992 or the Council Tax (Administration and Enforcement) Regulations 1993 which applied to all Council Tax payers.

Draft policy

This is based on the assumption that LB Barnet need to ensure that collection is maximised but with a degree of flexibility to take into account the new Council Tax Support scheme.

Bill Stage

- Issue Annual Demand notice with clear information regarding the CTS scheme.
- If customer contacts with payment difficulties, offer extended payment arrangement of 11 or 12 months instalments.
- Arrange payment by direct debit to ensure that they do not fall into arrears later in the year and update payment plan.
- Advise consequences of non payment
- Update notepad.

Reminder stage

- If customer falls into arrears then a reminder will be issued advising of amount in arrears.
- On contact from the customer discuss arrangement and utilise available instalment months.
- Encourage payment by direct debit.
- Issue arrangement letter, update payment plan and notebook account.

Final notice stage

- The final removes the right to pay by instalments, but we can be flexible with CTS payers.
- Check payment history and if previous arrangements have been broken
- Arrange payment over remaining available months.
- Insist on payment of arrangement by direct debit.
- Advise of consequences of non payment.

- Issue arrangement letter to detail arrangement and update payment plan and notebook account.

Summons Stage-if balance over £65.00 (Stage most contact will materialise)

- The summons will detail court hearing date and additional cost of £72.00
- Arrangement over available months in financial year.
- Dependant on financial circumstances and payment history, arrangement can be extended into new financial year.
- Insist on arrangement payment by direct debit.
- Issue letter to confirm payment arrangement and set monthly reviews
- Advise of potential enforcement agent action if arrangement not adhered to and that liability order will be sought from magistrates' court.
- If payment arrangement maintained and all years debts paid in full, then court cost can be waived.

Liability Order/14 day notice stage

- A letter will be automatically issued once a summons is obtained with additional £25.00 cost.
- If contact then advise as above and cost waived if payment arrangement maintained.

Issue for Attachment

- If customer will not pay, not made contact or broken their payment arrangement then the case will be sent for attachment of benefit or attachment of earnings.
- Attachment to benefits requires a request to be submitted to the DWP and is currently payment of £3.75pw.

Refer to Enforcement agents

- In cases where a customer wilfully refuses to pay the charge then the debt will be referred to the enforcement agents for collection (cases of £200 or under will only be worked at compliance stage to limit the costs to £75.00)
- If the enforcement agents are unable to collect, then they will refer the case back to the authority as nulla bona for potential means enquiry.

The policy allows for the customer to be able to make a payment arrangement at each stage of the recovery process.

4.8 APPENDIX 2 – Initial Equalities Impact Assessment

Initial Equality Analysis (EqA)

1. Details of function, policy, procedure or service:	
Title of what is being assessed: Revised Council Tax Support scheme	
Is it a new or revised function, policy, procedure or service? Revised policy	
Department and Section: Finance, Commissioning Group	
Date assessment completed: 30 June 2014	
2. Names and roles of officers completing this assessment:	
Lead officer	Jonathan Wooldridge
Other groups	

3. How are the following equality strands affected? Please detail the effects on each equality strand, and any mitigating action you have taken / required. Please include any relevant data. If you do not have relevant data please explain why / plans to capture data			
Equality Strand	Affected?	Explain how affected	What action has been taken / or is planned to mitigate impact?
1. Age	Yes <input checked="" type="checkbox"/> / No <input type="checkbox"/>	Working age claimants will be affected by the change in policy. The Government have protected Pension Credit Age claimants from any change, so will still receive the full support as if Council Tax benefit had remained. Working Age claimants could see an increase in the amount of council tax they are required to pay.	Through all of the Government's welfare reforms, it is intended that citizens will be better off in work than in receipt of benefits. Accordingly anyone affected by the additional contribution they are having to make will be required to seek employment to maximise their income. Support to do this is available through the Job Centre Plus, facilitators from which work closely with the Revenues and Benefits staff.
2. Disability	Yes <input checked="" type="checkbox"/> / No <input type="checkbox"/>	No wider impact than previously impacted, but disabled residents are more likely to fall into low income groups through the lack of work opportunities. The extent of the impact by amending the scheme to 15 or 20% from	In order to mitigate against the increased impact, resources will continue to be available to support the most vulnerable and this will be met through a discretionary council tax support scheme.

		8.5% will increase the burden.	
3. Gender reassignment	Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/>		
4. Pregnancy and maternity	Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/>		
5. Race / Ethnicity	Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/>		
6. Religion or belief	Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/>		
7. Gender / sex	Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/>		
8. Sexual orientation	Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/>		
9. Marital Status	Yes <input type="checkbox"/> / No <input checked="" type="checkbox"/>		
10. Other key groups?	Yes <input checked="" type="checkbox"/> / No <input type="checkbox"/>	Low income groups – have a finite financial resource	For the most vulnerable, other support from discretionary council tax support will be available.

<p>4. What measures and methods could be designed to monitor the impact of the new policy or service, the achievement of intended outcomes and the identification of any unintended or adverse impact? Include how frequently monitoring could be conducted and who will be made aware of the analysis and outcomes</p>
<p>Data could be extracted to analyse impacts and change in impact over time, but not all data is collected or possible to collect which could be misleading. Statistics showing the number of claimants are already reported to welfare reform steering board or as part of other government returns.</p> <p>These include, size of household, number of bedrooms, income – state v earned, number of hours worked.</p>

Initial Assessment

5. Overall impact		
Positive Impact <input type="checkbox"/>	Negative Impact or Impact Not Known ² <input checked="" type="checkbox"/>	No Impact <input type="checkbox"/>
6. Scale of Impact		
Positive impact: Minimal <input type="checkbox"/> Significant <input type="checkbox"/>	Negative Impact or Impact Not Known Minimal <input checked="" type="checkbox"/> Significant <input type="checkbox"/>	

7. Outcome			
No change to decision <input checked="" type="checkbox"/>	Adjustment needed to decision <input type="checkbox"/>	Continue with decision <i>(despite adverse impact / missed opportunity)</i> <input type="checkbox"/>	If significant negative impact - Stop / rethink <input type="checkbox"/>

8. Please give a full explanation for how the initial assessment and outcome was decided
<p>The number of residents affected by the change are approx. 22,000 households. These have already been burdened when the support was reduced to 91.5%. This is now being reduced to to 85% or 80%, so whilst the change in not insignificant to many, the overall average impact could amount to £1 to £2 per week.</p> <p>Section 13a (1) (C) of the Local Government Finance Act 1992 allows councils to reduce the amount of council tax payable for a liable household. It can be used for individual cases or to determine specific classes for a local discount.</p> <p>Other welfare reforms are hitting the same groups, large families and lone parents and disabled people– there is a cumulative impact – see note above</p>

² 'Impact Not Known' – tick this box if there is no up-to-date data or information to show the effects or outcomes of the function, policy, procedure or service on all of the equality strands.