

**Leicester City Council**

**The Council Tax Reduction Scheme:  
The Impact Analysis**

**Version 2.2**

**January 2013**

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## **Executive Summary**

This report is presented to support the determination of key options which the Council must consider as the Government replaces Council Tax Benefit from April 2013. Under Government rules, the Council Tax Benefit is repealed, and is replaced by Council Tax Reduction. The purpose of this report is to consider the effect on different groups who are protected under the Equality Act by discussing the potential effects of the proposed changes on such groups, and to ensure that the Council meets its public sector equality duty.

Under Government plans, the Government intends to make a 10% cut in the costs of Council Tax Benefit which in the City's case would be £3m. One way in which the cost of this saving can be financed is in the design of local schemes of Council Tax Reduction which must be implemented for April 2013.

It is anticipated that further modelling of these two key areas will become possible, and that further work to develop the underpinning evidence, including the full development of the equality impact assessment, will continue.

**January 2013**

## **1 Introduction and Overview**

### **1.1 Background**

The Government is committed to implementing the most significant changes to national welfare systems that have been seen in at least thirty years. The change programme begins in earnest from later this year, and the changes to Council Tax Benefit will take effect from April 2013. The implementation timetable is extremely demanding.

### **1.2 This Report**

The purpose of this report is to identify the options for change to the Council Tax Benefit system, the financial implications of the options, and the impact the options would have on the city residents. This report considers the effect on different groups who are protected under the Equality Act by identifying the potential effects of the proposed changes on such groups, and to ensure that the Council meets its public sector equality duty.

This report is constructed to enable an informed decision making process, and with reference to the following sections:

- **At section 2:** A summary of the statutory changes which must be implemented from April 2013, and under which Council Tax Benefit is repealed, and replaced by Council Tax Reduction;
- **At section 3:** A summary of the options available to deliver the savings from the Council Tax Reduction scheme, and summarising the scheme which the Council has drafted and issued for consultation;
- **At section 4:** A summary of the equality impacts of those options within the City;
- **At section 5:** A summary of analysis of the overall trends within the Council's demographics and Council Tax systems, and to begin planning and forecasting for the cost of the Council Tax Reduction scheme;
- **At section 6:** An explanation of households which, under Government guidance may fall to be considered as "Vulnerable People" under the scheme, and who might therefore receive protected levels of benefit (albeit at the expense of other claimants);
- **At section 7:** A summary of the trends which can be found from a review of other Council schemes published by September 2012;
- **At section 8:** Steps which can be taken from next April to mitigate the impact on those households who will face additional charges under the local scheme; and
- **At section 9:** Overall conclusions and recommendations.

## **2 The Council Tax Reduction Scheme**

### **2.1 Overview**

This section explains the key points about the Council Tax Reduction scheme which must be implemented from April 2013, within the context of what is currently known about the changes underway within the national welfare benefits system. It is to be stressed that the Government is attempting the most significant changes to welfare that have been seen for at least 30 years. While some of the detail of proposed change is known, other detail is not. There is an extent to which, therefore, the changes to Council Tax operate within a context of wider welfare reform that is very much still under development.

In summary, the possible changes to welfare may be considered as follows:

- From **April 2013**, the Council must implement a replacement scheme for Council Tax Benefit;
- From **April 2013**, the Council will also be managing schemes for welfare support, under which one-off payments for specific purposes are managed, including some currently managed by the Department of Work and Pensions (DWP);
- From **October 2013**, the Government's flagship changes to national welfare payments under Universal Credit begin in earnest.

It is anticipated that as the above implementations proceed, and as the necessary policy changes to "fine tune" systems are identified, that further changes will be applied by the Government.

### **2.2 The Council Tax Reduction Scheme**

#### **Overview**

The Government administers welfare support through two different Departments, the Department of Work and Pensions (DWP), and the Department for Communities and Local Government (DCLG). The DCLG have driven the programme for the reform of Council Tax Benefit.

Under DCLG proposals, Council Tax Benefit (CTB) will be abolished from April 2013, and by that time each Council should have in place a local scheme for the administration of Council Tax Reduction, as the replacement scheme will be known. Currently, Government grant for Council Tax Benefit is designed to match actual expenditure, and is claimed at the end of the year. Grant for the Council Tax Reduction scheme will be cash limited, and is intended to cost the Government 10% less than the current scheme. Local schemes are therefore expected to be less generous than the current scheme. Those Councils not finding themselves able to comply with the DCLG's challenging timescale will be obliged to implement the DCLG "Default" scheme. The default scheme will closely mirror the modelling, and cost of, the current scheme for Council

Tax Benefit, so will consequently commit Councils in default of implementing a local scheme to finance themselves the full cost of the cut in CTB.

Although the Parliament has enacted primary legislation for these changes, much of the detail of the schemes will come via Regulations, which are now running late. The Government had indicated that draft regulations would be available from May 2012, but those drafts were not circulated until the Autumn. However, the April 2013 date appears immovable, so there is an extent to which planning for implementation must proceed while the detail is not yet fully available.

### **Overall Financial Impact: The Council**

Under current arrangements, which have applied since 1993, the lowest income households identified by a statutory means test are entitled to a maximum of 100% benefit award against Council Tax Liability.

The Government has decided to make savings in this area, and has promised that it will calculate a 10% cut **in the overall cost of Council Tax Benefit** which will be applied to each Council. However, the Government has made it clear that regulations will protect key claim groups from the impact of this saving, including in particular pensioners.

So while, therefore, the overall saving will be applied to the whole cost of Council Tax Benefit awards, some client groups (called "Vulnerable People") will be protected from the impact. This group includes pensioners and other groups we determine locally. There will, as a consequence be Council Tax payers who are disproportionately affected by this change, some of whom may not have been responsible for Council Tax payments previously. It is considered likely that working age claimants will, broadly, be the claim group which bears the burden of the savings applied under this scheme.

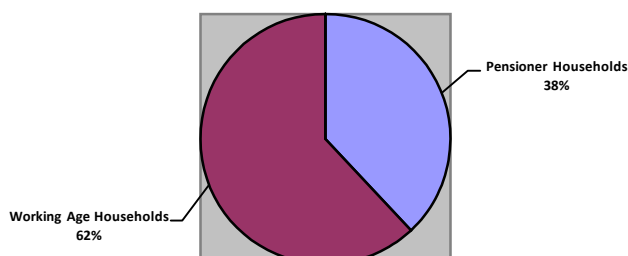
In broad terms, Leicester's Council Tax Benefits awards total £31m, so the total saving from 2013 is likely to be in the region of £3m. However, the draft grant distribution means the impact is likely to exceed £3m. This is disregarded for the purposes of this analysis.



## **Overall Financial Impact: Claim Groups**

Leicester's claims analysis, overall is:

**Table 1: Overall Claim Distribution**



In very broad terms, and with the working age population being over 60% of the Council's caseload, the effect of a 10% saving on the whole budget is around 16% if no vulnerable groups are defined locally.

## **2.3 Welfare Support**

From April 2013, the Council will become responsible for the disbursement of discretionary payments, some of which have previously been administered by other agencies. Co-ordination is required to ensure that unplanned use of the discretionary funds is not made by new Council Tax payers to meet their new bills. The payments under the "Welfare Support" package of changes include:

- Responsibility for the payment of "Crisis Loans" previously administered by the DWP and estimated to value £398k;
- Responsibility for Community Care grants estimated at £1.4m; and
- Continuing responsibility for the administration of Discretionary Housing Payments (DHP) under transitional arrangements with the DWP, estimated at £298k.

In addition, there are also locally administered funds under section 117 of the Housing Act, and other discretionary disbursements including those completed by the Council's Adults' and Childrens' Social Care teams. There are also a range of third sector organisations which are active within the City and which administer a range of different funds on behalf of different client groups.

The Council will wish to plan carefully for the relationship between the liability of Households for Council Tax under the scheme from April 2013, and the range of payments possible under the above systems. It is not likely to be in the Council's best overall interests, for example, that as a result of very robust enforcement action for unpaid liabilities from April

2013, that a significant draw-down on the above systems is forced in order to settle individual accounts due.

## **2.4 Other Changes in Welfare from 2013**

From October 2013, the DWP's proposed changes to national welfare payments under the Universal Credit system begin in earnest.

Under current government plans, transitional arrangements to the new Universal Credit system will begin from October 2013, with a phased implementation by claim type. New claimants from October 2013 will be the first to go through the new system, with other claim groups including existing claimants of working and of pensionable age coming later. Under current government proposals, Universal Credit will be a single payment to successful claimants for all living costs, including for rent where applicable.

## **3 The Options Summary**

### **3.1 Overview**

This section is designed to summarise options for change which it is believed are available. The options have been presented as a series of “packages” for ease of reference.

### **3.2 Options for CTR which will deliver savings required**

Within this section, some of the main options for delivering the savings of £3m are explored. While the approach of the DCLG to “Localise” Council Tax Benefit gives very significant choice to Councils designing local schemes, in practice there is a much smaller number of options available which are capable of delivering the saving required. Whichever choice is implemented, there remain difficult decisions which must be faced: passing on the cut in the welfare budget means, in practice, that Working Age households on low incomes will be required to pay more Council Tax.

Research has suggested that some of the key ways in which Councils can raise the necessary savings include:

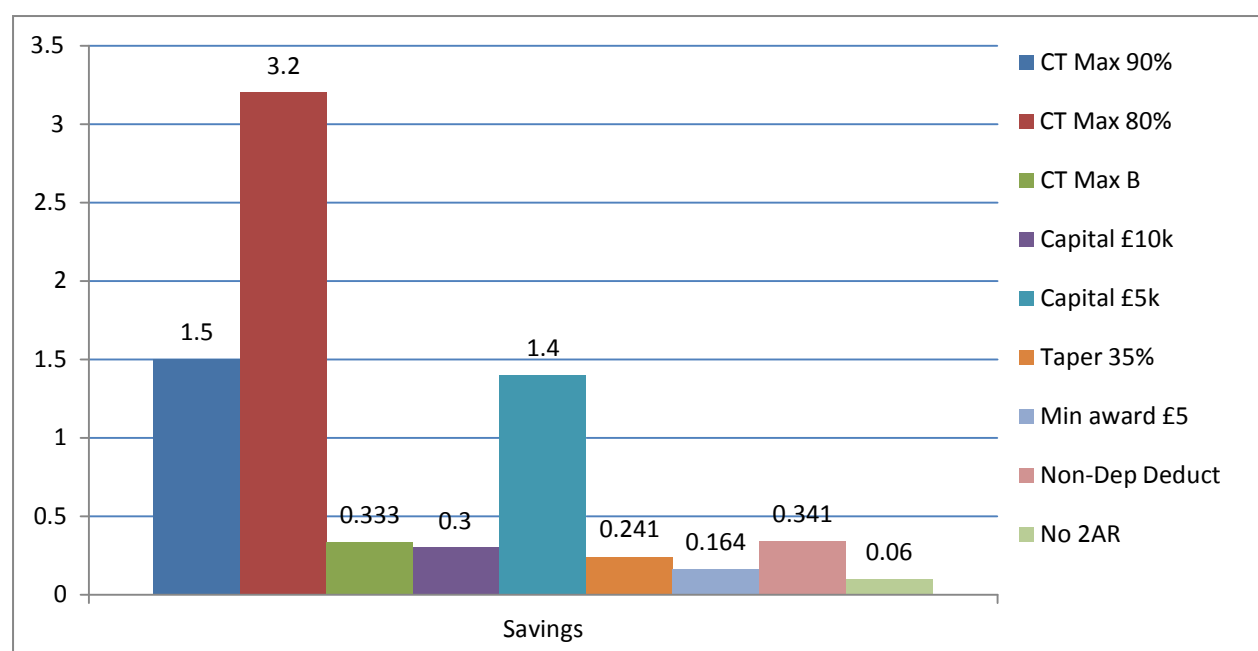
- The savings derived from Council Tax Reduction payable at a maximum eligible amount of Council Tax of less than 100%;
- The savings derived from Council Tax Reduction payable at a maximum of Band B;
- The savings derived from Council Tax Reduction with lower Capital thresholds than £16,000;
- The savings derived from Council Tax Reduction through a reduced maximum award for single households aged under 35 years; and
- The savings derived from Council Tax Reduction with the use of more aggressive income tapers.

Figures quoted assume no groups are treated as vulnerable. Section 6 below provides an estimate of the amount by which quoted savings should be reduced if any group is to be classed as vulnerable.

### **3.3 Summary of Options: Relative Savings**

Within the following graph, the relative savings which are forecast from each option are compared, for ease of reference. The key one, however, is restricting the maximum award which would oblige all taxpayers to pay something.

**Table 2: Summary of savings by option**



Source: City Council research, June/July 2012

The local schemes which must be introduced fall disproportionately on the working age population, and therefore the Council is obliged to consider the most appropriate way in which the burden may be managed.

In each case, the savings quoted below will be reduced to the extent that protection is given to groups other than pensioners as described in section 6 below.

It must be stressed that options cannot be added- some people will be affected by more than one change and the incremental impact of the second and subsequent changes will not be as great if the first change has not happened. For example, restricting benefit to a maximum of 80% of Council Tax will not reduce the payment to someone who ceases to be eligible at all because of another change we have made.

### 3.4 The Council's proposed scheme

During the summer of 2012, the Council has used the impact Analysis process to complete a series of models and to reach interim conclusions of the most appropriate approach for the Local Scheme. Some of the detail which summarises different models which have been profiled for the Council are contained at Appendix 3 to this report. That appendix includes some of the models which are described in summary at table 3 above.

The Council's final proposed scheme was issued for formal consultation on 5<sup>th</sup> September 2012, and in accordance with published DCLG intended requirements, the Council issued a formal invitation to the Major Precepting Authorities shortly before consultation commenced.

The Council's proposed scheme contains the following elements which are designed as the primary means by which the savings under the scheme are delivered:

1. The application of a maximum eligible amount of Council Tax within the calculation of 80% of the total tax due; and
2. Additionally, the application of a maximum amount of Council Tax fixed at Band B of the Council's Council Tax charges.

In addition to the above primary delivery elements of the model, the Council's proposed scheme also contains the following features:

3. That the amount of capital held by the claimant may not exceed £6,000;
4. That the scheme for Second Adult Rebate will be discontinued;
5. That the approach for backdated awards may be amended; and
6. That the minimum amount of Benefit which will be payable may be set between £2 and £4.

### **3.5 Continuity with other Local Schemes**

The Council has co-operated, and in some regards has assisted to substantially inform developing thinking with, and effective partnership working with appropriate surrounding Councils. There are in particular two separate groups which should be considered.

#### **The East Midlands 3 Cities**

During the early summer, the Council identified the extent to which a degree of continuity between proposed schemes could be considered between the three East Midlands Cities of Leicester, Derby and Nottingham. Although collaborative work was begun later in the summer, the three Councils were able to propose the same scheme, and with a common approach to consultation and to documentation used within the CTR consultation process.

At the Autumn of 2012, it appears that Nottingham City may be proposing to accept the DCLG Transition Grant. As the financial conditions attached to the grant mean that this is unlikely to be financially viable for Leicester City, continued partnership between the 3 cities in terms of CTR Scheme design is limited by Nottingham City's decision.

#### **Leicestershire & Rutland**

The Council has also supported effective partnership working within Leicestershire and Rutland, although there are significant differences in the financial interests under CTR between in particular the Unitary Councils and the Leicestershire District Councils within the "two tier" model of local government. The financial impact of the CTR is much more significant for Unitary Councils, where typically 90% of the cost of the CTR

can fall upon the Unitary Council. District Councils in the two tier model may face only 10% of the costs of the change, as the County Council in particular bears the major share of the cost.

Notwithstanding these major differences, the City Council has managed to play a significant and productive role in the development of strategy within the County, and many of the schemes proposed by the Leicestershire Districts have been substantially informed by the City's modelling and documentation.

As a consequence, the City's scheme which was consulted upon was therefore not only the same as that for Nottingham and Derby, but there are also significant similarities with many of the schemes published by the Leicestershire Districts.

### **3.6 Other Options**

The DCLG have recently published a statement of intent regarding the way in which the overall CT Reduction scheme will work. The construction of the scheme is very similar to the existing Council Tax Benefits systems in terms of the construction of the means test, so a very wide range of different approaches is possible, although not necessarily desirable.

The proposed system takes account of household composition; income; allowances to take account of different household expenses; capital held; and a sliding "taper" which reduces maximum benefit as income increases.

It is certainly theoretically possible to model a potentially large number of other options, but two factors mitigate against the potential usefulness of such an exercise. Firstly, under Government rules, there is no getting away from the general principle that pensioners and other identified vulnerable households will be protected from any reduction in benefits, therefore passing the burden to working age, non-vulnerable households. No matter what approach is taken, those households bearing the charge will be of working age.

Secondly, there is a need to be aware of the risk of challenge. Councils bold enough to implement what become identified as more "unique" schemes might be argued to be at greater risk of challenge by litigants facing higher Council Tax bills.

## 4 Overall Impact Assessment

### 4.1 Overview

This section attempts to summarise the key impacts which may arise from the Council's proposed Local Scheme of support. The approach attempts to consider those impacts, where it is possible, with reference to the "Protected Characteristics" which the Council has a duty to consider.

### 4.2 Summary of Impacts by Household Type

Within the following table, we summarise the impacts which may be considered in relation to segments of the local population eligible to receive Council Tax Benefit and Council Tax Reduction. There are some impacts of the overall scheme which are likely to be common to all people receiving Council Tax Reduction under the Council's Local Scheme from April 2013, and those are shown at section 4.3 below.

The Council's summary of impacts shown in this section is underpinned by a variety of data sources, including:

- The research which has been completed by the Council to support the preparation of the Impact Analysis of the Council Tax Reduction scheme;
- The research completed by the Council for the individual household impacts of the CTR scheme, and to profile a detailed analysis of more than 20 different household types, explaining key impacts of the proposed changes on those households<sup>1</sup>; and
- Other sources of appropriate external and internal research which are where referenced specifically explained with footnotes or otherwise.

**Table 3: Impacts by Household Type:**

The data within the following table is drawn from the Council's Revenues and Benefits records at the summer 2012.

No.	Household Type	Equality Issue for consideration	Protected Characteristic of those affected	Potential Number
<b>Pensioner Age Claimant Households</b>				
1.	Pensioner Claims (All)	None. Under Government proposals, pensioners will receive full protection from the changes. The Council has no discretion over the decision to protect pensioners	Age	15,278

<sup>1</sup> Leicester City Council, 2012 "The Introduction of CTR: Customer Scenarios"

No.	Household Type	Equality Issue for consideration	Protected Characteristic of those affected	Potential Number
Working Age Claimant Households				
2.	Working Age (All)	The whole working Age population bears the proposed impacts of the scheme equally. However some groups with protected characteristics face the greatest barriers to work and as such are disproportionately represented within the claims population. This includes people with disabilities, people with responsibility for young children, and people who may struggle with English.	Age Disability Gender Race	25,037
3.	Single Parent, up to 2 children	Single parent families have higher numbers of claimants who are female. Women who are single parents and receiving CTR may therefore disproportionately receive the impacts of payment of the tax, and of enforcement actions taken to recover unpaid tax. <sup>2</sup>	Gender	12,361
4.	Single parent, 3 or more children	In addition, there is some evidence that welfare reforms are likely to give greater financial impact upon households with higher numbers of children.	Disability Gender Race	
5.	Couple, no children	No equality issues identified other than at 2. above.		Not calculated
6.	Couple, up to 2 children	No equality issues identified other than as 2. above.		
7.	Couple 3 or more children	There is some evidence that welfare reforms are likely to give greater financial impact upon households with higher numbers of children. Some BME households have higher numbers of children, and women are more likely to be a primary carer.	Gender Race	1,498

<sup>2</sup> Warwick Business School and Coventry Women's' Voices, 2011



No.	Household Type	Equality Issue for consideration	Protected Characteristic of those affected	Potential Number
8.	People with disability	The impact of the payment of Council Tax upon households which are dealing with disability. The barriers which people with disability have to the workplace. The requirements specific to the enforcement of unpaid tax and of goods protected from distress.	Disability	4,225
9.	New and emergent community: People who may struggle with English	The barriers which are present to the workplace for those who do not have or who struggle with English. The issues in relation to enforcement of unpaid tax for households in which there is limited understanding of English.	Race	See below for overall ONS estimates of diversity at December 2012
10	Pregnancy and maternity	The barriers to the workplace which may be present to women who are pregnant or have recently given birth.	Pregnancy and maternity	17 cases currently in payment
11	Households responsible for caring for others including for children	The barriers which may be present to the workplace and with regard to those households with responsibility for caring for others including for disabled children. Estimates shown are in respect of all carers in payment.	Age, Disability	352 Carers in payment

There are additional protected characteristics under the Equality Act which could also be dis-proportionally represented within the claims population because of barriers they are likely to experience to work, but for which the Council currently does not have sufficient data within Revenues and Benefits records to reach any conclusions. These include gender reassignment; pregnancy and maternity; religion or belief and sexual orientation.

#### 4.3 The claims population and protected characteristics

Additional data has also been captured to assist with the understanding of the impact of the proposed changes, accurate at December 2012. That data additionally confirms the following details:

**Table 4: Protected Characteristics within claim population:**

Protected Characteristic	Numbers within claim population or households
Age and Gender:	
Lone Parents, up to 2 children	5704
Lone Parents, more than 2 children	1,748
Age and Disability:	
Households with disabled people and with children	1,160
Gender:	
Female Claimants	14,687
Male Claimants	10,481
Race:	
Overall percentage of diversity in Leicester, with reference to overall population, not claims caseload, and calculated with all groups other than White English/ Welsh/ Scottish/ Northern Irish/ British (source: ONS Census, December 2012)	55%

#### **4.4 The Impacts of the proposed changes: All Households**

The proposed Local Scheme seeks not to disadvantage any particular group. However, as a simple product of the profile of the overall population currently receiving Council Tax Benefit/Council Tax Reduction, some groups with protected characteristics will be disproportionately represented within the claims population because they face greater barriers to finding work. People facing Council Tax liabilities under the changes will experience negative impacts because of the requirement that they contribute towards Council Tax. People with disabilities; people with responsibility for young children (which includes greater numbers of women as the primary carer); and people who are very recent migrants to the UK and who may have little knowledge of English, all face greater barriers to the workplace.

Nonetheless the principle impacts which are faced by all claimants under the Council's proposed scheme may be summarised as follows:

- It is highly likely that the overall impact of the whole package of welfare reforms will affect some households more than others. Pensioner households, for example, continue to enjoy greater national political support for welfare, while the financial pressure of

change will most keenly be felt by working age families. **The Council's research suggests that younger families, and single younger claimants may face greater losses than older pensioner claimants;**

- Under the Council's proposed scheme, all of those in receipt of Council Tax Reduction will be required to pay something towards their Council Tax. Under current Government proposals, claimants facing such changes will not receive any additional payments. There will therefore be the issue of **how those households receiving Council Tax Reduction pay their Council Tax;**
- All of the households affected by the changes will be low income households. This is an inevitable impact of Government changes to national welfare systems. As a consequence there may be **issues of debt management, and how households avoid further debt burdens or additional costs through non-payment;**
- When Council Tax which becomes due under the Council's scheme is not paid, the Council will be obliged to collect and recover that tax. **The impacts of those enforcement measures may be disproportionately felt by people in the claims population with disabilities, people with responsibility for young children, and women.** This observation arises as a simple consequence of the fact that the claims population has higher numbers of people within it who face the greatest barriers to work. It is contended that, for different reasons, people with disabilities, people with responsibility for young children, and people who may struggle with English all face greater barriers to work;
- Some households will fall out of entitlement to Council Tax Reduction as a result of the proposed changes, **and as a consequence will also fail to receive other benefits which are payable to household receiving help with Council Tax Payments.** This includes entitlement to free school meals; assistance with the cost of dental care; and other support systems available to those in receipt of Benefits;
- The Government's reforms intend that people in work should always be better off than people in receipt of welfare. There is a presumption that, over time, greater numbers of working age claimants who are workless will enter the paid employment workplace. However it is suggested that when the UK begins to exit the recession, the recovery will most likely be centred on London and the South East. Additionally Council research confirms that the Council's population has a relatively low reading age and low numerical competency. **The location of the recovery is most likely to be centered on London, and the nature of jobs which are created may not be accessible to the Council's residents, both by location and by the type of work;**
- While, therefore, some parts of the UK may receive local economic benefits from the national recovery from the recession, most likely

located in London and the South East, Leicester is less likely to do so. As a consequence, the expansion of the number of local jobs will be more dependent on local co-ordinated efforts to stimulate regeneration and economic development.

#### **4.5 Context to the Impacts: A Brief Reminder on National Welfare Reforms**

Council Tax Reduction is only a part of wider changes to welfare reform which are being completed by the Government. As the Council considers the potentially significant impacts of proposed changes to local welfare which must be considered, a brief reminder of that national context is summarised:

- The Government is committed to the most significant review of welfare that has been seen, possibly for 30 years and arguably since national systems of welfare were originally conceived after the Second World War. While the CTR is implemented from April 2013, this is not the only change in welfare which is underway;
- All the changes which are to be made to national welfare systems cannot yet be fully assessed, and indeed some of the details are not yet known. However it might be argued that some broad principles are emerging, as follows:
  - The Government appears to be positioning future policy to apply more cuts to the welfare budget. At October 2012, indications are that in addition to the reduction in welfare spending already agreed between the DWP and Treasury that a further reduction has been agreed from the life of the next Parliament;
  - Some independent policy specialists have indicated that a prolonged period of reductions in Government spending may well now apply until 2020<sup>3</sup>;
  - Whomever follows the coalition, it is now difficult to see how further cuts cannot be envisaged, the policy choice is simply where they will be applied;
  - Current Government policy appears, in particular to be targeting cuts to households which are larger households; are longer term recipients of Welfare; are younger; or are otherwise in receipt of larger value awards;
  - Recent policy announcements from the Government appear to be significantly strengthening the position which is proposed for welfare for families in longer term receipt of welfare and for those families making life choices while on welfare. Such "life choices" includes decisions which currently

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<sup>3</sup> Tony Travers, Director, Greater London Group, London School of Economics. Conference paper to the Institute of Revenues, Rating and Valuation October 2012.

have the effect of increasing welfare payments, for example having additional children.

#### 4.6 The Impacts by Options within the proposed Scheme

At section 3.4 above, the Council has summarised the draft scheme which has been proposed for consultation, and there are, in total; 6 variable elements to the scheme. Within the following table we describe the potential impacts of the different elements of the proposed scheme.

**Table 5: Impacts of options within draft scheme:**

Element of proposed Local Scheme	No. Claims Affected	Impact of option	Equality Issue for consideration	Protected Characteristic of those affected
1: 80% Maximum amount of CTR	25,037	Increased amounts of CT due	Debt management within household;  How to pay.	Presence within the claim population of:  People with responsibility for children (gender)
2: Band B Cap	1,827	Increased amounts of CT due	Band Cap may impact upon larger households whose needs require larger properties above Band B.	Disability  Race
3: Capital Limit £6,000	266	If rule applies, no award will be payable.	Savings are depleted	None identified in addition to 1 above
4. Remove Second Adult Rebate	2,006		None identified	None identified
5. Remove backdating	275		It may be argued that people with no familiarity with UK benefits systems are more likely to require backdating	Race
6. Minimum award	2,233		Non identified	None in addition to 1 above

## **4.7 Adverse impacts and mitigating actions**

Section 4.2 has set out the likely equality issues for the range of households affected by these Council Tax changes, and the protected characteristics most affected. Section 4.5 explores the likely equality issues arising for the various options considered for the new Council Tax Scheme and the protected characteristics most affected.

Within the defined scope of the Council Tax Scheme there are no mitigating actions that can be taken that would reduce or remove the adverse equality impacts identified above. However, there are mitigating actions that the Council and its partners could take to mitigate the extent of equality impacts predicted as a result of the implementation of the Council Tax Scheme. These are explored in greater detail in section 8 of the report.

## **4.8 The Financial Envelope**

The Government is imposing a reduction in the funding of Council Tax Reduction at the same time as localising decision making for the scheme of awards. The reduction proposed is significant, and if the Council chooses not to pass on the cost of the cut, then that money must be found from other sources.

The overall methodology which the DCLG has proposed is summarised:

1. Take the overall estimated cost of Council Tax Benefit which the DWP will calculate for 2013/14;
2. Take the actual awards of Council Tax Benefit made by Billing Authorities during 2011/12;
3. Share the 2013/14 budget out in the proportions of spend for 2011/12;

Please note that in the above proposed calculation that the figure for the 2013/14 budget at 1 already takes account of the 10% cut. The amount of funding calculated will form part of the Council's overall funding from 2013/14 and will be cash limited (i.e. it will not vary if we have more claimants that we expect). From 2014/15 onwards, it is unclear whether the amount of funding received for the CTR will be visible as a separate component from the remainder of the Council's grant.

While the calculation removes 10% of the estimated cost at a national level, the impact locally is expected to be very different. This is for the following reasons:

The proposed approach takes no account of:

- The actual increase in Council Tax which the City Council applied in 2012/13;
- Any increase in tax which may be applied in 2013/14;

- The increase in the costs of awards under the scheme, and as claimants increase, or as claimants become eligible for more help (and to the extent that the experience in Leicester differs from the national assumptions made by the OBR, DWP and DCLG); and
- Provision for bad debt which should be calculated for this part of the Council Tax, and which is likely to be at a much higher percentage than for Council Tax Payers generally.

Based upon the assumptions made by the Council, savings of up to £4.8m would be required to compensate for the loss in grant, which is around 17% of what it is estimated that the current scheme will cost in 2013/14. The £4.8m makes no allowance for the cost of bad debt, if this was factored in then we would need to reduce the cost of the current scheme by around 25% if we chose to operate the new scheme at the level of funding provided by the new grant.

The trend analysis which begins to inform how this budget may behave from April is commenced at section 5 below.

#### **4.9 Interim Conclusions**

The interim conclusions from the Impact Analysis of the proposed Local Scheme may be summarised as follows:

- The Government's policy to "Localise" decision making in local welfare relief on Council Tax is proposed at the same time as a cut in funding. As a direct consequence of the Government's decision to protect Pensioners from the impact of change, the cost of the change is borne entirely by the Working Age part of the claim population;
- As a consequence of the way that the UK welfare systems have operated to date, the profile of people currently receiving Council Tax Benefits contains higher numbers of households in which there is no work, or in which there is low income.
- People facing the greatest barriers to work are represented in higher numbers in the claims population. That includes people with disabilities; women; people with responsibility for young children; and people who may struggle with English;
- It may therefore be argued that the implication of the proposed scheme may be borne disproportionately by these groups, simply as a product of their higher representation within the claims population;
- Under the Council's proposed scheme, all Working Age households currently receiving Council Tax Benefit and transferring to Council Tax Reduction will be required to pay towards their Council Tax. It is likely that all households, whether those over represented in the claim population or not, will face similar impacts;

- Those impacts include how the tax will be paid; the risks of and dealing with debt; the impacts of enforcement action taken for unpaid tax; and the extent to which it will be harder for people in Leicester to get back into work than it may be for people in other cities or in London;
- Nonetheless, the Council is obliged to determine whether a Local Scheme for Council Tax Reduction will be implemented, as a direct consequence of the financial determination which has been made by the DCLG, i.e. their decision to cut funding available for awards of Council Tax Reduction by at least 10%.



## **5 The Local Scheme: Trend Analysis and Context**

### **5.1 Summary of section**

This section brings together the analysis which is designed to demonstrate the potential impacts of the proposed local scheme for Council Tax Reduction. The Council's research is designed to blend local sources of research and information with where appropriate, the use of nationally published statistics which support key trend analysis.

### **5.2 Overall Approach to Impact Analysis**

The overall approach which has been taken to the analysis is summarised as follows:

- At para 5.3 the Council summarises the overall claim profile, with reference to ethnic background of the household;
- At para 5.4 and 5.5 the Council explains the overall trend analysis of Council Tax Benefit and Council Tax Reduction costs, with reference to datasets made available by the DWP and DCLG;
- At para 5.6 the Council summarises key trends which can be derived from the Office of National Statistics Census;
- At para 5.7 the Council demonstrates key trends within the Council's property database, and with reference to published national datasets by the DCLG;
- At para 5.8 the Council profiles the likely weekly costs for households under proposed schemes; and
- At para 5.9 the Council explains the overall conclusions which may be drawn.

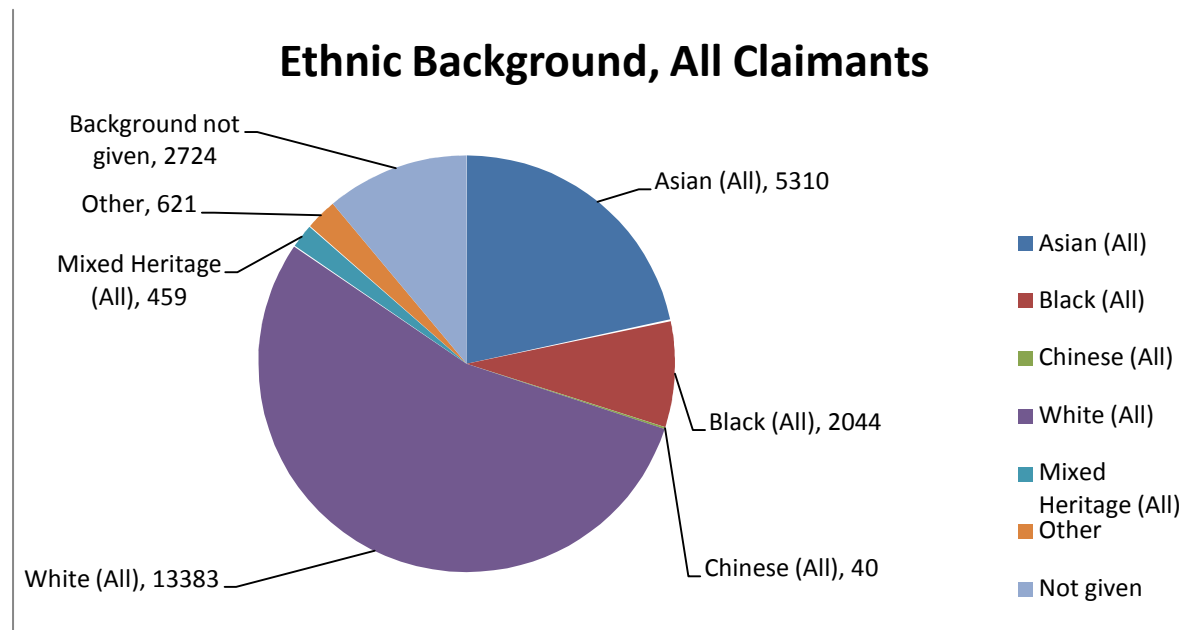
### **5.3 Ethnic background of Claims**

The following tables demonstrate the breakdown of the claims caseload by the ethnic background. Please note that the Benefits Service have been capturing information to record ethnic background for some years now, but that response rates are still incomplete, with information held for just over 53% of the overall claims database.

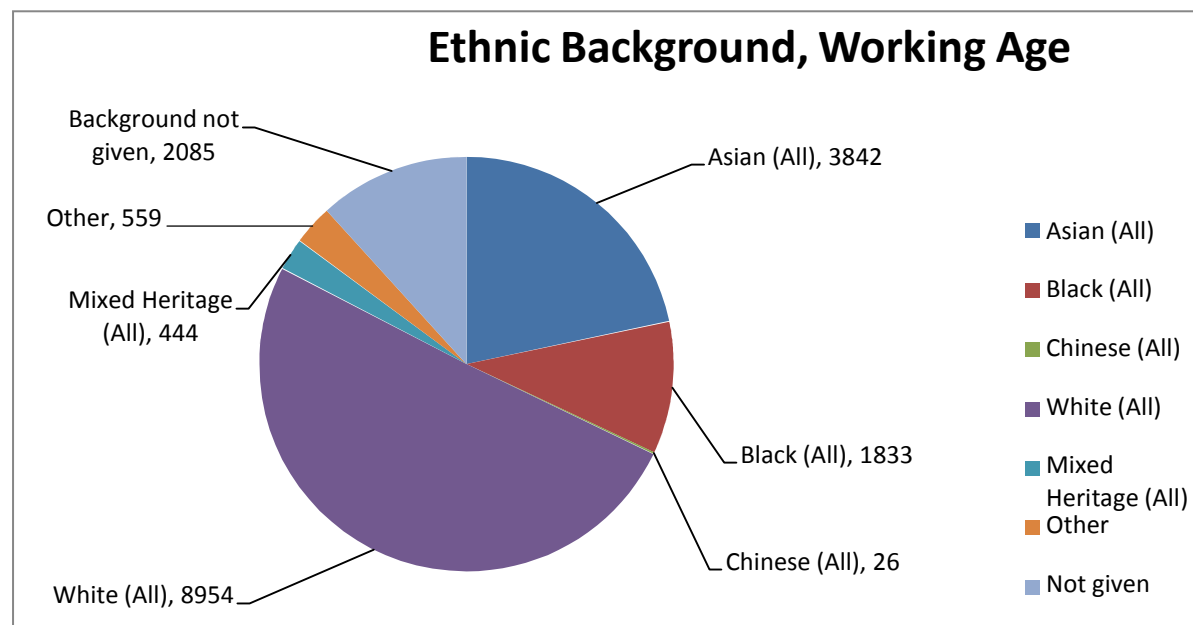
**Table 6: Ethnic Background of Claimants, All claimants**

The City Council holds discretionary information with Revenues and Benefits records and which enables a summary of the ethnic background of all claimants, and separately of Working Age claimants. That data is summarised within the two tables below.

Of the total claims database of just over 46,000 claimants, just over 24,500 households have made a statement of their ethnic background.



**Table 7: Ethnic background of Working Age Claimants**



## 5.4 Increase in claims, All England and Leicester

Government statistics demonstrate that the national value of awards under Council Tax Benefit has been increasing. Between 1997 and 2011, the total value of awards for Council Tax Benefit more than doubled from £2,014 to £4,299m. Within the following table, and using the Government's data, we summarise the growth and national claims and in Leicester since 2005.<sup>4</sup> It must be stressed that the figures provided by the DWP and DCLG summarise simply the overall increase in Council Tax Benefit payments, which includes increases both in claimant numbers as well as the increasing cost of Council Tax.

**Table 8: Overall Council Tax Benefit Spend, England and Leicester**

	Total Council Tax Benefit Spend			
	England		Leicester	
	£m	%	£m	%
2005-06	3,230	6	23.1	0
2006-07	3,385	5	24.5	6.1
2007-08	3,471	3	24	-2
2008-09	3,672	6	26.2	9.1
2009-10	4,095	12	29.5	12.6
2010-11	4,299	5	31	5.1

### Interim conclusions:

- While DWP projections claim that the value of awards paid for Council Tax will fall from 2013, the national trend since 1997 has been that the value of awards has increased;
- Leicester City has also seen the value of awards increase over this period;
- It is considered likely that, if current claims trends continue, that the costs of awards will continue to increase, as claims rise; as the value of the Council Tax rises; and as the costs to the scheme of protecting pensioners increases.
- Under current Government proposals, the grant which will be paid to Leicester City to help fund the CTR will be fixed at 90% of the costs of awards which has been forecast by the Government for 2013/14 for two years.

## 5.5 Council Tax Benefit: The Largest Councils

There are 326 Councils in England with the responsibility to administer benefit payments for Council Tax, and who must consider whether Local Schemes will apply from 2013. Data published by the DWP confirms that

<sup>4</sup> DWP Research published May 2012 by DCLG within "Council Tax Reduction Funding Consultation"

the City Council is amongst the top 25 Councils who are likely to face the largest cuts under Government proposals.

While the use of the DWP's figures in this way enables easy comparisons to other Councils, the actual value of saving is likely to be an underestimate for all Councils. The proposed approach to the funding cut will calculate the 10% cut at 2011/12 levels of Council Tax Benefit, and will fail to take account of increases in the cost of Council Tax from April 2013; of increases in claims; and of the increasing cost of pensioners receiving protection from the scheme under Government rules.

**Table 9: DWP Subsidised Awards, 2010/11, Largest Losers**

Council	CTB award 2010/11	Council	CTB award 2010/11
Birmingham	101.0	Brent	34.7
Liverpool	61.3	Hackney	34.5
Leeds	54.8	Nottingham	32.5
County Durham	54.1	Kirklees	32.3
Manchester	49.1	Ealing	32.3
Sheffield	46.4	Sandwell	31.8
Cornwall	45.2	Wirral	31.4
Bradford	39.0	Barnet	30.9
Bristol	38.7	Newham	30.7
Haringey	37.2	Tower Hamlets	30.4
Croydon	36.2	Islington	30.3
Enfield	35.9	Coventry	30.2
		Leicester City	30.2

**Interim Conclusions:**

- Most of the Councils facing the largest cuts in grant are Metropolitan and Unitary Councils administering claims caseloads in city based areas with a degree of deprivation;
- County Durham and Cornwall might be considered an exception to that conclusion, being sizeable unitary Councils recently formed under the last round of local authority re-structuring;
- Under Government proposals, the 10% cut is applied to the amount of subsidised Council Tax award;
- Two of the East Midlands Cities are within the top 25 losers. Derby's loss calculated at these figures ranks the Council at no. 71 overall, with a forecast loss of £1.8m
- It might also be considered that the Councils facing the largest cuts in grant may be most at risk of the impact of the costs of increase in Council Tax awards, and of the risk that the economic projections made by the DWP and DCLG do not materialise as quickly as they have planned;

- Five of the above 25 largest losers have a borough Mayor governance system- Bristol, Liverpool, Newham, Tower Hamlets, and Leicester.

## **5.6 Population profile**

The proposed approach for local support of Council Tax from next April requires new approaches to financial planning and forecasting because of key changes that the Government have made. One of the key elements which Councils may now consider is the make-up of the local population, and with regard to factors including the balance between the working and pensioner populations of claimants.

Fully understanding the likely developments in the population profile now matters very much to Council because, under CTR proposals, pensioner claims groups will be fully protected from the cost of change; and increases in claims which the Council will receive may not be funded by the Government for at least two years.

The following data tables begin to describe the population analysis of the City Council.

### **Table 10: Working Age and Pensioner Analysis**

The following table explains the Council's overall distribution of claimants between pensioner and working age<sup>5</sup>.

	<b>No.</b>	<b>Percentage</b>	<b>Value</b>
Pension Age	15,278	37.9%	11,685,763
Working Age	25,037	62.1%	18,582,262
	40,315	100%	30,268,025

The "Split" of claims between the working and pensioner age claimants now matters to Council. While the proposed cut in grant is applied to the **whole cost** of the awards for Council Tax Benefit, under Government rules, pensioner claimants will receive full protection from the cost of change, and will continue to receive a maximum award of 100%.

The cost of the cut is therefore disproportionally borne by the working age population. A 10% cut in the overall budget becomes, in the City's case, more like a 16% increase for working age claimants, if the full costs of the saving is passed onto working age claimants.

This effect causes the most pain for those Councils with very high caseloads of pensioners and lower numbers of working age claimants. Independent research has suggested that the Councils facing the largest impacts here are districts in which there are higher numbers of pensioner

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<sup>5</sup> Leicester City Council, Council Tax Benefit records, 2011/12

residents, including Craven Council in Yorkshire, and East Dorset Council in the South West.<sup>6</sup>

However while the Council's current position on the working/pension age split is relatively advantageous, there are some trends which require consideration.

**Table 11: Census 2011, Overall Age Distribution**

The following table is derived from the Office of National Statistics Census data<sup>7</sup>. The table demonstrates the overall age profile of the population. The three east midlands cities are shown alongside the regional level summaries which can be derived from the data.

	0-19		20-64		65+		Total
Derby	64300	25.85%	146800	59.03%	37700	15.16%	248700
Leicester	89800	27.22%	203000	61.53%	37200	11.28%	329900
Nottingham	79400	25.97%	190700	62.38%	35600	11.65%	305700
East Midlands	1078200	23.78%	2682100	59.17%	773000	17.05%	4533200
England & Wales	13430600	23.95%	33422400	59.60%	9223000	16.45%	56075900

**Table 12: Overall change, 2001-2011**

This table draws upon the high level population changes which can be drawn by comparing the 2011 census with the data from 2001.

	Census Total			
	2001	2011	Growth	%
Derby UA	230700	248700	18000	7.80%
Leicester UA	282800	329900	47100	16.65%
Nottingham UA	268900	305700	36800	13.69%
England & Wales	52360000	56075900	3715900	7.10%

### Interim conclusions:

- While the average rate of increase for the whole of England and Wales is just over 7%, the rate of increase in Leicester is much higher at over 16%;
- While this represents the actual rate of growth over the last ten years, the Council's Research and Intelligence Team have now completed an initial analysis of recently released ONS data and which enables forecasting for the demographic profile over the next ten years. That table is shown at 14 below.

<sup>1</sup> Institute of Fiscal Studies/ Rowntree Foundation, March 2012

<sup>7</sup> Census 2011

**Table 13: Comparison of other similar cities, young people**

This table is also drawn from the ONS census. This table shows age distribution in three broad blocks, separating working age from pensionable and separately showing young people under 20.

	0-19		20-64		65+	
Derby	64300	25.85%	146800	59.03%	37700	15.16%
Leicester	89800	27.22%	203000	61.53%	37200	11.28%
Nottingham	79400	25.97%	190700	62.38%	35600	11.65%
top 25	2617000	25.22%	6318600	62.15%	1363700	12.63%
England	13430600	23.95%	33422400	59.60%	9223000	16.45%

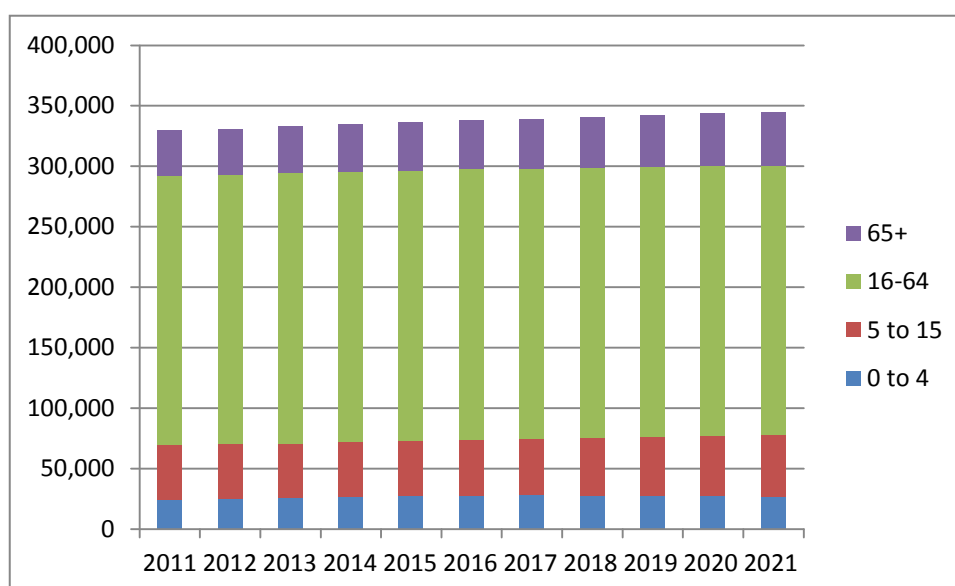
**Interim Conclusions:**

- The population distribution is more similar to the “top 25” peer group than to some other comparisons;
- Within the top 25 losers, Leicester is among only 5 authorities in that group with more than 27% of the population aged 0-19 (Enfield, Newham, Birmingham, and Bradford are the other Authorities);
- It might be argued that those Councils with higher numbers of young people entering the job market face greater risks of increases in claims, as young people face higher rates of unemployment at the current time. If this finding is correct, Leicester has not only a comparatively large cost of Council Tax Benefits/Support, but also an increased percentage of young people under 20.

**Table 14: Population growth, ten year forecast**

The Council has also now completed an initial assessment of the projections which may be inferred from the ONS release of further data during September 2011, and which supports more accurate forecasting.

It is stressed that the analysis below represents the initial analysis which has been completed by the Council’s Research and Intelligence Team. Further analysis may be completed, and therefore forecasts updated as necessary.



### **Interim Conclusions:**

- The construction of the age ranges available within the census data mean that assumptions have to be made in order to enable analysis to help with the forecasting of Council Tax Reduction;
- In particular, the construction of Council Tax Reduction produces a priority to understand the balance between the working age and pensioner population. Within the above table, the fit to “working Age” assumes a start at 16.
- Significantly, for the profiling of Council Tax Reduction, the Council’s projected balance between working age and pensioners is forecast to change over the next ten years;
- It is forecast that, over the ten year period, the working age population reduces from 67.4% of the population to 64.6; while pensioners increase from 11.3% to 12.8%;
- Council Tax Reduction, as proposed, protects pensioners from the cost of change, and places the cost of change on the Working Age claimants. If the Council Tax Reduction continues in the current form, and the population forecasts are accurate, then the burden of the cut on the working age population will increase in relative terms;
- The Council may wish to carefully monitor the profile of rising pensioner caseload, as one of the key costs of the new scheme over which the Council will have no control, i.e. that pensioner claims will continue to receive a maximum entitlement of 100%.



## 5.7 Council Tax Band distribution

The tables in this section have been profiled from the statistics published by the HMRC Valuation Office Agency (VOA), together with the DCLG. The VOA have previously published the data tables in full, enabling a complete analysis of Council Tax bands at both national level, and with analysis possible down to individual Billing Authority. Under current policy, tracking down the detailed spreadsheets is more difficult, but it has still be possible to complete comparisons between library data which has been obtained at March 2008 and at March 2012. The following table shows the percentage distribution at March 2012<sup>8</sup>.

**Table 15: Summary of Council Tax Bands March 2012**

Percentage of properties by Council Tax Band									
	A	B	C	D	E	F	G	H	Total
Derby UA	51.79%	19.06%	14.89%	7.64%	3.93%	2.05%	0.59%	0.05%	100%
Leicester UA	59.69%	19.41%	11.78%	5.09%	2.42%	1.10%	0.47%	0.05%	100%
Nottingham UA	64.38%	16.08%	11.59%	4.88%	1.73%	0.75%	0.53%	0.08%	100%
England	24.81%	19.61%	21.76%	15.31%	9.44%	4.98%	3.50%	0.57%	100%
East Midlands	37.64%	22.49%	17.98%	10.67%	6.29%	3.05%	1.73%	0.15%	100%
"Top 25" Losers	27.50%	20.22%	21.97%	15.04%	8.55%	3.88%	2.49%	0.36%	100%

### Interim Conclusions:

- The property databases of the East Midlands cities are skewed very heavily to Bands A and B. If all the properties within bands A and B are totalled, then Leicester and Nottingham have very similar levels of properties within these two bands, with Nottingham at 80.46% and Leicester at 79.1%;
- Council Tax valuation bands are based upon capital value at April 1991. As a direct consequence the distribution of bands varies nationally, and generally speaking property bands in London and the South East are higher than in the cities of the midlands and the north.

**Table 16: Increase in Council Tax Properties, 2008-2012**

The following table shows the rate of increase which has been shown in Council Tax properties between 2008 and 2012. Further analysis to demonstrate the rate of change over a longer period is not so straightforward possible because the VOA/DCLG no longer publish the full data-tables in excel format which enables both high level analysis and also down to the level of individual Billing Authority.

<sup>8</sup> Department of Communities and Local Government, March 2012 Council Tax Bands

	Change in CT Properties			
	2008	2012	Change	%
England	22506624	23116230	609606	2.71%
East Mids	1928375	1984730	56355	2.92%
Derby	104437	106900	2463	2.36%
Leicester	123985	128570	4585	3.70%
Nottingham	129791	132620	2829	2.18%

### Interim Conclusions:

- Leicester's rate of increase in properties is above the national average, and there is an extent to which this increase has similarities with the increase in population which has also been found from ONS data above, although not at the same rate;
- A very small number of Councils (not shown) have demonstrated very significant increases in Council Tax properties over this period, and these are based around central and east London. Growth in the whole of the rest of the country is much lower, so against that backdrop the Council may consider the increase in properties broadly encouraging.

## 5.8 Weekly impact of proposed scheme

Once a scheme has been successfully modelled and adopted, the Council must begin the collection and enforcement stage to recover amounts of Council Tax due from households under the scheme. To assist with an analysis of the financial impact of the proposed scheme, the following tables demonstrate the weekly equivalent payment which households facing the full 20% charge would be required to make. This has been shown firstly, as the amounts due if the scheme adopted implements both a 80% maximum eligibility together with a Band B maximum, while the second table demonstrates the weekly cost of a 80% maximum eligible amount without the band B limit.

**Table 17: Weekly payments, Maximum CT Reduction 80% Band B**

Band	Tax			
	12/13	Max Ben	Due	per week
A, DPR	808.17	646.54	161.63	3.11
A	969.80	775.84	193.96	3.73
B	1131.43	905.14	226.29	4.35
C	1293.07	905.14	387.93	7.46
D	1454.70	905.14	549.56	10.57
E	1777.97	905.14	872.83	16.79
F	2101.23	905.14	1196.09	23.00
G	2424.50	905.14	1519.36	29.22
H	2909.40	905.14	2004.26	38.54

Source: Leicester City Council

**Table 18: Weekly payments, max CT Reduction 80%, no band cap**

Band	Tax 12/13	Max Ben	Due	per week
A, DPR	808.17	646.54	161.63	3.11
A	969.80	775.84	193.96	3.73
B	1131.43	905.14	226.29	4.35
C	1293.07	1034.46	258.61	4.97
D	1454.70	1163.76	290.94	5.60
E	1777.97	1422.38	355.59	6.84
F	2101.23	1680.98	420.25	8.08
G	2424.50	1939.60	484.90	9.33
H	2909.40	2327.52	581.88	11.19

Source: Leicester City Council

### Interim Conclusions:

- The weekly financial impact of the 80% maximum amount together with the Band B limit produces an increasing financial impact upon those households in occupying accommodation above Band B. While there may well be only 20% of the property database above Band B in the City, the financial impacts upon those households are likely to be disproportionate;
- Some households affected may be homeowners, and in those cases the Council Tax collection rules provide for the application of a charging order for unpaid tax. However those provision cannot apply to households whom are renting properties above Band B.

## 5.9 Overall Conclusions

The overall findings from the impact assessment are summarised:

- The Council's analysis does not suggest that the proposed changes within the local CTR scheme will impact upon any group for whom the Council has a statutory duty under the Equality Act disproportionately, other than the natural distribution of those groups within the existing claims caseload;
- The claims caseload contains a greater incidence of people facing greater barriers to escape worklessness. In the City, the Council's research concludes that key groups which are affected in this way include people with disabilities; people with responsibility for young children; of people from ethnic minority backgrounds, particularly in which the migration to this country is relatively recent;
- The changes to the claims caseload which are possible over coming months must now be carefully managed and tracked to enable effective financial planning and control, as the old "demand led" nature of Council Tax Benefit grant payment is replaced;

- The Council's claim caseload may not behave in the way which national planners at the DWP and DCLG have concluded will be the case, and the Council's costs of Council Tax Reduction may increase through the increased cost of Council Tax; through increased claims; and through the rising cost of the pensioner claims caseload.

## **6 Vulnerability**

### **6.1 Overview**

This section begins to discuss a critical new element of the scheme proposed by the Government. Under Government proposals, some households will be protected from the impact of the overall cut in Council Tax Benefits, and the term "Vulnerable Groups" has been introduced to describe claim groups which will be protected, in whole or in part, from any increased liability for Council Tax as a result of the changes.

Some vulnerable groups will be specified by the DCLG, while the Council must also consider other groups which should receive protection from the changes. Currently it is believed that only pensioner households will be exempted by regulations, with decisions about other groups left to Councils. The more generous the approach to vulnerable groups, the greater the impact on the remaining working age claim population.

### **6.2 Overall Equality Requirements**

Under the Equality Act 2010, the Council is required by law to "have due regard" to the need to :

- a) Eliminate discrimination;
- b) Advance equality of opportunity between protected groups and others;
- c) Foster good relations between protected groups and others.

Advancing equality of opportunity includes removing and minimising disadvantage, meeting the needs of protected groups which are different to others (particularly the disabled) and encouragement to participate in public life.

Protected groups are characterised by:

- Age (including children and young persons);
- Disability;
- Gender;
- Gender re-assignment;
- Pregnancy and maternity;
- Race;
- Religion or belief; and
- Sexual orientation.

The needs of pensioners under the Act will be largely addressed by legislation. The key protected group to whom the Council must “have regard” in designing the scheme is the disabled.

### **6.3 The Government position**

The DCLG has made it clear that pensioner claim groups will be protected from the impact of the cut in CTR. The DCLG have also suggested that the definition of “pensioner” will be such that it will apply to all pensioner claim households, whether at pensionable age now, or achieving that age later on within the scheme. It is assumed, (and likely that) such protection will be full, i.e. that pensioner households will continue to receive a maximum of 100% relief, in those cases in which the household qualifies for maximum support.

It is likely that the Council will have no discretion over this protection. It is also clear that the Council will have to make on-going provision for the cost of pensioner benefit/support payments at 100%, notwithstanding DCLG grant payments at a lower rate. The initial thinking from the DCLG suggests a less than generous assessment of this cost, and which is likely to do the Council few favours as the population naturally ages, and lives longer.

In addition, the DCLG have suggested that the following groups of claimants should be considered by local authorities when determining which additional groups to classify as vulnerable:<sup>9</sup>

- Disabled households and claimants;
- Households identified as having risk of child poverty;
- Households falling within the “Armed Forces Covenant”, including those in receipt of War Widows allowances for example; and
- Households at risk of homelessness.

### **6.4 Local Options**

In addition to whatever national protection is stipulated by the DCLG, the Council will therefore be obliged to consider which working age claim groups will also receive full protection because of vulnerability.

### **6.5 Summary of options : Vulnerable Groups**

Within this paragraph, the leading options for the adoption of “Vulnerable Groups” are discussed. At the table below, the overall options are summarised for decision and ease of reference, while at the paragraphs below, each of the groups is briefly discussed.

Each group is shown together with the Council’s estimate of the number of households falling within the group, and the current cost of benefit paid to

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<sup>9</sup> DCLG 2012: Localising Support for Council Tax Vulnerable People, Key Local Authority Duties

the group. Adopting the group as “Vulnerable” means that the client group will be protected (fully or partially) from the cost of, and the impact of the saving in Council Tax Benefit.

While some information for profiling the cost and impact of changes below is held within Council systems (including for example the Council Tax Benefit records) other information is not so readily available. To ensure that the report gives the best information possible, it has therefore been necessary to cast a wider net, capturing data from a range of sources where appropriate.

The following table summarises the groups which the Council has identified for consideration as “vulnerable” and hence protected from cuts. It shows the current amount of benefit paid to these groups, and the impact on the savings shown in section 3 above if any given group is exempted in full, e.g. if families on Income Support with children are exempted in full, the effect is to reduce the savings quoted for each potential change to the scheme by an estimated 28%. This assumes that the claim profile of each group is the same as the claim profile for all claimants. This will not be true (e.g. some vulnerable groups are more likely to be on 100% benefit than non-vulnerable groups) but is the best estimate we can currently make. The impact of determining that more than one group is vulnerable cannot be assessed by adding figures (as some people will be in more than one group). It will be possible to profile the exact cost of vulnerable groups under the local scheme, once the preferred scheme is identified from the options at section 3 above.

**Table 19: Summary of Vulnerable People**

<b><u>Vulnerable Group</u></b>	<b><u>Current Benefit Cost £m</u></b>	<b><u>Impact on Reduction Measures</u></b>
Disability, depending on the extent of disability required to qualify	£1m - £3.7m	Up to 28%
Dependent children under 5 (parent or parents on income support)	£0.9m - £3.4m	13%
Other groups, including:- - care leavers - hostel leavers - claimants fleeing domestic violence - supported by Forced Marriage Unit - war widows - drug/alcohol dependent - foster carers - ex-offenders under MAPPA arrangements	£0.3m	2%
Those adversely affected by specific welfare reform proposals	£2m	See below

## **6.6 Explanation of potential Vulnerable Groups**

Within the above table, the summary terms used include the following client groups. The detailed analysis for each of the following client groups including the high level ward analysis of the distribution of customers is shown at appendix 2.

### **1. People with disability:**

The total maximum cost of £4m shown includes households in which:

- Disability Living Allowance at a higher rate is paid (£2.2m); or
- Disability Living Allowance at a middle rate is (£1.1m); or
- A support component of ESA is paid (£5.8k); or
- Households for which a carers allowance is paid (£0.3m).

Each of the above four client groups receives a welfare benefit which is currently payable by the DWP in respect of households in which there is a disabled person, who qualifies under the appropriate rules for that payment. In some cases the statutory test includes the completion of an assessment by an appointed qualified doctor. In all cases the assessment and qualification of the disabled person for the qualifying benefit is completed by the DWP, and not the Council.

The above tests therefore give the Council a means by which households in which there is a disabled person are present can be objectively assessed. In very general terms, a greater level of disability will be present in those households in which the higher care component as opposed to the middle component is paid.

The Council is required to consider the needs of disabled people within its proposed scheme. Under Government guidance, disabled people will face greater challenges to join the working population.

### **Conclusion:**

It may, therefore be appropriate to consider protection for some, or all identified client groups of disabled people.

### **2. Households with responsibility for young children**

The total maximum cost of £2.4m includes households in which:

- Income Support is payable for a couple with responsibility for young children (£0.9m); and
- Income Support is payable for a single person with responsibility for young children (£1.5m)

Again, the above potential client groups have been identified using qualification for welfare benefits administered by the DWP. Coupled with an analysis of the Council's existing records, the above clients groups give



the Council, where known, details of low income households in which there is responsibility for looking after young children.

**Conclusion:**

If the Council considers the protection of some or all of these groups, this might be argued to be consistent with the Council's responsibilities to take steps to mitigate against child poverty. Conversely, restricting protection to claimants in receipt of Income Support may create a disincentive to find work.

**3. Protecting other groups**

The above table summarises a short list of other potential groups which may be considered for protection, through vulnerability. The total maximum cost of £0.3m is distributed throughout the group as follows:

- Care leavers (£7k);
- Hostel leavers (£10k)
- Claimants fleeing domestic violence (£26k);
- War widows allowances (£2k);
- Drug and alcohol dependency (109k);
- Foster carer allowances (£68k);
- Some ex-offenders (£7k).

**Conclusion:**

Some of the client groups here may be considered under the Council's duties to take steps to mitigate against homelessness. The payment of any allowances for war widows may be argued to be consistent with the Council's responsibilities under the Armed Forces Covenant.

**4. Welfare Transition**

The total maximum cost of £2m shown includes households in which:

- Disability Living Allowance at a lower rate is paid (£1.3m); or
- Households are moving from Incapacity Benefit to ESA (£44k); or
- Households are expected to fall under the "Benefit Capping" arrangements (£0.34m); or
- Households who will lose or receive reduced benefit under reforms to working tax credit (£0.22m); or
- Households in which there is an adult aged over 50, and in which benefit is lost or reduced because of changes to working hours under new rules (£9k); or

- Payments for pregnant women who receive no SMP (£44K).

Each of the above client groups is a welfare benefit which is currently payable, but which is changing under the national welfare review. As a result of those changes which the Government has introduced, the above summary shows which groups identified may be worse off.

### **Conclusion:**

It may be appropriate to consider transitional cases, but the Council may also wish to avoid becoming responsible for a long term cost as a consequence of changes which have been nationally determined. Should the Council wish to protect these groups, therefore, it may be appropriate to consider transitional protection given on the basis of individual application forms.

## **6.7 Challenge of adopted scheme**

The Changes to Council Tax Benefits from April 2013 are amongst the first to be implemented of the wider, and very significant programme of welfare reform which the Government is implementing. It is no understatement that from April, the changes to welfare are the most significant which have been seen in at least 30 years.

There will consequently be a risk of legal challenge to any scheme that the Council adopts. The Council is extremely concerned about the implications if the Government in its final response to this consultation does not recognise the impact that will be caused to the City Council, and its residents. Some of that concern may be expressed by claimants affected by the local scheme from April 2013, and choosing to challenge the impact of the scheme through the courts.

## **6.8 Conclusion**

The effective determination of vulnerable groups which will receive protection from the savings imposed will to some extent ensure that appropriate claim groups do not face the challenge of payment.

For those households which must fall within scope of payment, the Council has also begun to discuss the approaches to payment and collection which will apply from April 2013 at section 8 below.

## **7 CTR Schemes: A Review of Council Proposals**

### **7.1 Overview**

When the Council began the preparations for the Council Tax Reduction Scheme, very little was known about what Billing Authorities, each charged with determining the strategy on Council Tax Reduction, would conclude. However as a direct consequence of the DCLG's requirements that proposed schemes are published for local consultation, it is possible to determine emerging themes as Councils begin to publish their proposals. Through web-based research and a review of Council websites, Council proposals for local schemes can often be accessed.

While there is a wide range of different approaches which Councils have used, it is nonetheless often possible to analyse schemes and determine matters of commonality, or which are more unique. This section presents a short review of the national picture in England, and is completed based on research completed through to September.

### **7.2 Overall strategy: Limited Options will deliver required savings**

The Institute of Fiscal Studies and the Rowntree Foundation published independent research into the Council Tax Reduction scheme in March 2012. The comprehensive research completed included findings about the schemes which might be capable of delivering the value of savings required. The report concluded that there would only be, in practice, limited options for Councils wishing to implement local schemes which recovered the cut imposed. The report considered that, if profiled at a national level, options which would be capable of delivering the scale of saving required would include:

- An across the board cut of 17%;
- Reduced maximum entitlement of 85%;
- Reduced award to maximum of a band cap at D; and
- Only "passported" claimants qualify for awards of CTR.

Some of the means which would be technically possible of delivering the savings are inconsistent with the Government's policy requirements to not dis-incentivise employment. It might be argued that the option of paying only "passported" claims is a case in point, as this proposal would dis-incentivise people in receipt of "passported" benefit from low paid or part time work. It is nonetheless interesting to note that one of the options which was raised by the report (maximum eligible CT less than 100%) has since proved to emerge as the most common way in which Councils are proposing to implement the cut in awards.

### **7.3 Review of draft schemes at October 2012**

A sample of Council schemes published by 20<sup>th</sup> September 2012 has been reviewed, and to provide comparative information against which the Council may consider the current proposals. The sample is not statistically meaningful, in that the published schemes of Unitary Councils, and separately within the East Midlands have been prioritised. This approach has been taken in order to prioritise the analysis of schemes which are more likely to be of interest to the City Council.

Importantly, it must also be stressed that the review of other published schemes was also completed shortly before the DCLG announced plans for the CTR Transition Grant, published in October 2012.

#### **The Overall Sample:**

The total sample of schemes which have been reviewed is 55 Councils. In summary of the Council schemes reviewed:

- All Councils of the East Midlands have been reviewed. At 20<sup>th</sup> September, all of the Leicestershire Councils have proposed Local Schemes, while 4 of 9 Derbyshire Schemes have been published, and 7 of the 8 Nottinghamshire Councils published;
- Additionally, the sample of 55 includes published schemes from 19 London Boroughs and 11 Unitary Councils;
- A small sample of district based schemes outside of the East Midlands has also been profiled.

From the schemes so far published, key trends can be identified and some areas of common ground identified. The key findings are summarised within the following paragraphs.

#### **Absorbing the cut, or passing on the cut:**

- A smaller number of the published schemes propose absorbing the cut in full. Although there are two District Councils within Nottinghamshire which propose absorbing the cut in full, and one Derbyshire District proposes absorbing as part of a very wide range of options, more of the schemes published so far propose passing on all or some of the cut to working age claimants;
- Some of the schemes have also included specific recommendations on income raised from the changed provisions under Council Tax Exemptions and Discounts. However most Councils so far have not included proposals on income from Council Tax discounts and exemptions as part of the CTR consultation;
- Some Unitary Councils have proposed absorbing the cuts. Included here are the three central London Boroughs (Westminster; Kensington and Chelsea; and Hammersmith and Fulham), and one smaller outer London Boroughs (Merton);

- Outside of London, Coventry and Durham UA have proposed absorbing.

### **“Main” options for delivering the saving**

- There are limited options in which the substantive costs of the saving may be achieved. Of those Councils proposing to adopt a local scheme, the majority have proposed maximum eligible amounts of Council Tax at less than 100%; and some have proposed that coupled with a “Band Cap”. Some Councils have proposed a “cut” in the award after completion of the calculation using the 100% maximum allowance;
- Of the Councils proposing to adopt a maximum eligible amount of Council Tax, the percentage proposed varies between 65 and 90%. Many of the schemes proposing a specific percentage are in the range of 80-90%. Some schemes propose a specific amount, while others propose the consideration of a range;
- Of the Councils also proposing a cap to the Band, there are predictably differences between London and the South East and the rest of England. In and around London, band caps at D or E have been proposed. Outside of the South East, Band A or B have been proposed.

### **Other Options under local schemes:**

- In addition to the adoption of provisions which are designed to deliver the significant financial element of the saving, many schemes have also proposed other local options. In many cases, a degree of flexibility about this element of the proposed scheme is present;
- Many schemes make provisions for the removal of Second Adult Rebate; reduced amounts of Capital; amendments to backdating provisions; and minimum awards under local schemes;
- Some schemes also make amendments to Non-Dependant Deductions; to an increased amount of earned income which is disregarded; to the treatment of Child Benefit as income; to the treatment of maintenance payments as income; and to the treatment of self-employed claims;
- Some schemes have proposed elements which are, so far unique. One scheme has proposed the use of a cash-limited fixed amount which working age claimants will pay. Separately, another scheme proposes a “freeze” on the amounts payable to claimants which is linked to the funding award of CTR grant determined during this Autumn. Neither of these examples is within the Council’s proposed scheme, and neither do they appear within the East Midlands;
- It might be argued that the Council may derive some comfort, from the point of view of potential challenge, that current proposals are

largely in line with elements that have been commonly found within other schemes. The Council's proposed scheme does not contain any element which might be described as unique.

### **Vulnerable People**

- Some of the schemes published have detailed proposed approaches for Vulnerable People, and some have not;
- In those cases in which an approach is proposed to Vulnerable People, the approach often mirrors DCLG advice, and may be argued to be rooted within existing approaches to Council Tax Benefit. Accordingly, the inclusion of provisions for people with disabilities, and of people with responsibility for young children are common. No schemes have so far been published with specific provision for people facing the risk of homelessness nor for people for whom the Council has responsibility under the Armed Forces Covenant;

## **8 Mitigation**

### **8.1 Overview**

This section summarises key steps which it is suggested must also be taken forward to enable the completion not just of a meaningful Council Tax Reduction scheme, but also that collection and enforcement policies which apply from next April are consistent with the collection requirements of this client group.

Many of the poorest households affected by this change will not be used to paying Council Tax. The last time that the UK managed a system under which the maximum local tax benefit was less than 100% was under the Community Charge, and many claimant households will not have been within the welfare systems at that time.

The key argument which applies here is that because of the disproportionate financial burden which falls on the in-scope working age population, this group may not have the means to pay in the same way as the rest of the Council Tax population, and different arrangements must be planned for.

However, the Council must also ensure that the necessary steps are taken to collect and recover sums due under the new arrangements, and using the full range of enforcement tools which are available.

### **8.2 Distribution of recovery activity, 2011**

In support of the determination of effective approaches to the collection and recovery of tax due from next April, the Council has completed a review of recovery activity by community area, and which breaks down the recovery of unpaid Council Tax to the individual communities within the wards of the City.

**Table 20: Recovery action by Community, 2012**

Community	Number	Value of CT Debt
Abbey	71	£35,099
Aylestone	77	£34,675
Aylestone Park	100	£43,032
Beaumont Leys	240	£114,038
Belgrave	101	£48,316
Braunstone East	136	£65,292
Braunstone West	166	£88,658
Castle Hill	115	£55,810
Charnwood	152	£74,331
City Centre and St Andrews	278	£117,103
Clarendon Park	60	£24,562
Crown Hills	172	£82,404
Evington	41	£23,255
Eyres Monsell	153	£73,115
Hamilton	127	£71,566
Humberstone	72	£30,739
Latimer North	95	£46,474
Latimer South	75	£33,214
Mowmacre and Stocking Farm	256	£117,766
Netherhall and Thurnby Lodge	106	£49,416
New Parks East	177	£90,676
New Parks West	198	£102,280
Newfoundpool	165	£61,464
Northfields	141	£68,933
Rowley Fields	77	£29,342
Rushey Fields	76	£35,773
Rushey Mead	50	£24,355
Saffron	158	£75,811
South Knighton	19	£9,996
Spinney Hill	149	£77,420
St Matthews and St Peters	172	£81,915
St Saviours	79	£38,906
Stoneygate	124	£65,329
West End	193	£74,269
West Knighton	74	£39,195
Western Park	44	£16,777
	4489	£2,121,303

Source: Leicester City Council research, October 2012



### **8.3 Collection Policy for the new payers in the scheme**

It is unlikely to be either desirable, or practical for the standard systems of enforcement which apply to the overall Council Tax debt population to be universally applied to the new CTR liability client group. However, it is also the case that some households, who already are used to paying Council Tax at low levels, must be supported to continue paying.

The standard systems can produce a Liability Order and consequent costs swiftly, and if no further response is received the routine next step would be the instruction of the Bailiff. It is likely that the use of the Bailiff should be applied only where considered appropriate in this population, rather than as a default response.

Different approaches may also be required to the management of payment arrangements for this caseload. For some households that may mean the administration of week to week payment arrangements. For others, and for whom an identified chance of return to work is made, "deferral" of liability until in work is also worthy of consideration.

Council Tax enforcement policies are the logical means by which to deal with these requirements, and it is suggested that enforcement policy will be redrafted, with specific reference to this client group, to enable:

- The completion of general policy statements about the way in which debt will be enforced, including the planned use of the Bailiff, rather than as a default measure;
- The use of longer term, and more frequent payment arrangements for this client group; and
- The use of "deferred" payment arrangements for households in which there is deemed to be a significant probability of a return to work.

### **8.4 Policy with regard to protected characteristics**

The proposed policy for Local Council Tax Reduction does not plan to mitigate against any particular group with protected characteristics, but as we discuss at section four some groups may have greater representation within the claims population because of the barriers to work which are faced.

If Council Tax which becomes due from next April is not paid, then the Council will be obliged to take the necessary steps to collect it. Council Tax rules provide a robust framework which can be used to collect unpaid tax, which includes the issue of court Liability Orders, and the right to instruct Bailiffs.

We propose that local enforcement policies are updated to include scenario based examples with reference to such protected characteristics, and designed to show what types of enforcement are, and are not acceptable. It is to be stressed that the use of scenarios in this way is not

prescriptive, and neither exhaustive. The scenarios have been proposed to enable thinking to be developed about approaches to recovery and enforcement of unpaid tax which may, and may not be appropriate in particular circumstances.

The specific policies which may apply in the following scenarios are to be taken forward within the Council's Recovery and Enforcement policies and procedures, which are maintained by the Council's Revenues team. The policies may, importantly, be updated throughout next year as experience in relation to the payment, and non-payment of Council Tax under the revised arrangements for welfare support grows.

Examples of scenarios proposed for consideration include:

**Table 21: Draft Scenarios for Collection and Enforcement Policy**

<b>Protected Characteristic, and scenario summary</b>	<b>Scenarios which could be developed</b>
Gender: Women within the claim population	<ul style="list-style-type: none"><li>• Actions which are and are not acceptable for collection of tax from single women;</li><li>• Identifying and managing recovery from vulnerable women or women who may be at risk of violence in the event of collection of tax due.</li></ul>
Gender: Pregnant women	<ul style="list-style-type: none"><li>• Door-step collection from pregnant women, including actions to be taken to not place women under any additional stress.</li></ul>
Age: people with responsibility for young children	<ul style="list-style-type: none"><li>• How the bailiff may, and may not proceed, when there are children in the house who may not be old enough to understand what is going on;</li><li>• How to proceed when a child or minor opens the door to a bailiff.</li></ul>
Disability: Disabled people	<ul style="list-style-type: none"><li>• Which goods may be protected from distress under local policies, for example mobility scooters.</li></ul>
Race: Emergent Community who may struggle with English	<ul style="list-style-type: none"><li>• Making sure that a competent adult is present in the event of enforcement action.</li></ul>

## **8.5 Policy for enforcement costs**

The Council has the right to apply enforcement costs to accounts when it is necessary to apply for a Liability Order for unpaid tax at the Magistrates Court. The costs routinely applied for are significant, and will add a further cost to households in this client group that are already under financial pressure.

The logical place to manage this issue is again with local Council Tax enforcement policies. In those cases in which it becomes necessary to apply for a Liability Order, the Council may:

- Re-write existing policy statements with the needs of this client group in mind, and to enable a clear view about the time and circumstances in which, following the grant of a Liability Order, the court fees due will be waived.

## **8.6 Attachment to Income Support, and similar**

Under existing recovery provisions, the Council may, once a Liability Order has been granted, apply for an Attachment order to Income Support. If the DCLG transfers this provision to the new Universal Credit regime, then Attachment will remain a very useful collection tool for some households.

## **8.7 Write-off policy, and relationship with “Hardship”**

As Councils plan for the disappearance of a maximum entitlement of 100% under Council Tax Benefit, debate has begun about how to deal with “hardship”, or otherwise with identified special needs cases.

It is therefore argued that, with the specific needs of this client group in mind, write off policies may also be reviewed to include a clear statement about the time and manner by which identified liability causing hardship will be considered and approved for write-off.

## **8.8 Payment of Tax: Council Arrangements verses loans**

The Council has existing processes which successfully encourage taxpayers facing difficulties with their payments to get in touch and to agree mutually acceptable terms for payments. Typically, the Council terms such approaches “Special Arrangements”, and staff within the Council’s collection and enforcement teams are well experienced in the negotiation of acceptable terms.

The approaches to the management of debt, particularly for new taxpayers under the Welfare Reforms need to be carefully managed so that new taxpayers will understand the appropriate, and cost effective approaches to debt and to payment of debt including:

- The ability to negotiate appropriate “Special Arrangements” with the Council;
- The role of independent financial specialists including local Credit Unions and so on; and

- The role of independent debt management specialists including the Citizens Advice Bureau, and the Money Advice services, for example.

By contrast, steps must be taken to ensure that new taxpayers facing debt are not left believing that the only choice for the payment of accounts is to engage with less cost effective private sector solutions, including for example the use of Pay-Day lenders and similar.

Approaches to be considered here include the use of targeted messages which may be included within the print runs for Council enforcement documents used in the collection of debt from those facing liability for the first time. This includes the issue of reminders, second reminders, summonses and post-court "14 day" notices.

## **9 Conclusions**

The changes to welfare benefits which begin from this April are very significant. While the introduction of the Council Tax Reduction is amongst the first of those changes to become live from April 2013, it will not be the last.

Considered together, the cumulative impact of the changes which begin from this April is likely to impact many of the same households. The changes will be particularly keenly felt in those parts of the UK in which there are both increased levels of deprivation or household reliance upon welfare payments, and those parts of the UK in which it will be most difficult to create and sustain local jobs. Both arguments may be made in respect of Leicester.

The Council must nonetheless implement a local scheme of Council Tax Reduction, or under Government rules, the default scheme will apply.

The Council's assessment has been able to reach some conclusions about the potential impact upon some in the claims caseload with protected characteristics. It has been possible to reach conclusions in relation to the protected characteristics of Age, Disability, Gender, and Race. There is an incidence of households with these protected characteristics within the claims population, because of the barriers to work which are faced. The Council does not conclude that the remaining protected characteristics are unaffected by these changes, rather that there is insufficient data to reach conclusions.

The planned local scheme for Council Tax Reduction does not plan to impact against the interests of those with protected characteristics within the claim population. It is considered likely that all of those within the claims population will face common impacts as a consequence of the implementation of the changes to Council Tax Benefits. However, some of those with protected characteristics face the greatest barriers to work, which includes People with disabilities, women, those with responsibility for children, and people who may struggle with the English language. The groups may therefore be disproportionately represented within the claims population as a consequence of these barriers.

The mitigating steps that the Council may consider include the approaches to customer management which are deemed appropriate; the approaches to collection and recovery actions which are deemed appropriate; and the approaches to support effective budgeting and household financial management which are deemed appropriate.

The Council will also wish to closely monitor the early impacts of the changes to Council Tax, to complete any necessary additional mitigating actions which are determined appropriate. That will include the analysis and review of the operation of the steps that have been planned in mitigation, including the operation of the Council's exceptional hardship fund; the collection rates and incidence of non-payment; and the policies and procedures for the collection and recovery of this debt.

## **Appendix 1: Data Sources & Bibliography**

"Reforming Council Tax Benefit" , ©Institute of Fiscal Studies, 2012

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[www.legislation.gov.uk](http://www.legislation.gov.uk)

## Appendix 2: Detailed analysis of potential vulnerable groups

The following table provides the additional detailed information, and which underpins the summary table included at section 4.5 Above.

Please note that data contained within appendices 2 and 3 is accurate at the Summer 2012 when this modelling was originally completed.

Ref No	Client group	No Clmts	Current Benefit award	Top three wards	No Clmts	Benefit Award
1.	a) Middle Care Component of Disability Living Allowance	1326	2,277,776	Braunstone Park & Rowley Fields Spinney Hills New Parks	119 107 106	101,382 98,697 90,386
	b) High Care Component of Disability Living Allowance	1239	1,119,533	Spinney Hills Humberstone and Hamilton Braunstone Park & Rowley Fields	119 86 87	107,715 96,171 81,719
2	Support Component of ESA	131	102,786	Braunstone Park & Rowley Fields New Parks Beaumont Leys	16 14 13	11,537 11,153 9,972
3	Care leaver to 22 years of age	6	6,789	No Ward Data available		
4	Hostel leaver	9	10,183	No Ward Data available		
5	Suffered Domestic Violence	50	56,572	No Ward Data available		
6	Forced Marriage Unit	23	26,023	No Ward Data available		
7	a) IS Couple, dependent children under 5	1052	892,926	Spinney Hills New Parks Braunstone Park & Rowley Fields	139 83 82	120,379 76,320 66,429
	b) IS Lone parent, dependent children under 5	2295	1,509,991	New Parks Beaumont Leys Braunstone Park & Rowley Fields	265 205 199	178,460 136,968 121,871
	c) Non IS parent with children under 5	9,014	1,015,771	No Ward Data yet		
8	War Widows Income	13	2,527	Braunstone Park & Rowley Fields Eyres Monsell Belgrave	3 2 1	970 970 970
9	Carers	352	305,434	Spinney Hills Braunstone Park & Rowley Fields Coleman	50 31 35	43,960 27,674 27,374
10	Drug or alcohol dependency	93	109,749	No Ward Data available		
11	a) Foster carers, currently with children placed	60	67,889	No Ward Data available		
	b) Foster carers, currently no children placed			No Ward Data available		
	c) Foster carers with adults placed			No Ward Data available		
12	Armed Forces compensation			No data available		
13	a) Supported floating tenancies	TBA		No data available		
	b) Troubled families	TBA		No data available		
	c) Ex offender under MAPPA	6	6,789			
14	a) Disability Living Allowance, low care	1529	1,317,200	Braunstone Park & Rowley Fields New Parks Spinney Hills	128 134 118	106,768 105,432 104,357

*Impact Analysis for the Council Tax Reduction Scheme*

Ref No	Client group	No Clmts	Current Benefit award	Top three wards	No Clmts	Benefit Award
	b) Transitioning Incapacity Benefit to ESA	66	43,929	Braunstone Park & Rowley Fields Castle Abbey	11 7 6	6,047 5,284 4,269
	c) Benefit cap	411	339,802	Spinney Hills Stoneygate Humberstone and Hamilton	56 40 25	50,648 35,010 33,643
	d) Working tax credit reform: couples with children	200	226,286			
	e) Aged 50 and over- working hours changes	8	9,051	Coleman Eyres Monsell Humberstone and Hamilton	3 1 1	1,317 958 933
	f) Lone pregnant women no SMP	39	44,126			



## Appendix 3: Detailed description of potential vulnerable groups

Within this section, a more detailed description of the potential vulnerable groups is provided.

Ref No	Benefit Test?	Group	What for	Rationale
1	Yes	Disability Living Allowance at higher and middle rate	A benefit paid by the DWP to support living costs of a disabled person	Equality Act, disability
2	Yes	Support component of Employment Support Allowance	A benefit paid by the DWP for people of working age with limited capability for work	Equality Act, disability
3	No	Care leaver to 22	Young people leaving care and up to the age of 22 years	DCLG advice, duty to mitigate against homelessness
4	No	Hostel leaver	Supported hostel leavers meeting specified conditions	DCLG advice, duty to mitigate against homelessness
5	No	Fleeing domestic Violence	Adults rehoused as a result of fleeing domestic violence	DCLG advice, duty to mitigate against homelessness
6	No	Forced Marriages Unit	Adults rehoused and under the auspices of the forced marriages unit	DCLG advice, duty to mitigate against homelessness
7	Yes	IS claimant with children under 5	A benefit paid by the DWP, and in this case for which there are dependent children under the age of five years.	DCLG advice, duty to mitigate against child poverty
8	Yes	War Widows income	Income paid for qualifying war widows	DCLG advice, duty to support Armed Forces Covenant
9	No	Carers	Carers for disabled people living in the community	Equality Act, disability
10	No	Drug and alcohol dependency	Adults in programmes supporting recovery from drug and alcohol dependency	DCLG advice, duty to mitigate against homelessness
11	No	Foster carers	Adults providing foster care facilities in the community	Locally determined as potentially appropriate
12	No	Armed forces compensation	Compensation paid in respect of injuries sustained to armed forces personnel	DCLG advice, duty to support Armed Forces Covenant
13	No	Local Social Care cases	Local cases identified by social care specialists	Locally determined as potentially qualifying
14	Yes	Transitioning benefit cases	Identified cases in which claimants are transitioning from current allowances to new schemes of relief under national welfare reform	Locally determined as potentially qualifying

## **Appendix 4: Options modelled to build the draft scheme**

Please Note:

All data within this appendix is accurate at the Summer 2012.

### CT Reduction Example 1: Working age Maximum award less than 100%

This potential change reduces the maximum amount payable to a specified percentage of Council Tax. In other words, everyone will pay something, albeit small amounts. For each 10% of Council Tax that claimants have to pay, the Council will raise an additional £1.5m (less if protection is afforded to vulnerable groups). The implications of this change are:

**Table 4: Total Savings from maximum award less than 100%**

Liabe Claim Group	Estimated Value of saving	Estimated Households
90%	1,560,136	19,189
80%	3,201,910	20,376

### CT Reduction Example 2: Maximum award set at Band limit

This table summarises the options within the CT Reduction scheme which are available for liability based upon a **maximum award of Council Tax capped at either Band D, C or B**. Under the current scheme of Council Tax Benefits which has been in place for twenty years, there is no “cap”, and households eligible through the means test qualify for a maximum of 100% relief, whether they fall in band A or band H.

It is worth noting that Leicester’s natural distribution of properties is heavily skewed towards band A. This arises as a direct result of property values in the City when the Council Tax Valuation criteria is applied, which applied a common market value for banding calculations at April 1991. There is, as a consequence, a limited cash value in this option, which cannot be altered.

**Table 5: Net Savings from maximum award capped at Band**

Liabe Claim Group	Estimated Value of saving	Estimated Households
Band D and above	95,000	
Band B and above	333,611	1833

### CT Reduction Example 3: Capital Threshold less than £16,000

This table summarises the options within the CT Reduction scheme which are available for liability based upon a **reduced level of Capital**.

Under current rules, potential claimants with capital of more than £16,000 may not qualify for benefits. The table below looks at savings made by reducing this threshold. Naturally, as economic conditions have continued to degrade, household savings have commonly been amongst the first casualties, and this change may accelerate that process. There is a danger that the savings achieved from this option will reduce over time.

**Table 6: Net Savings from reduced Capital limits**

Capital Limit	Estimated Value of saving	Estimated Households
15,000	53,577	127
13,000	155,838	303
11,000	250,764	472
10,000	302,912	563
9,000	375,334	704
7,000	655,729	1,168
5,000	1,393,595	2,317
3,000	3,411,316	5,077

### CT Reduction Example 4: Increase threshold for minimum payment

This table summarises the savings which are possible if the thresholds for the minimum award of benefit are increased, i.e. that weekly benefit awards below the amounts shown are no longer payable.

**Table 7: Minimum Payment Thresholds increase**

Minimum Benefit (£)	Estimated Value of saving	Estimated Households
0.00-0.49	774	396
0.00-0.99	3,457	464

Minimum Benefit (£)	Estimated Value of saving	Estimated Households
0.00-1.99	14,506	611
0.00-2.99	48,752	866
0.00-3.99	90,218	1,093
0.00-4.99	164,933	1,413

#### CT Reduction Example 4: Working age under 35 maximum award at 50%

This table summarises the options within the CT Reduction scheme which are available for liability based upon a **maximum award of Council Tax of 50% for target households under the age of 35 and with no dependants**. Under the current scheme of Council Tax Benefits which has been in place for twenty years, there is no restriction, and households eligible through the means test qualify for a maximum of 100% relief, even if they are single adult households of working age and without disability or dependants.

A more “geared” approach to such households, and in which single adult claim groups without vulnerability can only become liable for a lesser amount of Council Tax Reduction may be argued to be less undesirable than some of the other options possible, and consistent with the return to work agenda. Such an approach is unlikely however to deliver the whole saving requirement on its own, and must be coupled with appropriate measures for the recovery of sums due. In particular, if this option is selected, option 1 will not affect these claimants.

**Table 8: Net Savings from reduced maximum award for single adults under 35 years**

Liable Claim Group	Estimated Value of saving	Estimated Households
Max award at 50%		

#### CT Reduction Example 5: Increased Income Taper

This table summarises the options within the CT Reduction scheme which are available for liability based upon the application of **more aggressive tapers**, as income increases from maximum award.

Under current rules, entitlement to maximum CT Benefits degrades by a “taper” of 20% as income rises above the minimum threshold. It is possible to increase the rate at which maximum benefit degrades by increasing the operation of the taper. Whilst this option saves money, it clearly does not provide incentives for work.

Recent DCLG research<sup>10</sup>. provides a significant, and detailed analysis of the role of tapers in the possible new system. It is therefore highly desirable that this option is modelled. However there are also significant risks of this approach, mostly arising because while the CT Reduction scheme must go live for April 2013, the DWP Universal Credit system will not be finalised until October 2013. The DCLG paper makes clear the Government expectation of a positive and harmonious relationship between UC and CTR tapers.

**Table 9: Net Savings from increased taper**

<b>Liabe Claim Group</b>	<b>Estimated Value of saving</b>	<b>Estimated Households</b>
35%	241,781	722

### **CT Reduction Example 6: Other Options**

A large number of other changes are possible within the new scheme, but few deliver the value of savings which is required. Additionally, there is an extent to which, if possible, there may be a degree of security for those authorities which design schemes with significant common ground, as schemes go live from April.

Other leading options which may be considered to support the local scheme include:

**Table 10: Net Savings from other changes**

<b>Liabe Claim Group</b>	<b>Estimated Value of saving</b>	<b>Estimated Households</b>
Double non-dependant deduction	341,702	264
Remove earnings disregard at 30hours	TBA	TBA
Remove second adult rebate	TBA	TBA
Child Benefit counted as income	TBA	TBA
Benefit “run-ons”	TBA	TBA

<sup>10</sup> Localisation of Council Tax: Taking Work Incentives into Account, May 2012

## **Other Options which are Disregarded**

The DCLG have published a statement of intent regarding the way in which the overall CT Reduction scheme will work. The construction of the scheme is very similar to the existing Council Tax Benefits systems in terms of the construction of the means test, so a very wide range of different approaches is possible, although not necessarily desirable.

The proposed system takes account of household composition; income; allowances to take account of different household expenses; capital held; and a sliding “taper” which reduces maximum benefit as income increases.

It is certainly theoretically possible to model a potentially large number of other options, but two factors mitigate against the potential usefulness of such an exercise. Firstly, under Government rules, there is no getting away from the general principle that pensioners and other identified vulnerable households will be protected from any reduction in benefits, therefore passing the burden to working age, households. No matter what approach is taken, those households bearing the charge will be of working age.

Secondly, there is a need to be aware of the risk of challenge. Councils bold enough to implement what become identified as more “unique” schemes might be argued to be at greater risk of challenge by litigants facing tax bills.

## **Appendix 5: Management of the Impacts from April 2013**



Within the following table, the Council suggests some of the management actions that may be considered, on a quarter by quarter basis, and as the Council Tax Reduction scheme goes live from April 2013.

<b>2013, Quarter</b>	<b>Actions</b>
Quarter 1	<ul style="list-style-type: none"><li>• Determine initial reactions from new taxpayers to issue of bills and reminders;</li><li>• Amendments, as necessary to proposed enforcement actions;</li><li>• Determine lessons learnt from first completed recovery cycle at end of quarter 1.</li></ul>
Quarter 2	<ul style="list-style-type: none"><li>• Revisions to collection and enforcement policies as appropriate;</li><li>• Review initial draw-down on hardship funds and similar-profile use throughout year;</li><li>• Profile initial collection performance and review</li></ul>
Quarter 3	<ul style="list-style-type: none"><li>• Determine funding implications from first year of operation</li><li>• Feed into financial planning cycle for 2014/15</li></ul>
Quarter 4	<ul style="list-style-type: none"><li>• Finalise arrangements for CTR from 2014</li></ul>