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**Haverling**  
L O N D O N B O R O U G H

# CABINET

<b>7.30 pm</b>	<b>Wednesday 12 December 2012</b>	<b>Council Chamber - Town Hall</b>
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Members 10: Quorum 5

Councillor Michael White (Leader of the Council), Chairman

	<b>Cabinet Member responsibility:</b>
Councillor Steven Kelly (Vice-Chair)	(Deputy Leader) Individuals
Councillor Michael Armstrong	Transformation
Councillor Robert Benham	Community Empowerment
Councillor Andrew Curtin	Culture, Towns & Communities
Councillor Roger Ramsey	Value
Councillor Paul Rochford	Children & Learning
Councillor Geoffrey Starns	Community Safety
Councillor Barry Tebbutt	Environment
Councillor Lesley Kelly	Housing & Public Protection

**Ian Buckmaster**  
**Committee Administration & Member Support Manager**

**For information about the meeting please contact:**  
**Andrew Beesley 01708 432437**  
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**Please note that this meeting will be webcast.**  
**Members of the public who do not wish to appear**  
**in the webcast will be able to sit in the balcony,**  
**which is not in camera range.**

## **AGENDA**

### **1 APOLOGIES FOR ABSENCE**

(if any) - receive

### **2 DISCLOSURES OF PECUNIARY INTEREST**

Members are invited to disclose any pecuniary interests in any of the items on the agenda at this point of the meeting. Members may still disclose any pecuniary interests in an item at any time prior to the consideration of the matter.

### **3 MINUTES** (Pages 1 - 6)

To approve as a correct record the minutes of the meeting held on 21 November 2012, and to authorise the Chairman to sign them.

### **4 ANNOUNCEMENTS**

On behalf of the Chairman, there will be an announcement about the arrangements in case of fire or other events that might require the meeting room or building's evacuation.

### **5 THE COUNCIL'S FINANCIAL STRATEGY** (Pages 7 - 22)

### **6 LOCALISATION OF COUNCIL TAX SUPPORT: CONSULTATION RESPONSE** (Pages 23 - 98)

### **7 HOUSING REVENUE ACCOUNT (HRA) CAPITAL PROGRAMME 2013/14 AND 2014/15** (Pages 99 - 106)

# Public Document Pack Agenda Item 3



## MINUTES OF A CABINET MEETING Council Chamber - Town Hall Wednesday, 21 November 2012 (7.30 - 8.35 pm)

### **Present:**

Councillor Michael White (Leader of the Council), Chairman

Councillor Steven Kelly (Vice-Chair)

Councillor Michael Armstrong

Councillor Andrew Curtin

Councillor Roger Ramsey

Councillor Paul Rochford

Councillor Geoffrey Starns

Councillor Barry Tebbutt

Councillor Lesley Kelly

### **Cabinet Member responsibility:**

(Deputy Leader) Individuals

Transformation

Culture, Towns & Communities

Value

Children & Learning

Community Safety

Environment

Housing & Public Protection

An apology for absence was received from Councillor Robert Benham.

Councillors Clarence Barrett, Linda Hawthorn, Paul McGeary, Pat Murray and Linda Van Den Hende were also present for the duration of the meeting.

2 members of the public were in attendance.

The decisions were agreed with no vote against.

There were no disclosures of pecuniary interest declared.

The Chairman reminded those present of the action to be taken in the event of an emergency.

### 29 **MINUTES**

The minutes of the meeting of Cabinet held on 21 November 2012 were agreed as a correct record and signed by the Chairman.

30 **HEALTH & WELLBEING STRATEGY 2012-14**

*Councillor Steven Kelly, Cabinet Member for Individuals, introduced the report.*

The report before Members outlined the 8 priorities of the Health and Wellbeing Strategy (attached in full as an appendix to the report). It was announced that the intention of the strategy was to improve the health of the population in areas where Havering's performance was worse than the regional or national average. The strategy focused on prevention and targeting people most at risk. It also had a specific priority focussing on improving the quality of health services in Havering.

Each section of the strategy identified specific actions for delivery and targets for measuring performance improvement.

Prior to its consideration by the Cabinet, the Strategy had been endorsed by the Shadow Health and Wellbeing Board.

**Reasons for the decision:**

The Council has a prospective duty to produce a Health and Wellbeing Strategy. The version before Cabinet had been progressed to an advanced stage and it was therefore considered appropriate to ratify this to assist the Clinical Commissioning Group (CCG) in their authorisation process.

**Other options considered:**

The current draft version could be used as a working document and would still suffice for the CCG authorisation process.

The Council could have waited until the legislative changes had been made and the finalised guidance produced.

This had been rejected because it was considered more appropriate that the Council formally endorse the plan to be submitted by the CCG.

**Cabinet AGREED the content of the Health and Wellbeing Strategy and formally endorsed its implementation.**

31 **PUBLIC HEALTH TRANSITION TO HAVERING COUNCIL**

*Councillor Steven Kelly, Cabinet Member for Individuals, introduced the report.*

It was anticipated that from April 2013 most public health responsibilities would transfer from the Department of Health to local government. Local authorities would have a duty to promote the health of their population and also take on key functions to ensure that robust plans were in place to protect local populations and provide public health advice to NHS commissioners.

There would be a ring-fenced public health grant to support local authorities in undertaking these functions. Although the 2010/11 baseline spend estimate had been announced, the final grant figure would not be known until December 2012.

The report provided detail of the new responsibilities, including the employment of a specialist Director of Public Health, together with the opportunities and risks. It

drew upon the work of PHAST (Public Health Action Support Team) which was commissioned to review the options.

The report sought approval for the work being undertaken and the initial plans to take on public health functions.

**Reasons for the decision:**

It was anticipated that the Health and Social Care Act 2012 would transfer public health responsibilities from the Department of Health (DH) to local government from April 2013. This legislation necessitated the work summarised in the report and required various decisions relating to implementation.

The 'lift and shift/drop' proposal was considered the most prudent because there continued to be a number of uncertainties, especially with regard to future funding and as proposals for transfer had to be finalised by 1 December 2012, more time was required to consider longer term proposals once final budgets were known later in December 2012.

The reasons for recommending a dedicated Director of Public Health for Havering were covered in section 4 of the report.

**Other options considered:**

Changes to the existing structure would be difficult as the Public Health Grant announcement was still awaited and decisions had to be confirmed over which staff would transfer to Public Health England rather than to the local authority.

The consultancy from the Public Health Action Support Team (PHAST) had explored different models including the opportunity to work with the other Cluster boroughs in providing some services.

There would be a statutory requirement to have a Director of Public Health. The PHAST report considered the different options (see section 4 of the report); the supported option was recommended.

**Cabinet AGREED:**

- 1. To note the content of the report including the work that had been undertaken on the transfer of the public health responsibilities and the opportunities and risks this presented, particularly the financial risks.**
- 2. In principle, that when the public health services functions transfer, the Council would take over the existing managerial structure, personnel and contracts pending further work on future options.**
- 3. To note that the Constitution would need to be amended to provide for the creation of a chief officer level post of the Director of Public Health, but to authorise the immediate commencement of a recruitment process for that prospective post.**
- 4. To establish a specialist Director of Public Health for Havering at chief officer level from 1 April 2013 and to commence the recruitment process immediately.**

5. To note that further work would be undertaken to explore shared functions and joint working with neighbouring boroughs.

32 **EXCLUSION OF THE PUBLIC**

The Committee decided on the motion of the Chairman that the public should be excluded from the remainder of the meeting on the ground that it was likely that, in view of the nature of the business to be transacted, if members of the public were present there would be disclosure to them of exempt information within the meaning of paragraph 3 of Schedule 12A to the Local Government Act 1972 and it was not in the public interest to publish the information.

33 **AWARD OF FROZEN FOOD & GROCERIES CONTRACT ON BEHALF OF THE LONDON CONTRACT SUPPLIES GROUP - CATERING SERVICES**

*Councillor Paul Rochford, Cabinet Member for Children & Learning, introduced the report.*

Cabinet received a report (containing exempt information and not available to the press or public) setting out proposals for the appointment of suppliers following the tender process for a framework contract undertaken for the supply of Grocery products and separately, Frozen foods for the use primarily in School kitchen establishments.

**Reasons for the decision:**

The authority aimed to secure Best Value in terms of the procurement of goods.

**Other options considered:**

In order to achieve best value it had been decided that the best option was to jointly tender the contract. It would not be economically advantageous to tender the contract on behalf of this authority alone.

**Cabinet AGREED:**

1. To the award of contracts to two suppliers, Brakes for the supply of Frozen Food items and Thomas Ridley for the supply of Grocery products for a period of 4 years commencing 1 January 2013.
2. To note that the anticipated spend for the Grocery Contract for the 4 year period would be approximately £2.5 million and for the Frozen Food the contract would be £2 million for the Borough. The total value for each contract for the life of the contract term would for Frozen Food £20 million and Grocery £20 million.
3. To note the tender process for a framework contract undertaken jointly with London Boroughs of Barking and Dagenham, Tower Hamlets, Waltham Forest, Enfield Redbridge, Greenwich and Haringey which was advertised for use by all London Boroughs and public authorities as part of the London Contracts Supply Group (LCSG).
4. That the two recommended suppliers were the most economically advantageous, and the quality of the bid with regards contract

management and supervision, implementation and support was acceptable.

5. To note that both suppliers were existing suppliers to the Borough and that there would therefore be no costs of contract transfer.

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Chairman

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<h2 style="margin: 0;">CABINET</h2> <p style="margin: 0;">12 DECEMBER 2012</p>	<h2 style="margin: 0;">REPORT</h2>
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<b>Subject Heading:</b>	The Council's Financial Strategy
<b>Cabinet Member:</b>	Cllr Roger Ramsey
<b>CMT Lead:</b>	Andrew Blake-Herbert Group Director Finance & Commerce
<b>Report Author and contact details:</b>	Mike Stringer Head of Finance & Procurement 01708 432101 <a href="mailto:mike.stringer@havering.gov.uk">mike.stringer@havering.gov.uk</a>
<b>Policy context:</b>	The Council is required to approve an annual budget and this report provides information to enable Cabinet to make recommendations to Council in February 2013
<b>Financial summary:</b>	There are no specific financial issues, this report deals with the overall budget position and associated issues
<b>Is this a Key Decision?</b>	No
<b>Is this a Strategic Decision?</b>	No
<b>When should this matter be reviewed?</b>	December 2013
<b>Reviewing OSC:</b>	Value

**The subject matter of this report deals with the following Council Objectives**

Ensuring a clean, safe and green borough	[X]
Championing education and learning for all	[X]
Providing economic, social and cultural activity in thriving towns and villages	[X]
Valuing and enhancing the lives of our residents	[X]
Delivering high customer satisfaction and a stable council tax	[X]

### SUMMARY

Over the course of the previous two years, Havering Council has agreed a package of savings to mitigate the impact of very significant cuts in central government funding to local authorities.

Government plans for radical changes to a number of areas were announced over this period. More detail has continued to emerge. These changes will fundamentally alter the way in which local authorities are funded. This report updates Cabinet on recent developments since the last meeting.

This report also sets out the position in the current financial year, and other relevant issues, as these need to be taken into account in developing the detailed budget for 2013/14.

## **RECOMMENDATIONS**

Cabinet is asked to:

1. Note the current position with developments relating to the funding of local authorities and other related changes.
2. Approve the revenue and capital strategy statements, as set out in Appendix A, and recommend their adoption to Council.
3. Note the general economic climate remains gloomy and this raises the prospect of a lengthy period of austerity with a consequent impact on public sector funding.

## **REPORT DETAIL**

### **1. BACKGROUND**

- 1.1 Previous reports to Cabinet have set out a variety of information on changes to local authority funding and a range of issues that impact on the Council's budget setting process. This builds on similar processes for the two financial years following the austerity measures introduced by the Coalition Government in the light of the global and national economic environment.
- 1.2 The implementation of the new funding system for local authorities is progressing and more information is becoming available all the time. This report updates Cabinet on recent developments, since the last meeting, relating to the localisation of business rates, together with other issues associated with funding streams. Issues highlighted in the last report are still pertinent to the budget strategy except where updated by this report.
- 1.3 As part of the budget setting process, strategy statements have been developed that set out the key elements of the Council's approach. These have been updated and are included as part of this report for approval and onward recommendation to Council.

## **2. FUNDING CHANGES**

2.1 The Government had previously announced a variety of changes that will impact, either directly or indirectly, on the funding regime for local authorities. These have been reported to Cabinet previously, but progress towards the implementation of these changes has continued. Updates on the following areas are set out below:

- Localisation of business rates
- Localisation of Council Tax support
- School Funding & Pupil Referral Units
- Capital funding.

### **Localisation of Business Rates**

2.2 This issue was covered at some length in the previous report to Cabinet. The Council has since submitted its response to the technical consultation. Since the previous meeting of Cabinet, officers have attended a DCLG roadshow and have received further information on the new means of funding. The primary legislation has now passed onto the statute books with the Local Government Finance Bill becoming an Act on 31<sup>st</sup> October, and the final regulations governing its operation are now awaited.

2.3 The financial details will, as previously advised to Cabinet, be included in the Local Government Financial Settlement (LGFS). This will follow the publication of the Local Government Finance Report, which officers have been advised will now be issued on 4<sup>th</sup> December. The LGFS has been expected to be announced some time between 5<sup>th</sup> and 20<sup>th</sup> December, and in fact may be as late as 19<sup>th</sup> December if recent speculation is to be believed. It is understood this “delay” is because the overall departmental spending levels are under review, and this in turn raises the prospect of additional reductions in funding. It therefore remains possible that information will only be available for digestion and analysis very close to the formulation of the January Cabinet report.

2.4 The “new” funding system will retain many of the elements of the existing one. As has now become the norm, existing grants are being rolled up, although possibly not in full. This inevitably means that, not only will the new system be extremely complex, far from transparent and difficult to interpret, there is an increased risk that the Government’s stated position that “no authority will be worse off” will be impossible to either prove or disprove.

2.5 To illustrate this point to Cabinet, the following approach is being taken with the Early Intervention Grant (EIG). This grant was created in 2010 by bringing together a number of then existing grants streams into a single pot, subject to a reduction in funding. Havering’s EIG currently stands at £8.934m. Nationally EIG is worth £2.365bn, of which £534m will be transferred out in 2013/14 to fund free education for two year olds and £150m will be retained centrally for “future use in funding early intervention and children's services”. There is a new grant to expand early education and childcare of £100m, though whether

this is funded by the £150m is unclear. Once these have all been incorporated as part of the “roll-up”, it matches roughly to the national amount of grant to be transferred in the formula in 2013/14. So for Havering, the 2012/13 grant of £8.934m translates into a rolled up equivalent for 2013/14 of £6.526m.

- 2.6 There are similar “roll-up” adjustments being made in relation to LACSEG (or Academies, as highlighted in the previous report to Cabinet), New Homes Bonus, Council Tax freeze grant (the original 2011/12 grant), Learning Disability & Health Reform Grant, Homelessness and Flood, as well as the impact of the changes resulting from the localisation of Council Tax support. This leads to a comparative calculation showing our current 2012/13 grant and the equivalent sum that is being rolled up. In summary, this as follows:

	2012/13 £m	2013/14 £m
Formula Grant before adjustment	51.351	45.422
Start-up Funding Allocation	79.014	70.734

- 2.7 It is as yet unknown to what extent this apparent gap of £8m will be made up by grants yet to be announced, nor when these announcements will be made, although these are likely to be part of the LGFS announcement. However, this is a clearly an area of high risk, and raises the very real prospect that authorities will in fact be worse off after the transition to the new funding system, inspite of Government announcements to the contrary. It may also be extremely difficult to compare like with like, with a similar risk that the new system will be far from transparent.
- 2.8 More recently, on 21<sup>st</sup> November 2012, DCLG published its Business Rates Retention Policy Statement. The statement provides confirmation of the Government’s policy decisions following the technical consultation. The Government’s formal response to the consultation will be made within the forthcoming provisional local government finance settlement. A summary of the responses to the technical consultation will also be published at the provisional settlement.
- 2.9 In broad terms, the policy statement confirms the Government’s intention to proceed with the implementation of a range of proposals set out in the technical consultation. It also sets out a number of changes to those proposals, in response to comments received to the consultation. The key elements of the policy statement are as follows:

Size of the local share

This will remain at 50% as previously announced.

Levy

Again as previously announced, a 1:1 proportional levy will be applied to increases in NNDR income above the NNDR baseline. For tariff authorities, this would mean that a 1% increase in NDR income would result in a 1% increase in revenue. However, the Government has put an upper limit on the rate of the levy, the maximum levy rate imposed will now be set at 50%. For

top-up authorities, using the 1:1 proportionate levy resulted in no levy payment being due on increases to NNDR income and this remains unchanged.

#### **Safety Net**

The safety net will now be set so that no authority will see income fall by more than a set percentage of their original baseline funding level (and this level would be increased by RPI every year). The Government has now announced that the safety net percentage will be -7.5% (previously it had given a range of -7.5% to -10%). The sum of £250m planned to be held back to support the safety net (ie in case the levy did not raise sufficient resources to fully fund safety net payments) is now under review and a revised figure will be announced at the provisional settlement. Based on NNDR income estimates, the Government also intends to announce how much of the £250m (or equivalent figure) is not required prior to the start of each financial year. This amount will then be returned to local authorities in the early part of the financial year.

#### **New Homes Bonus**

The Government has decided to use the alternative option put forward for removing New Homes Bonus funding i.e. taking £500m in 2013/14 and £800m in 2014/15 for New Homes Bonus. Any amounts not used in each of these years will be refunded pro rata to the start-up funding assessment.

#### **Floor Damping**

Floor damping will be applied at a local authority level, rather than at a service tier level.

#### **Proportionate Shares**

The technical consultation proposed using a five-year average of NNDR income (2007/08 to 2011/12), to establish proportionate shares (and therefore local authorities' expected NNDR income for 2013/14). The Government has now decided that a two-year average (2010/11 to 2011/12) would be more appropriate.

- 2.10 Officers are in the process of assessing the impact of the announcement, with advice and guidance from the LGA, London Councils, and local government finance experts. Currently, a very preliminary view is that these changes are beneficial to Havering, but a great deal of work is underway and will continue through both the Autumn Budget Statement and LGFS announcements, to assess with more reliability what these changes will ultimately mean.

### **Localisation of Council Tax Support**

- 2.11 Cabinet approved the Council's scheme for consultation in September and the consultation process has now concluded. The final scheme requires approval prior to 31<sup>st</sup> January 2013 and will need to be reflected in the budget for 2013/14. A separate report on the final scheme is on the agenda today for consideration.
- 2.12 The Government has recently announced additional, transitional funding (which will only be available for financial year 2013/14). This totals £100m nationally,

though Havering's estimated allocation is only around £367k. The details of this funding are currently being assessed to confirm that Havering would be entitled to claim this, and what impact this has on the current consultation process. These are being reflected in the relevant report.

- 2.13 One aspect which has now become evident, as a result of localisation, is that the impact of any rises in Council Tax levels which also impact on the level of support payments. These will effectively be netted-off against the revenue derived from any Council Tax rise. This is currently being assessed, though the exact impact would depend on the local scheme adopted by each local authority, but potentially this could reduce the overall yield from a Council Tax rise by anything up to 25% of the gross value of the rise. This factor will need to be taken into account if authorities are contemplating a rise in Council Tax.
- 2.14 Work is currently underway to separate the estimated costs of administering Council Tax and Housing benefit. Since the previous report to Cabinet, details of the grant funding for next year have, in fact, been announced, and are as follows:

	2012/13 £000	2013/14 £000
Administration Grant	1,455	1,380
Recession Monies	144	63
Total	1,599	1,449

- 2.15 The figures indicate a grant reduction of £150k, which would necessitate similar reductions in spending to accommodate. There is an addition a further risk of £63k, as there is no guarantee the recession monies funding will be continued beyond next year. DWP have advised that they will decide closer to the time whether they will provide any further one-off funding in 2014/15, however they have stated that this will not form part of future baseline funding.

### **Schools Funding & Pupil Referral Units**

- 2.16 There are two further issues that will potentially impact on the Council's financial position, in addition to those flagged in the previous report to Cabinet. These are changes to budgets that are currently held centrally and budgets for Pupil Referral Units (PRUs). These are addressed below.
- 2.17 Currently there is an element of central support services costs that are recharged to the Dedicated Schools Grant (DSG). This is permitted by section 251 of the Apprenticeships, Skills, Children and Learning Act 2009 guidance, which states that:

*Administrative costs and overheads attributable to a particular category of expenditure that regulations allow to be charged to the Schools Budget should in general be included under the appropriate item head, if necessary suitably apportioned between school types.*

- 2.18 The amount recharged to the DSG is consistent between financial years as the settlements are generally “cash flat”. This gives no opportunity for increases to recharges as it would result in corresponding reductions in service related costs within a ring fenced budget. There is a mechanism in the DSG budget setting process that controls the balance between the budgets allocated directly to schools and the total budgets held centrally; the percentage increases in the latter must not exceed percentage increases in the former.
- 2.19 The School Funding Reforms that are to be implemented on 1<sup>st</sup> April 2013 include the delegation to schools of a number of the budgets that are currently held centrally. In some cases these budgets include an element of central recharges which will also be delegated. The likelihood of that delegated recharge budget being used by schools to buy back central services currently recharged when the budget was held centrally is thought to be low.
- 2.20 This issue is demonstrated by the requirement from April 2013 to delegate funding to pupil referral units. Delegation will mean that the PRUs will manage their own budgets as schools have done for several years, and will no longer be able to rely on corporate services unless they buy them in. The sum currently recharged to the PRUs will therefore be used, in part, to buy in services such as HR, Governance, Finance, ICT and Payroll support. Traded services are already in place to provide these services and existing pricing structures will be used that are in place for schools. The risk to the Council is that this sum will no longer be available to recharge the same corporate overhead costs for support services that it funds currently.
- 2.21 These two factors create a budget issue, ie if it is not feasible to reduce spend to a similar level as the potentially “lost” recharges, these will now fall back on the General Fund.

### **Capital Funding**

- 2.22 Local authorities have been advised that, contrary to previous years, announcements in respect of Basic Need Capital funding will not be made until late January – though no exact date has yet been announced. In previous years, this information has been available during December or early January. This further late announcement means that it will only be possible to provide a preliminary view of planned capital spend as part of the January Cabinet report. It is hoped that the announcement will be made early enough to reflect this in the February report.

### **3. OTHER ISSUES**

- 3.1 There are a number of other factors that will need to be taken into account as part of the budget setting process, the latest on these is as follows:
- Freedom passes
  - London Borough Grants Scheme
  - GLA.

*Freedom Pass*

- 3.2 The latest information is that an overall rise of 5% – which is in line with the Council’s expectations – is anticipated. A reduction to our contribution to the taxicard scheme is however expected.

*London Borough Grants Scheme*

- 3.3 The latest information indicates that the Council’s contribution to the scheme will be reduced, although details are still awaited.

*Greater London Authority (GLA)*

- 3.4 The GLA budget has an impact on the overall level of Council Tax, although of course there is little authorities can do, other than respond to the Mayor’s consultation on his proposals. The Mayor’s initial outline of his proposed approach to his budget, which reflects his manifesto commitment, is to reduce the GLA’s Council Tax precept by 10% by 2016/17. This covers the 4 years from 2013/14 onwards. It is not clear, especially given the uncertainties over the new funding system, how the Mayor intends to deliver this, but the guidance he has produced makes it quite clear this is what he intends to deliver. The proposed reduction would see the GLA levy fall from £307 to around £276.
- 3.5 Cabinet also need to be aware that, at present, the GLA’s final consideration of the Mayor’s Budget is set for 13<sup>th</sup> February. But they are now considering rearranging that meeting to the week commencing 25<sup>th</sup> February (and currently the 25<sup>th</sup> is the option being consulted on). That would mean the final decision would not be made until two days before the Council’s own decision. A similar position has in fact happened before, so provided the decision is communicated as soon as it has been made, then a supplementary paper with the outcome would have to be tabled at the Council meeting.

**4. MEDIUM TERM FINANCIAL STRATEGY (MTFS)**

- 4.1 The Council has operated a medium term financial plan for a number of years. The MTFS has formed the bed-rock of the Council’s financial management approach, and has enabled a high degree of financial stability to be achieved.
- 4.2 The principles of the MTFS are encapsulated in strategy statements. These have been developed to cover, separately, the revenue and capital budgets, and the procurement strategy.
- 4.3 These strategy statements underpin the Council’s budget setting and budget management processes. They are required to be formally approved by Council, and Cabinet is therefore asked to recommend their adoption. The strategy statements for revenue and capital are set out in Appendix A. The procurement strategy is currently under review to determine how this best fits the future financial environment and therefore the existing strategy statement will remain in place.



## **5. FINANCIAL PROSPECTS**

- 5.1 The background to the recent reduction in public sector funding has not only been highlighted in previous reports to Cabinet, it has had both national and global publicity. The economic climate has remained bleak for some considerable time, with interest rates at record, all-time lows. The Coalition Government's austerity programme, reflected in CSR 2010 and subsequent funding announcements, has already seen Havering lose at least £16m in funding over the last two financial years. Our financial strategy has enabled us to survive this level of cuts, but consideration now needs to be given to the coming years.
- 5.2 There has been a considerable amount of information produced on the financial prospects. Without exception, they illustrate the prospects of a return of the economy into recession, with either a much longer period of time to achieve a balanced national economy, or more likely, the need for even more austerity to do so. This not only strongly indicates that the next CSR period, running from 2015, will see "more of the same", but there is a very real risk that further reductions in public sector spending will be needed over the remaining years of CSR 2010.
- 5.3 Whilst hard numbers may not be immediately available, these prospects are now very real. It is therefore essential for all local authorities to ensure that they are adequately resourced to tackle a sustained programme of service transformation, to ensure that service spend is matched against the financial resources provided by Government and through local taxation. Officers are currently considering the resources that are likely to be required and how these might be funded, and this will be covered as part of the report to Cabinet in January.
- 5.4 The position in the current year was set out in the report to Cabinet on 7<sup>th</sup> November. A full review of the financial position is underway and this will be included in the report to Cabinet in January; this will include an assessment whether any issues identified in the current year either will or may recur next year.

### **REASONS AND OPTIONS**

#### **Reasons for the decision:**

It is essential that the Council's financial strategy takes due account of Government plans, and any other material factors where these are likely to have an impact on the Council's financial position. This report provides an update to Cabinet on issues relevant to the budget setting process.

#### **Other options considered:**

None. The Constitution requires this as a step towards setting the Council's budget.

## IMPLICATIONS AND RISKS

### **Financial implications and risks:**

The Council's budget process will ensure that financial implications and risks are fully met. There are continuing risks given the uncertainty over the transition to localised business rates, and to the associated announcement of the LGFS, and the potential impact on funding, together with the other aspects referred to in the body of the report. The steps already taken by the Council should mitigate this, but to what extent remains unclear. It will therefore be necessary to assess the position once the funding levels are finally known.

There are considerable risks in the medium to longer term, with the continuing economic uncertainty as well as the imminent changes. The Council therefore needs to maintain a prudent approach over its financial management and the budget setting process. This includes taking due account of the position in the current financial year as well as any factors having an impact beyond it.

### **Legal implications and risks:**

The Council is subject to a number of duties in relation to revenue, capital and procurement. For instance, as a Best Value Authority the Council is under a duty to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness." s 3 Local Government Finance act 1999. The proposals set out in the Strategies attached at Appendix B appear to comply with these general duties as they are lawful, prudent approaches to the significant fiscal pressures facing the Council.

### **Human Resources implications and risks:**

The Council continues to work closely with its staff and with Trades Unions to ensure that the effects on staff of the savings required have been managed in an efficient and compassionate manner. Lessons learned and shared with the trades unions will be used as the Council moves forward with the savings proposals. This will include serving the appropriate statutory consultation notices and ensuring that there is a clear communications process and support mechanisms in place to support staff through the change process. The Council's Consultation and Negotiation Forum (CCNF) will deal with any industrial relations issues that arise from transformation and other organisational change initiatives that can not be resolved at a local level. It is no longer felt necessary to retain the separate Transformation Consultation Forum (TCF) so this has recently been dis-banded. There are a number of management restructures planned and given that some of these have cross directorate implications, CMT will determine the exact timing of these restructures over the next few months.

As previously, compulsory redundancies will be minimised wherever possible and the scale and level of redundancies, will be carefully monitored by the Group Director Finance and Commerce against the overall business case for the Council in terms of delivering the Transformation Strategy and budget savings targets.

All savings proposals or changes to the funding regime that impact on staff numbers, will be managed in accordance with both statutory requirements and the Council's Managing Organisational Change & Redundancy policy and associated guidance.

**Equalities implications and risks:**

There are no equalities implications or risks at this stage. However, any savings that need to be considered following publication of details of the Local Government Financial Settlement may carry equalities implications and risks and accordingly, these will need to be analysed.

**Other Risks:**

There are no particular other risks arising, other than a significant increase in workload is likely to implement the new legislation as and when it is enacted. This is being planned for but much of the detail will have to await the final announcements and publication.

**BACKGROUND PAPERS**

## REVENUE BUDGET STRATEGY

The Council will ensure that there is an effective Medium Term Financial Strategy in place to drive forward the financial planning process and resource allocation. The financial strategy will be determined by policies and priorities set out in the Council's Corporate Plan, together with other key Strategies, and with appropriate linkages in place to the Service Planning process.

The Council is clear about, and remains committed to, its *Living Ambition*, the long-term vision for the future of the borough, which is to provide Havering's residents with the highest possible quality of life, in a borough that thrives on its links to the heart of the capital, without ever losing the natural environment, historic identity and local way of life that makes Havering unique.

Underpinning the *Living Ambition* are five key goals: Environment, Learning, Towns and Communities, Individuals and Value, with a number of strategic objectives under each Goal. The Council is committed to allocating resources in a way that will support the achievement of these objectives.

The Council recognises the pressures on its budget, and while seeking to protect and enhance front-line services as far as possible, will aim to contain these pressures within existing resources. Cabinet Members will examine all budget pressures and seek reductions where possible.

The Council will wherever possible seek new funding and new ways of working. The Council will continue to look at new methods of service delivery to improve services to the public and the value for money that they provide, including working in partnership with others.

The Council will continue to seek to improve efficiency and deliver value for money, in particular, the Council will aim to identify efficiencies that will not impact on service delivery, and to identify options that will improve the value for money of its services through improving performance, and/or reducing service costs.

The Council will ensure that, given the severe financial pressures it is facing, growth will only be supported in priority areas, or where the Council is required to fund new responsibilities.

The Council will however ensure that the most vulnerable members of its community are protected, will continue to lead in the development of social cohesion, and will ensure that the services provided and resources allocated reflect the diverse nature and needs of our local community and our responsibilities to the local environment.

The Council will lobby to ensure that the Government provides adequate funding to take on any new responsibilities and to illustrate the impact of the low funding basis for Havering and its residents, but will ensure that, in broad terms, its spending is in line with the basis on which the Government allocates grant funding, and that spending levels will be realigned against any reductions in funding.

The Council will ensure that it engages with its local community, its partners and individual stakeholders in developing financial plans, and will reflect on the outcome of its consultation process in the identification of priorities and the allocation of resources.

That, while addressing its priorities and setting a balanced and prudent budget, the Council will seek to keep any increase in the Council Tax to the lowest possible level and in line with its stated aspirations whilst maintaining reserves at the minimum level of £10m.

And as part of that process, the Council will not utilise those reserves, or any reserves earmarked for specified purposes, to subsidise its budget and reduce Council Tax levels as this is neither a sustainable nor a robust approach.

The Council will seek to ensure that sufficient financial resources are available to enable it to deliver a long-term savings plan within the constraints of funding available to it from both local taxpayers and the Government, and will seek to utilise any unallocated funds with that purpose in mind.

The Council will adopt a prudent capital programme designed to maintain and where possible enhance its assets, in line with the Living Ambition.

The Council will finance capital expenditure through a combination of external funding and capital and Section 106 receipts, and will only apply prudential borrowing as a last resort, unless a business case can be made to finance investment through borrowing, where there is an income or savings stream arising from the investment.

## CAPITAL BUDGET STRATEGY

The capital budget strategy sets out the Council's approach to capital investment over the medium term. It has been developed in consultation between senior officers, Members and the Council's key strategic partners and is integrated with Havering's *Living Ambition*, set out in the Council's Corporate Plan.

The Council will ensure it engages with the local community and wider stakeholders in developing its financial plans.

The Council has adopted a prudent capital programme in line with the *Living Ambition* designed to:

- protect, maintain and develop existing assets and infrastructure – the backlog of repairs to existing assets such as school buildings, office accommodation, and infrastructure assets such as roads and paths;
- develop new facilities for which there is significant public demand or upgrading assets to meet the expectations of local people, and obtaining value for money from the use of our assets and resources;
- support the delivery of the Council's transformation programme and further initiatives to improve efficiency and effectiveness e.g. through the adoption of new technology to release revenue savings or improve service delivery to the community.

The Council will seek to continue to improve efficiency and value for money, in particular to:

- maximise asset utilisation;
- ensure assets are fit for purpose and health and safety compliant;
- facilitate and promote community use;
- explore alternative management arrangements e.g. leases to community groups;
- explore opportunities for innovative ways to procure and deliver capital projects to maximise the resources available;
- consider the wider aspects of capital projects, for example whole life asset costs, equality and diversity, and environmental implications;
- investigate shared usage/ownership arrangement with other local authorities, partners and stakeholders.

As well as the above, the Council's approach to capital asset management includes the review of existing assets in terms of suitability for purpose, alternative and future use, and maintenance requirements. The aim for the Council to rationalise its asset portfolio and only hold assets that support the delivery of its goals, offer value for money or in some other way are important for community, heritage or other significant social purpose.

The capital budget strategy is intrinsically linked to the revenue budget strategy. The revenue implications of capital expenditure and funding decisions are explored and accounted for on an ongoing basis. These are reflected as appropriate and include the consideration of the challenging financial climate which the Council faces.

The Council will finance capital expenditure through a combination of:

- Receipts
- External Funding
- S106 Contributions
- Revenue Contributions to Capital
- Capital Grants
- Capital Allowances
- Supported Borrowing
- Prudential Borrowing.

Each funding stream is considered in terms of risk and affordability in the short and longer term.

The current and future economic climates have a significant influence on capital funding decisions. As a result planned disposals are kept under regular review to ensure the timing maximises the potential receipt where market conditions are not favourable.

Capital expenditure will only be permitted where funding streams have been identified and confirmed. Prudential borrowing will only be used as a last resort, unless a business case can be made to finance the investment from an income or savings stream.

Every effort is made to maximise grant funding, leverage opportunities and other external funding opportunities, where they are consistent with the Council's *Living Ambition* vision, goals and strategic objectives set out in the Corporate Plan. Use of grant funding will however only be made where the cost to the Council is minimised or where this – both capital and revenue – can be contained within existing resources.

Where expenditure is to be financed through capital, this will only occur where funds have been realised. Neither capital receipts generated through disposals nor S106 contributions are committed until they are actually received. This is due to the complex conditions and timing issues that can be associated with them.

The Council is also continuing to attract private investment into Council facilities through exploration of potential partnership and outsourcing arrangements.

This funding approach has been made with reference to the Council's current and longer term financial position, the prudential code, the current and projected economic climate, and the Council's asset management strategy as set out in the Corporate Asset Management Plan.

The capital programme will be reviewed on an annual basis. This will consider items such as new funding opportunities and Member priorities. In year changes e.g. the availability of additional external funding, will be made on an ongoing basis as part of routine programme management. These will be implemented with regard to the Council's Constitution and agreed procedures.



<b>CABINET</b> <b>12 December 2012</b>	<b>REPORT</b>
<b>Subject Heading:</b>	Localisation of Council Tax Support
<b>Cabinet Member:</b>	Cllr Ramsey
<b>CMT Lead:</b>	Andrew Blake-Herbert Group Director, Finance & Commerce
<b>Report Author and contact details:</b>	Jeff Potter Head of Customer Services Tel: 01708 434139 <a href="mailto:Jeff.potter@havering.gov.uk">Jeff.potter@havering.gov.uk</a>
<b>Policy context:</b>	
<b>Financial summary:</b>	The proposed local scheme design seeks to address the £1.9 million reduction in government grant as a result of the localisation of council tax support.
<b>Is this a Key Decision?</b>	Yes
<b>Is this a Strategic Decision?</b>	Yes
<b>When should this matter be reviewed?</b>	
<b>Reviewing OSC:</b>	Value

**The subject matter of this report deals with the following Council Objectives**

Ensuring a clean, safe and green borough	<input type="checkbox"/>
Championing education and learning for all	<input type="checkbox"/>
Providing economic, social and cultural activity in thriving towns and villages	<input checked="" type="checkbox"/>
Valuing and enhancing the lives of our residents	<input checked="" type="checkbox"/>
Delivering high customer satisfaction and a stable council tax	<input checked="" type="checkbox"/>

**SUMMARY**

Members were made aware of the Government's intention to abolish the national Council Tax Benefit Scheme and enable Local Authorities to replace it with new local schemes from April 2013.

Local Authorities were challenged to devise and implement a local council tax support scheme within a limited period that would also meet a 10% reduction in Government expenditure. For Havering Council, this is a financial pressure of £1.9 million which has been found primarily from the proposed council tax reforms and the new parameters for the local council tax support scheme.

This report and appendices summarises the proposed changes to discounts and exemptions arising from the council tax reforms and Havering's draft local council tax support scheme. Details of the formal consultation with residents, persons affected and the Greater London Authority (GLA), are contained within this report.

Ministers are now offering Councils a share of £100 million to assist the transition from council tax benefit to local council tax support which is also considered in this report.

The position with regard to funding the implementation and administration of the draft local scheme and the implications for council tax collection are also looked at in this report.

**RECOMMENDATIONS**

That Cabinet:

1. Approve and recommend to Council the adoption of the proposed local council tax support scheme as set out in Appendices A & E.
2. Approve and recommend to Council the proposals to vary the discounts in respect of certain classes of empty dwellings as summarised in Appendix A.
3. Note the responses to consultation on council tax support and the council tax technical reforms
4. Note the financial pressure of a £1.9 million reduction in government grant for council tax support in 2013/14.
5. Note the content of the transitional grant scheme and recommend to full Council the deferral of the band D restriction to local council tax support to April 2014.
6. Recommend to Council the delegation of responsibility to make any minor and consequential changes necessary to the detailed provision as a result of any changes to the draft regulations upon which the scheme is based to the Director of Finance and the Portfolio Lead Member.

**REPORT DETAIL**

**1. Background**

- 1.1 At the 2010 Spending Review, the Government announced that it would localise support for council tax (CTS) from 2013 and that expenditure allocated to CTS would be reduced by 10% compared to council tax benefit expenditure.
- 1.2 As part of the Welfare Reform Act 2012, the national council tax benefit scheme (CTB) will be abolished from April 2013. The Department for Communities and Local Government (DCLG) under the Local Government Finance Bill have proposed local schemes to support residents with their council tax to be administered by local authorities.
- 1.3 The Local Government Finance Act 2012 enables the technical Council Tax Reforms allowing billing authorities to vary the level of certain discounts and exemptions.
- 1.4 Funding and financial implications have been considered in light of papers provided by the DCLG and documented in the Financial Implications and Risks areas of this report and Appendix B.
- 1.5 The Government have also issued two further papers in July entitled: Localised support for council tax – Draft Council Tax Reduction Schemes (Prescribed Requirements) Regulations Localised support for council tax – Draft Council Tax Reduction Schemes (Default Scheme) Regulations.
- 1.6 These draft regulations have been used to inform the draft Local Council Tax Support Scheme attached at Appendix E which will be made available as part of the consultation.
- 1.7 Further information regarding the principles of a local scheme, customer profile and how council tax benefit is calculated can be found in the 11 July 2012 Cabinet Report papers.

**2. Council Tax Technical Reforms**

- 2.1 The Local Government Finance Act 2012 also enabled the council tax technical reforms. The Act will allow billing authorities, through secondary legislation, to vary the level of discount in respect of certain classes of empty properties with effect from April 2013.
- 2.2 The extra revenue generated by setting a lower discount than currently awarded will be retained by the billing authority and will not affect the distribution of Government grant. The extra revenue will also ease the 10% government grant reduction on transition from council tax benefit to council tax support.
- 2.3 The following proposals will have a financial impact on the Council:

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- Second homes Unoccupied and furnished properties currently qualify for a discount of between 10% and 50%. The discount can be reduced to zero from next year.
- Vacant dwellings undergoing major repair Currently, these dwellings are 100% exempt for up to twelve months. From April 2013, a billing authority can vary the level of discount to between 100% and 0%.
- Vacant dwellings Unoccupied and unfurnished properties may now be 100% exempt for up to six months. This can be replaced with a discount of between 0% and 100%.
- Mortgagees in possession Repossessed properties are currently 100% exempt; this exemption will be abolished although it may not be given effect until some time after April 2013.

2.4 Consultation has taken place on Havering's proposed changes to the level of discounts, the detail of which is set out below in section 4 and in Appendix D.

### **3. The Proposed Local Council Tax Support Scheme**

- 3.1 Previously, Cabinet considered several options in detail before noting their preference for the proposed scheme. Those options are summarised under Reasons and Options later in this report.
- 3.2 The proposed framework of the new local scheme will have due regard to the DCLG's policy intentions and will protect pensioners.
- 3.3 The proposed CTS scheme combines elements which will have minimal impacts on working age claimants and taxpayers with only one home. One of those elements is to increase the non-dependant deduction. It is reasonable to expect working adults residing with the claimant to make a contribution to the council tax through an increased non dependant deduction.
- 3.5 The design of the new local scheme and changes to the council tax reforms, referred to in Appendix A, coupled with the additional transition grant are forecast to make the required savings to ease the 10% Government reduction in expenditure.
- 3.6 The figures used to forecast the impacts on customers and finances are in Appendix A along with a high level summary of the scheme. A more detailed description of the scheme will be made available at [www.havering.gov.uk/](http://www.havering.gov.uk/) to be advised.
- 3.7 It is important to note that in any final scheme, expenditure may be higher than the figures projected. Therefore, detailed analysis and verification of the data will continue, to more accurately determine the reduction. Increased expenditure through additional council tax support claims will have the consequence of increased costs to the Council. This is discussed in more detail in the Financial implications and risks section further below in this report.

### **4. Consultation with the Greater London Authority (GLA) and the Public**

- 4.1 In accordance with Schedule 4 of the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012, the major precepting

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authority, the GLA, were consulted in advance of the publication of the draft scheme. The GLA's substantive letter of response dated 14 November 2012 is contained within Appendix F.

- 4.2 The GLA recognise that whilst the development of the CTS scheme is a matter for the Council to determine, it shares in any risks and potential shortfall arising from the impacts of the scheme. These risks are fully considered and set out in Appendix B.
- 4.3 In general, the GLA welcome Havering's proposed scheme which meets Government's key priorities to incentivise work and protect vulnerable applicants.
- 4.3 The Council has formally consulted with residents and other groups who will be affected by the scheme as detailed in the Consultation Plan attached at Appendix C. Consultation commenced on 4 October and ended on 14 November 2012.
- 4.3 The consultation process included an online and paper questionnaire and a series of focus groups. Information about the proposed local Council Tax Support scheme and the consultation questionnaire was made available on the Council's website, on posters distributed to the main outlets throughout the borough, in Inside Havering, on payslips and internally and externally by email. Paper copies of the questionnaire were also posted to households accompanying council tax bills and benefit notification letters. . .
- 4.4 The number of responses received after four weeks totalled more than 220. Responses showed an overwhelming support (77%) for the proposed scheme with the exception of one survey question. This was with regard to removal of the major repairs/structural alteration exemption where just over 50% of respondents were in favour of removing it.
- 4.5 The results following the consultation are set out in Appendix D [this will contain all responses and will be finalised and analysed in the Report for Cabinet in December 2012]

## **5. The £100 Million Transitional Grant Scheme 2013/14**

- 5.1 Ministers have noted as Councils draw up their local schemes, that some are asking for very large additional contributions from those on benefits to deliver their savings. Consequently, DCLG have made available funding to help councils transition to the new local schemes.
- 5.2 The new grant which relates to council tax support only and no other benefits, seeks to encourage best practice by making funding available to Councils whose schemes meet the following criteria:
- Those who would be on 100% support under the current council tax benefit rules pay between zero and no more than 8.5% of their council tax liability
  - The taper rate does not increase above 25%
  - There is no sharp reduction for those entering work
- 5.3 The Government would also not expect Authorities to impose large additional increases in non-dependant deductions but has not made this a criteria of the scheme.

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- 5.4 Applications for the transitional grant can only be made after 31 January 2013 when local schemes have been adopted and no later than 15 February 2013. The application must be made by the Section 151 Officer. DCLG advise the transition grant will be available for one year only.
- 6.5 For Havering, the transitional funding made available is £366,811 and the GLA will also be funded in the sum of £94,135.
- 5.6 To comply with the criteria mentioned above and obtain all of Havering's share of transitional funding, the Council would need to amend the proposed 2013 scheme to remove the band D council tax support restriction. The saving of £89k proposed by this element of the scheme would be achieved through the transitional grant. As this amendment will mean that the changes will not be as great as originally proposed it was considered unnecessary to re-consult on these changes.

## **6. CTS, Housing Benefit Administration and Council Tax Cost of Collection**

- 6.1 To administer the draft CTS schemes (working age applicants and pensioners), the current housing benefit scheme and collect the additional council tax arising from the draft scheme, will have major implications on Council's resources.
- 6.2 The DCLG have made available £80,000 for Havering Council to set up the CTS scheme. However, further information is still awaited from Government under its New Burdens Doctrine policy as to how much funding will be available to maintain the CTS scheme and collect the additional council tax arising from the new scheme.
- 6.3 The housing benefit scheme will phase out over the next five years as Universal Credit phases in and will therefore, still require local authority administration until 2017. The DWP have however, continued to provide an administration grant of £1.4 million 2013/14 towards housing benefit administration which is only slightly lower than the administration grant provided last year to keep disruption to local authority finances to an absolute minimum.
- 6.4 Further information or detail of the annual financial settlement continues to be awaited from Government.
- 6.5 The draft local Council Tax Support Scheme relies heavily on the Council tax Reforms to make the savings arising from the 10% Government reduction in expenditure.
- 6.6 There will be an increased pressure to collect the additional £1.6 million Council Tax in 2013. From the proposal, several different risks exist including the impact of collection rates, arrears, take up on other discounts. The risks are set out in Appendix B of this report.
- 6.7 At this stage, it is not known what the full impact of these changes will have on the collection fund, however, any deficit would be required to feed into the budget setting process with any shortfalls funded through additional savings, revised Council Tax Support scheme and/or an increase in council tax.
- 6.8 Customer Services will monitor the above even more closely with due regard to the Council Tax collection rate and the administration grant.

**7. Timetable for Implementation**

- 7.1 The timetable for implementation of the scheme is very challenging. A scheme must be approved by Members before 31 January 2013.
- 7.2 The table below identifies the remaining key milestones for the local council tax support scheme.

<b>Milestone</b>	<b>Completion Date</b>
<b>Convert software and data, engaging with software supplier, Capita and in house ICT department.</b>	<b>29 October 2012 – 6 January 2013</b>
<b>Prepare guidance, policy and procedure</b>	<b>5 November 2012 - 6 January 2013</b>
<b>Full Council approve the Final Scheme</b>	<b>30 January 2013</b>
<b>Publish Final Scheme</b>	<b>1 February 2013</b>
<b>New Localised Council Tax Support Scheme comes into force.</b>	<b>1 April 2013</b>

**REASONS AND OPTIONS**

**1. Reasons for the decision:**

- 1.1 This report arises as a result of the Local Government Finance Act 2012 which requires the Council to design a Local Council Tax Support Scheme to support people who are liable to pay Council Tax and are in financial need.

**2. Other options considered:**

The options available are summarised in the detail of the report above and a more detailed explanation is provided in Appendix A. The related equality impact assessments for each option can be found in the 11 July 2012 Cabinet Report papers.

<b>Option</b>	<b>Projected Saving £</b>	<b>Impacts</b>
1. Absorb 10% reduction into council financial reserves.	1.9 mil	No impact on Council Tax Benefit claimants or wider Council Tax
2. Restrict Council Tax liability to	1.9 mil	All working age Council Tax Benefit

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80% for benefit purposes.		claimants
3. Reduce Council Tax Benefit by 18%	1.8 mil	All working age Council Tax Benefit claimants
4. Restrict benefit to average band D award, increase taper & non dependant deductions	1.8 mil	All working age Council Tax Benefit claimants, particularly those with non dependants in household.
5. Restrict benefit to average band D award, increase taper & non dependant deductions, reduce premiums	1.8 mil	All working age Council Tax Benefit claimants
6. Increase Council Tax in line with technical reforms.	1.8 mil	Direct impact on the wider Council Tax collection for residents with certain discounts and exemptions
7. Increase Council Tax for all tax payers by £22 per year.	1.85 mil	All residents in borough not claiming maximum CTS (approx 87,000)
8. Restrict benefit to band D, increase non dependant deductions, increase council tax for second homes in line with technical reforms.	1.8mil	Working age claimants who have non dependants or who reside in properties banded E to H. Also affects people who have second homes or homes that are not inhabited

### **IMPLICATIONS AND RISKS**

#### **1. Financial implications and risks:**

- 1.1 The DCLG in their paper, Localising Support for Council – Funding arrangements consultation was issued in May 2012. This document sets out how the Government intends to distribute funding to support local schemes and that expenditure is reduced by 10% from 2013-14.
- 1.2 The funding for council tax support will be set at 90 per cent of the forecast subsidised council tax benefit expenditure for 2013-14. The Greater London Authority (GLA) element of the grant will be allocated directly to them by DCLG. An illustrative figure of £13,564k has been used which does not include the funding attributable to local precepting authorities, the GLA. DCLG advise final allocations will likely differ both in amount and also in the relative distribution between authorities.
- 1.3 The GLA council tax portion is estimated 20.42% and they share the 10% reduction with local authorities and will be funded directly from the DCLG.
- 1.4 The GLA have assumed that their allocation will be £3.48 million and have based this figure on the actual benefit subsidy expenditure for 2010-11. These figures are also illustrative to assist the Council forecast demand for the council tax support in 2013-14. The assumed funding for council tax support inclusive of the 10% Government reduction is therefore £13,564k plus £3.48 million which equals £17.04 million.
- 1.5 The funding for localised Council Tax support will be transferred to local authorities through the “new” formula grant. This will affect the overall level of base grant funding for 2013/14. Thereafter, formula grant will be driven by a number of factors,



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but there will be no direct link back to the level of council tax support claims, unless this is included as part of any future needs assessment.

- 1.6 The DCLG will make funding available to billing and precepting authorities based on 90% of the forecast council tax benefit expenditure for 2013-14. Currently, subsidised benefit expenditure is forecast at £19.1m therefore the 10% would equal £1.9m.
- 1.7 The Government is providing funding via the retained business rates system to strengthen the incentives for authorities to grow their local economy and help residents back into employment.
- 1.8 The GLA council tax portion is 20.42% and they share the 10% reduction with local authorities and will be funded directly from the DCLG.
- 1.9 The GLA also now share the risk in uncollected council tax and unexpected increases in caseload. An increase in the GLA precept is not anticipated in the first year of CTS.
- 1.10 There are a significant number of risks to the successful implementation and operation of a localised Council Tax Support Scheme. These are separated into scheme options, which are reflected in Appendix A, and those relating to policy, performance and project management, which are attached to Appendix D.
- 1.11 The increase in localism brings with it additional funding risks. Under the existing arrangements Council Tax Benefit income is guaranteed, however any variations in take-up under the new scheme will require local authorities to fund the shortfall. In contrast, any decrease in demand will result in a reduction in surplus although this is unlikely in the current economic climate
- 1.12 Whichever options are selected for further scrutiny, there is a core risk that these changes could result in an increase in council tax arrears thus affecting the council's collection fund. Any adverse impact of these changes would result in a deficit position on the fund which would be required by statute to be funded between the London Borough of Havering and the Greater London Authority during the budget setting process 2014/15 onwards. This is a risk that will be added to the Risk Analysis for mitigation.
- 1.13 There is a significant financial risk that the options under consideration do not deliver the level of savings required. The actual savings achieved will depend upon the extent to which outcomes match our assumptions (which are based upon historic data). Financial outcomes may depend upon a complex range of inter-related factors including customer resistance and benefit eligibility.
- 1.14 In view of the financial risks involved it would be sensible to build in a level of contingency. This may require some changes to the preferred options to deliver increased savings or an increase in the central contingency (or a combination of both). Changes to the central contingency will of course have wider implications for the development of the MTFs and Council Tax setting.
- 1.15 It is also recognised that a new local scheme may be manipulated to avoid or reduce council tax thereby increasing the risk of potential for Fraud. This is highlighted in the Risk Analysis and a review of the robustness of monitoring arrangements and controls will be required.

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- 1.16 Due to the nature of the local council tax support scheme and funding allocation passing to local authorities, there is a risk of increases in either numbers of claims or value of claims (or both). That being the case, the financial risk associated with the local scheme now falls on the local authority.
- 1.17 Due account will need to be taken of this as part of the Council's budget strategy and reflected in the budget setting cycle for 2013/14. In addition, monitoring of the financial risk will need to be undertaken routinely and in the event of any significant variation, this would need to feed into the budget monitoring reporting arrangements.
- 1.18 The number of people reaching pensionable age and the pensionable population in Havering is high. The protected pensioner caseload is very likely to increase as a result of this and add further financial risk to the Council. This risk will be recorded in the Risk Register.
- 1.19 Any increase in the level of claims beyond current numbers, either due to a further downturn in the economy or an influx of claimants, would need to be dealt with locally – there is no indication to date this cost would be met by the Government. Given the current scale of payments – around £19m as indicated above – this will need to be factored into the Council's budget risk assessment.
- 1.20 A Risk Appendix B is attached which outlines the policy, project and scheme implementation risks along with comments on mitigation.

## **2. Legal implications and risks:**

- 2.1 The Local Government Finance Act 2012 now in force has introduced a requirement for Billing Authorities to create a new local scheme for Council Tax Support by 31 January 2013 and be effective from 1 April 2013 failing which a default scheme would be applied.

The local Council Tax Support Scheme will replace the national Council Tax Benefit Scheme which will be abolished by the Welfare Reform Act 2012 from April 2013.

The Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012 requires Billing Authorities to consult on any proposed scheme as part of the scheme's development as follows:

Schedule 1A paragraph 3 (1) Before making a scheme, the authority must (in the following order)—

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

- 2.2 There are therefore two stages to the consultation requirements. Firstly with the major precepting authority, then once the final draft scheme has been determined with the public. A consultation must be meaningful in that it must be undertaken at a stage when consultees can influence the final decision and enough time and information must be given to enable them to respond properly.

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2.3 The Council has consulted with the GLA and the public as required by Schedule 1A above.. The comments must be carefully considered by Members before making their determination.

2.5 Policy statements and detailed guidance must also be developed along with some minor amendments to the Constitution to reflect this new local scheme.

### **3. Human Resources implications and risks:**

3.1 The introduction of a new local scheme will require a detailed training plan and strategy to develop staff awareness and support them through the transition from Council Tax Benefit to Council Tax Support. Staff will also require briefings throughout implementation as the options develop into a local scheme. This is contained within the appended Project Plan.

3.2 Customer Services will consider the implications on the administration and commit in their Business Plan for 2013 to develop a strategy in partnership with staff and Human Resources.

3.3 There is a short to medium term risk of significant queries arising from council tax support claimants at the start of April 2013. This is highlighted in the Risks Analysis and mitigation should be considered.

3.4 There are no human resource implications arising directly from this report.

### **4. Equalities implications and risks:**

4.1 The proposed Local Council Tax Support Scheme will be a new policy that has been the subject of an equalities impact assessment. The equality impact assessment is set out in Appendix F.

4.2 The local scheme has also taken note of the DCLG guidance note: Localising Support for Council Tax - Vulnerable people – key local authority duties which was published on 21 May 2012. This is intended to address the requirement to take into account the following duties.

4.3 The Public Sector Equality Duty (and *The Equality Act 2010*) requires local authorities to have clearly defined responsibilities in relation to, and awareness of, those in the most vulnerable situations. This means that a local authority must pay due regard and consider how a scheme might affect people who share a relevant protected characteristic and people who do not share it. The proposed scheme has been the subject of a detailed Equality Analysis.

4.4 The duty to mitigate effects of child poverty (*The Child Poverty Act 2010*): understanding the characteristics of low income and disadvantaged families. The omission of child benefit income in the calculation of local Council Tax support goes some way to protecting children.

4.5 The duty to prevent homelessness (The Housing Act 1996) Those households who find themselves homeless through no fault of their own and who are eligible and in priority need are owed the main homelessness duty.

## **Cabinet, 26 September 2012**

- 4.6 Armed Forces covenant: The DCLG also highlight the need to comply with the Armed Forces covenant. The current provision is to fully disregard income received from the War Pension Scheme (£35,165 based on 2011/12 Subsidy expenditure) and the Armed Forces Compensation scheme and this will remain in place in the proposed scheme.
- 4.7 The guidance note does not tell local authorities what they must do in their schemes to be compliant with their duties. It is important to note the need to demonstrate that the local Council Tax support scheme is compliant with the above acts and to document all work undertaken in this area.
- 4.8 In developing a local Council Tax Support Scheme, the Equality analysis is considered an integral part of the process. The Equality analysis will be reviewed on a regular basis as the policy for the local scheme develops to ensure negative impacts are identified and minimised if not eliminated.

## **BACKGROUND PAPERS**

### **Reference Documents**

Localising Support for Council Tax – Funding arrangements consultation  
Localising Support for Council Tax – A statement of intent  
Localising Support for Council Tax in England - Government's response to consultation  
Localising Support for Council Tax in England – Consultation  
New Burdens Doctrine – Guidance for government departments  
Localised support for council tax – Draft Council Tax Reduction Schemes (Prescribed Requirements) Regulations  
Localised support for council tax – Draft Council Tax Reduction Schemes (Default Scheme) Regulations  
Council Tax Information Letter 2/2012  
Technical reforms of council tax – Consultation  
Localising Support for Council Tax – Transitional Grant Scheme

### **Appendices**

Appendix A Proposed Option for Local Council Tax Support  
Appendix B Risk Log  
Appendix C Consultation Plan  
Appendix D Consultation Outcome Report  
Appendix E Proposed Council Tax Support Scheme Summary  
Appendix F Equalities Analysis  
Appendix G GLA Response



## Proposed Option for Local Council Tax Support

### Impacts working age claimants and people with second homes

<b>Option 8</b>	
<p>From April 2013, increase non-dependant deductions from: £0.00 to £0.00* £3.30 to £6.00 £6.55 to £9.00 £8.25 to £15.00 £9.90 to £20.00</p> <p>Increase council tax for certain properties in line with the Council Tax Technical Reforms for 2013 as follows: Remove the second homes discount completely (currently 10%). Remove Class A exemption (empty and undergoing major structural repairs). Remove the Class C exemption (unoccupied and unfurnished) completely. Take the savings from the abolition of Class L (mortgagees in possession).</p> <p>From April 2014, the maximum council tax support award will be capped to the top of band D, which is currently £28.80 per week.</p>	
<b>2013 Reduction:</b> £1.8 mil	<b>2013 Contingency:</b> NIL

\*Under the current benefit rules, non-dependant deductions are based on the gross income of the non-dependant. However, where the non-dependant is in receipt of an out-of-work benefit, the deduction remains at zero in line with the current scheme.

For 2013/14, this option uses a combination of increased non-dependant deductions and reductions in property exemptions.

For 2014/15, the CTS scheme will use a combination of increased non-dependant deductions, reductions in property exemptions and capping weekly council tax support to a band D charge which is currently £28.80.

The non-dependant deductions above have been calculated using 2012/13 rates. The DWP will provide 2013/14 non-dependant deduction rates in December 2012 from which savings can be calculated.

Potentially 582 claimants residing in properties banded E, F, G and H could be affected by restricting benefit to Band D Claimants. Further analysis will continue to determine more exactly the numbers affected.

This option comprising elements of benefits and council tax to make the savings could affect 8,296 households of which 715 will be in receipt of benefit and 7,581 will be Council Tax Payers with second homes. These are forecasted figures, which will be monitored up until the implementation of the new scheme.

Proposals in the Local Government Finance Act 2012 are optimized above to attain the savings to offset the Government's 10% reduction in expenditure. The proposed scheme for 2013 also takes advantage of the Government's additional transitional funding which is outlined in paragraph five of the report.

Preferred Option Statistical Data

<b>Description</b>	<b>Properties that may be affected by band</b>	<b>No. cases All CTB lost</b>	<b>Annual LA Saving/Customer Loss £</b>	<b>No. of household affected</b>
a. Increase Non dependant deductions: £3.30 to £6.00 £6.55 to £9.00 £8.25 to £15.00 £9.90 to £20.00	715 cases affected	94	£185k	715
From 2014 b. Restriction to Actual Band D Liability 2012/13 £28.80	Working Age: Band A - 0 Band B - 0 Band C - 0 Band D - 0 Band E - 454 Band F - 87 Band G - 20 Band H - 1	None	Total £89k  A £0.00 B £0.00 C £0.00 D £0.00 E £45k F £32k G £11k H £1k	582
<b>Exemption Category</b>	<b>Current scheme</b>	<b>LGFA Enables</b>	<b>Potential Additional Income £</b>	<b>No. of properties affected</b>
c. Second homes	Having apply a Discretionary discount of 10%.	Range of discretion between 0% and 50%. Having propose 0%.	47K	739
d. Exemption Class A – empty and undergoing major repairs/structural alterations	100% up to a maximum of 12 months	Discretionary discount between 0% and 100%. Having propose 0% over 12 months.	240k	468
e. Exemption Class C – unoccupied and unfurnished	100% up to a maximum of 6 months	Discretionary discount between 0% and 100%. Having propose 0%.	1.303k	6289
f. Mortgagees in possession Class L	100% no time limit	Abolition. Having propose 0% from a date to be confirmed by DCLG.	41k	85
<b>Total</b>			<b>1.816k</b>	<b>8,296</b>





# Project Risk Log

# Appendix B



<b>Project Name:</b>	Local Council Tax Support Scheme	<b>Project Ref:</b>		<b>Project Manager</b>	
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Risk No	Risk	Possible Consequences	Impact Red/Amber/Green	Likelihood Red/Amber/Green	Counter-measures	Owner
01	Local Government have not been given an absolute free hand in designing a new scheme. If CLG guidance and legislation is delayed it could make it impossible to roll out a scheme within the timeframe.	Any delay will require the authority to make a number of assumptions that if incorrect could lead to a need to make urgent changes in policy and software. This in turn may mean identified savings do not materialise and confusion to the public around how the scheme operates.	Amber	Green	Based on guidance to date and how other local policy works the council could potentially work on an interim basis, depending on the design adopted. If software is not in place a manual adjustment could be applied to the current scheme	Project Board
02	Slippage in LCTS project timetable; the timetable for the introduction of the new Local Council Tax Support scheme is very challenging, requiring a new scheme to be finalised by Jan 2013	A delay modelling and/or selecting consultation options, or in the consultation process, could prevent an informed decision being made	Red	Amber	The risk is front loaded around the modelling and consultation process. This allows for slippage but would require an extraordinary cabinet/council meeting. The majority of the framework for a new scheme can be put in place prior to a final decision, and time saved by moving this part of the process forward will release resources to manage slippages arising from a delayed consultation	Project Board
03	Controlling implementation costs; some funding has/will be made available by central government to cover implementation costs but may not be sufficient to cover all implementation costs	If costs are not controlled funding will need to be drawn down from council resources	Amber	Amber	Working in partnership with local partners and other authorities will share many of the costs.	Project Board
04	Scheme guidance/policy not ready for roll-out as	Extensive rewriting of the Support scheme policy and guidance will certainly need	Amber	Green	Adopting a significant section of the current procedures will allow for implementation to proceed pending a final draft being signed	Project Board

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# Project Risk Log

# Appendix B

Risk No	Risk	Possible Consequences	Impact Red/Amber/Green	Likelihood Red/Amber/Green	Counter-measures	Owner
	detailed in project plan.	to be checked and signed off by legal services to prevent challenge from claimants and user groups. This considerably increase costs			off. The outcome of the consultation will drive policy pending sign off of the published policy document.	
05	Software changes not ready; Academy, the council software providers for the current system, have been reticent about what changes they are able to support without increase costs	New software will need testing and will attract increased charges from the software houses. There is an increased potential for glitches and errors to occur.	Amber	Green	Changes in processes should be kept to a minimum. Provision should be made to apply a manual calculation to awards initially based on the current scheme	Project Board
06	Managing the new administrative burdens arising from the introduction of a new local Council Tax Support scheme; As well as developing new performance management measures, new appeal/review procedures need to be developed. Additionally, new signage, forms and letter packs will need to be put in place.	Drawing up new performance and qualitative procedures will require additional resources to test and quantify the procedures. New appeal procedures will place an additional burden on resources. There is an increased potential for challenges to occur	Red	Amber	Changes in processes should be kept to a minimum. Current procedures should be adapted. For forms and letters, current stocks can be used as an interim measure. Working in partnership with other authorities presents an opportunity to both save costs and provide consistency with new procedures	Project Board
07	Introduction of a Local Council Tax Support scheme will have a potential impact on collection rates.	Collection rates could drop significantly	Red	Red	Raising awareness of residents to the forthcoming changes is essential, particularly currently fully passported. Ensure payment options including instalments, direct debits etc. are also widely publicised. The scheme should also link in with debt counselling and financial inclusion provision. Building a surplus into the savings will allow for a hardship fund for short term support for vulnerable	Council Tax and Benefits

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# Project Risk Log

# Appendix B

Risk No	Risk	Possible Consequences	Impact Red/Amber/Green	Likelihood Red/Amber/Green	Counter-measures	Owner
					families, although there will be associated admin costs	
08	Significant changes to caseload profile could affect the Local Council Tax Support scheme. This could undermine the savings anticipated, increase costs and reduce effectiveness	If the numbers applying for help increase (including significant migration from other boroughs), this would increase costs to the borough which would need to be reflected in the budget	Amber	Green	Building a surplus into the savings will allow for a hardship fund for short term support for vulnerable families, although there will be associated admin costs. The scheme should also link in with debt counselling and financial inclusion provision	Council Tax and Benefits Finance
09	Increased life expectancy for pensioners who are protected from the reductions.	If the number of pensioners receiving Council Tax Support were to increase significantly this could impact on the Council's finances. This could result in reductions having to be made to the scheme for working age claimants.	Amber	Red	Although people are living longer, the age at which they start to be treated as pensioners for Council Tax Support is increasing. Currently it is about 61 years and gradually increasing to 65. It will reach 66 by October 2020	Project Board Finance
10	Development of a Local Council tax support scheme leads to an increased potential for fraud.	Increased fraud will increase burdens on the public purse and undermine confidence in the Local Council Tax Support scheme, potentially affecting revenue streams	Green	Green	Adopting robust verification procedures at the point of entry, including use of ATLAS data and the introduction of Risk Based Verification should prevent additional fraud.	Council Tax and Benefits Fraud
11	The impact of wider reform agenda undermines the policy intentions and costs profiling of the Local Council Tax Support scheme.	Efforts to protect sections of the community would be undermined a cause them to be more adversely affected than intended.	Amber	Amber	Working closely with the local community and consulting widely on the design of the new scheme will help to minimise any unforeseen outcomes. The policy will need to be revisited within 2 years.	Project Board Finance
12	Reduced or no access to DWP data as Welfare Reform changes are introduced.	If information that is currently obtained from the DWP has to be collected directly from claimants, this could increase costs and delay credits of Council Tax Support to their Council Tax	Green	Green	Benefits would need to put processes in place to encourage claimants to provide information quickly. There may still be limited information available from DWP. DWP has stated (DWP General Information Bulletin HB/CTB G8/2012 that the Welfare Reform Act 2012 and the	Project Board

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# Project Risk Log

# Appendix B

Risk No	Risk	Possible Consequences	Impact Red/Amber/Green	Likelihood Red/Amber/Green	Counter-measures	Owner
		account.  This could potentially affect the Council's income			implementation of Universal Credit (UC) will provide for greater data sharing between DWP and LAs. As these changes are instigated the extent to which DWP data can be shared, the circumstances in which LAs can use the data and the way data is accessed may change.	
13	Non-dependants may disappear over time to avoid a reduction in support	Incorrect levels of CTS being paid and the risk of future overpayments which would increase the levels of Council Tax that has to be collected.	Amber	Amber	Using current robust verification procedures at the point of entry, including use of ATLAS data and the introduction of Risk Based Verification should reduce this risk. We will also introduce proactive exercises to identify non-dependants who have not been declared.	Benefits  Fraud
14	No incentive for taxpayers to tell us about these properties that would be second and empty homes so savings reduced.	On Class C exemptions alone, this could be as much as £951k lost (Sept. 2012 figure) if taxpayers advise empty properties are occupied by a single person	Green	Red	The income raised through increased charges will be monitored but it is recognised that in the long term it will not be possible to quantify the additional savings from 2 <sup>nd</sup> homes	Council Tax
15	Housing Associations receiving a Class C exemption may be able to transfer it to Class B	Reduction in projected savings from class C exemption by up to 10%	Amber	Red	The impact on savings will be monitored and projected figures adjusted accordingly	Council Tax  Finance
16	There may be additional work involved in obtaining dates of changes in liability. Dates will become more crucial as there will be no exempt period during a change of ownership	Increased workload. Additional resources needed to carry out necessary investigations	Green	Green	Monitor workloads – unlikely to generate significant additional work	Council Tax
17	There is no incentive for empty properties to be reported if there is no reduction so the council tax records may become inaccurate	Less reliable management information on empty properties which will particularly affect the Empty Properties Team.	Green	Amber	Use information from outside officers to update records	Council Tax

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## Consultation Plan

## Appendix C

The Council is required to consult its proposed scheme with the public and preceptors. Any new scheme must be in place by 31<sup>st</sup> January 2013, we have identified the following consultation strategy;

<p><b>Prepare initial Publicity</b></p> <ul style="list-style-type: none"> <li>• Draft article for website</li> <li>• Published on website</li> <li>• Draft article for Council newsletter</li> <li>• Council newsletter circulated</li> </ul>	<p>The initial stage focused on advising Havering residents and Council Tax payers that central government are ending the current Council Tax Benefit scheme to be replaced by locally designed schemes, subject to reduced funding.</p> <p>It also advised that we would be consulting residents on aspects of the scheme in October.</p> <p>An article was placed on the Havering Council website and posters in Havering Council's public sites and libraries.</p>
<p><b>Prepare consultation with the Greater London Authority (GLA)</b></p> <ul style="list-style-type: none"> <li>• Advise GLA of options/consultation and outcome</li> </ul>	<p>One of the requirements placed on local authorities is that we include major preceptors in the consultation process.</p> <p>After Cabinet identified the options to be put up for consultation in their July meeting we consulted with the GLA accordingly.</p> <p>Advice was sought from the Legal and Communications Team as to the detail and extent of the required consultation.</p> <p>The consultation outcome is included in this report to the December cabinet.</p> <p>As a principle, the GLA will be kept informed throughout the new scheme implementation.</p>
<p><b>Consultation Period for GLA</b></p>	<p>The consultation ran from July 2012 to November 2012.</p>
<p><b>September Cabinet approval of draft final scheme</b></p> <ul style="list-style-type: none"> <li>• Report on GLA consultation outcomes drafted</li> </ul>	<p>The outcome of the GLA consultation was reported at the September Cabinet meeting.</p> <p>This report was intended to help inform Cabinet on the final design of the Local Council Tax Support scheme and other changes to Council Tax charging scheme.</p> <p>Cabinet were also be made aware of any new</p>

<ul style="list-style-type: none"> <li>• Report signed off by project team</li> <li>• Report approved by Cabinet</li> </ul>	<p>issues (ICT or financial) which might significantly affect the operation, delivery or integrity of the scheme based on the shortlisted options.</p> <p>The Full Council will then be invited to sign off on the draft scheme to be in place from April 2013</p>
<p><b>Prepare consultation with residents and affected Persons</b></p> <ul style="list-style-type: none"> <li>• Consider &amp; procure appropriate service providers and communications media</li> <li>• Design questionnaire (including consultation on questions with front and back office staff)</li> <li>• Questionnaire signed off</li> </ul>	<p>Once Cabinet approved the draft final scheme to be considered, a consultation document was prepared that allowed residents to comment on aspects of the scheme.</p> <p>The questionnaire was drafted in consultation with the Communications team &amp; Equalities Team to ensure that it was understandable and accessible, ensuring clarity for residents.</p> <p>The consultation process was initially planned as an online exercise whereby residents would be able to take part by visiting the Havering website. Paper copies of the questionnaire were also made available.</p> <p>We will also engaged an external provider to undertake the consultation on Havering's' behalf and to collate and analyse responses to ensure timescales are met.</p>
<p><b>Consultation Period for residents on agreed draft final scheme</b></p> <ul style="list-style-type: none"> <li>• Consultation on website</li> <li>• Meetings with external providers/partners</li> </ul>	<p>The consultation ran for 6 weeks for residents starting 4/10/12 and ending 14/11/12.</p> <p>During this period we also met representatives from Havering's community groups, social landlords, internal staff and voluntary organisations (plus members of the public) and canvassed their thoughts on the final option put forward for consultation.</p>
<p><b>Option Consultation analysis</b></p> <ul style="list-style-type: none"> <li>• Feedback from meetings with external providers</li> <li>• Consultation outcomes published</li> </ul>	<p>During the consultation process, we collated and analysed the responses received to brief members and senior officers of the progress of the consultation process.</p> <p>At the end of the consultation process, a full analysis of the responses received was undertaken. This has been incorporated into a report to Cabinet in December. Once this report has been considered and a decision made by the</p>

	Full Council a further article for residents and Council Tax payers will be drafted advising of the results of the consultation.
<b>December Cabinet</b> <ul style="list-style-type: none"> <li>• Report drafted</li> <li>• Report signed off</li> <li>• Submitted for inclusion on Agenda</li> <li>• Agreed by Cabinet</li> </ul>	Following the completion of the consultation with residents and affected persons, a full report has been submitted for the December Cabinet meeting to Consider the outcomes of the consultation and formally agree the details of the final scheme.
<b>January Full Council</b> <ul style="list-style-type: none"> <li>• Report drafted</li> <li>• Report signed off</li> <li>• Submitted for inclusion on Agenda</li> <li>• Agreed by Council</li> </ul>	<p>Following the completion of the consultation with residents and affected persons, a full report will be submitted for the January Full Council meeting to consider the outcomes of the consultation and formally agree the details of the final scheme.</p> <p>Once the design has been ratified we will complete work on drafting the Council Tax Support policy document and the guidance manual and procedures for operational staff.</p>
<b>Final scheme publicity</b> <ul style="list-style-type: none"> <li>• Draft Articles and press statements</li> <li>• Published on website</li> <li>• Press release to local press</li> </ul>	<p>On confirmation of the scheme design, a detailed article will be drafted and published both on the website and through the local press and other outlets.</p> <p>This will report on the outcome of the consultation process, the additional consideration given by Cabinet and the high level design of the new scheme, including the likely impact on residents.</p>
<b>Contact Customers affected</b> <ul style="list-style-type: none"> <li>• Identify affected customers</li> <li>• draft information letter</li> <li>• Issue information letter</li> </ul>	<p>Once the design of the local Council Tax Support scheme has been agreed by the Full Council, we will identify where possible those households affected by the changes, using current Council Tax Benefit and Council Tax data.</p> <p>Each household will be contacted directly and advised of the changes to the level of support they will receive and/or the increases Council Tax payable.</p>

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## **1. Reason for consultation**

- 1.1 At the 2010 Spending Review, the Government announced that it would localise support for council tax (CTS) from 2013 and that expenditure allocated to CTS would be reduced by 10% compared to council tax benefit expenditure.
- 1.2 As part of the Welfare Reform Act 2012, the national Council Tax Benefit scheme (CTB) will be abolished from April 2013. The Department for Communities and Local Government (DCLG) under the Local Government Finance Act have proposed local schemes to support residents with their council tax to be administered by local authorities.
- 1.3 The Local Government Finance Act also enables the technical Council Tax Reforms allowing billing authorities to vary the level of certain discounts and exemptions.
- 1.4 Schedule 4 of the Local Government Finance Act 2012 requires local authorities to consult on their local Council Tax Support scheme. The purpose of the consultation is to:
  - Ensure all our residents and other interested parties have the opportunity to have their say on these important changes
  - Consult on the Council's proposals for the Council Tax Technical Reforms and the Local Council Tax Support Scheme.
  - Take account of residents' and representatives' views in the development of the final scheme.
  - Gather suggestions and identify issues that need to be addressed in the new scheme.

## **2. Consultation process**

- 2.1 The individuals, groups and organisations consulted included:

- Councillors
- Council Tax payers
- Benefit recipients
- General public
- Greater London Authority
- Advice providers
- Community groups
- Customers at the PASC
- Social rented sector landlords

- Private sector landlords
- Staff, including former staff

### **3. Consultation Methodology and Details of the Consultation Process**

- Advised GLA of options and consultation methodology
- All consultation documents and related information were available on the Council's website
- An online questionnaire was on the Council's website
- All consultation documents and related information (including posters and paper copies of the questionnaires) were available from main customer access points, including:
  - All libraries
  - MyPlace Community Centre
  - Homes In Havering
  - Central Park Leisure Centre
  - Briar Road Information Shop
  - Public Advice and Service Centre
  - Romford Town Hall
  - Havering Visitor Centre
  - Queens Hospital
  - Hornchurch Leisure Centre
  - Registration Services
  - Fairkytes Art Centre
  - Queens Theatre
  - Medical Centre
  - Rainham Health Centre
- Focus groups with members of the public, advice providers and community groups, Revenues and Benefits and Customer Services staff, social rented sector landlords and private sector landlords
- The home page of Havering's website included a banner link to the online survey
- An article and a link to the online survey in Inside Havering
- Information and a link to the online survey in two editions of the internal global email
- Information and a link to the online survey in an email to 3,000 residents
- A message and a link to the online survey included on payslips to existing staff (including schools and academies) and to Havering pensioners
- Paper copies of the survey and information about the proposed changes were included with Council Tax bills and Council Tax Benefit notification letters

### **4. Summary of Outcomes**

The number of responses received after four weeks totalled more than 220. Responses showed an overwhelming support (77%) for the proposed scheme with the exception of one survey question. This was with regard to removal of

the major repairs/structural alteration exemption where just over 50% of respondents were in favour of removing it.

The results following the consultation will be finalised and analysed including all responses for Cabinet in December 2012.

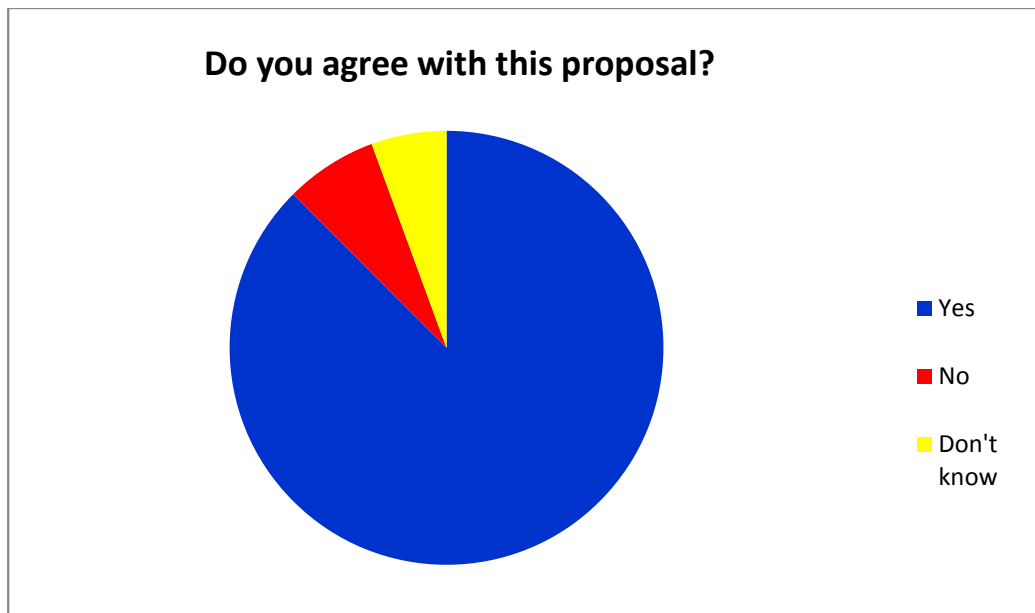
Table of comments to be included here.

**5. Responses to each Question (will be updated when consultation period closes)**

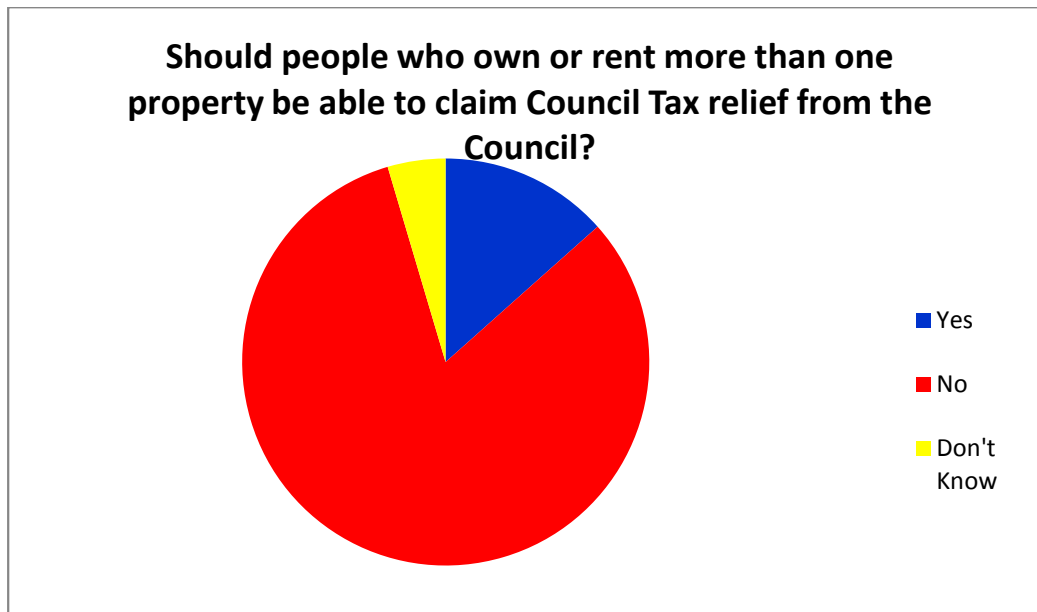
**Principle: Local authorities will be expected to manage the 10% reduction in subsidised expenditure.**

**Question 1.** The Council needs to make up a shortfall of £1.9million to meet Government changes to the way it funds council tax. This could be done by reviewing current exemptions from Council tax that currently apply and by changing some of the rules about who qualifies for Council Tax Benefit.

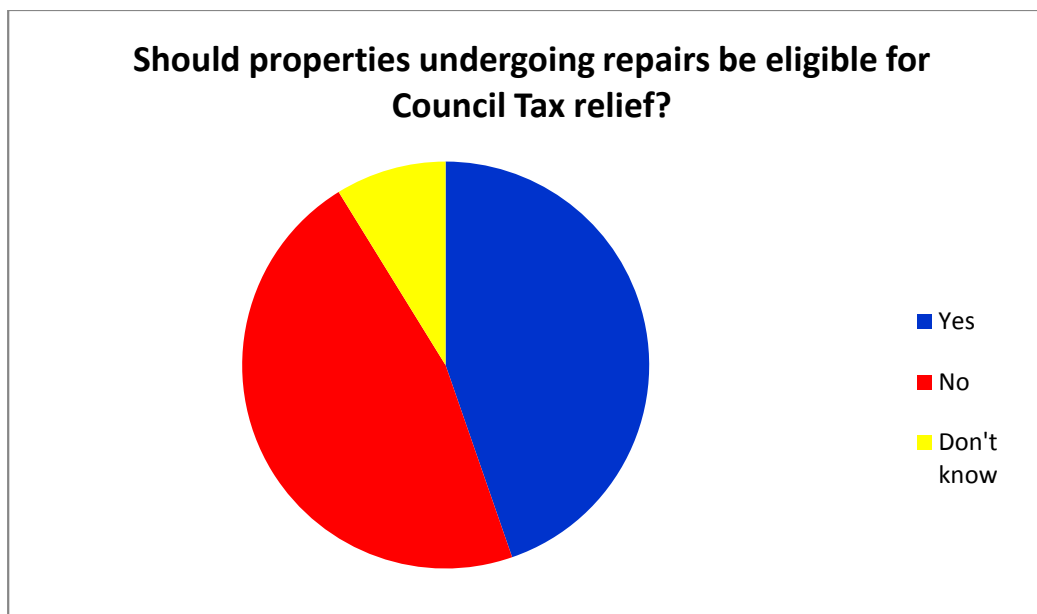
Currently some second homes are exempt from Council tax, this could be used to fund most of the proposed shortfall rather than by raising the Council Tax on all properties across the borough.



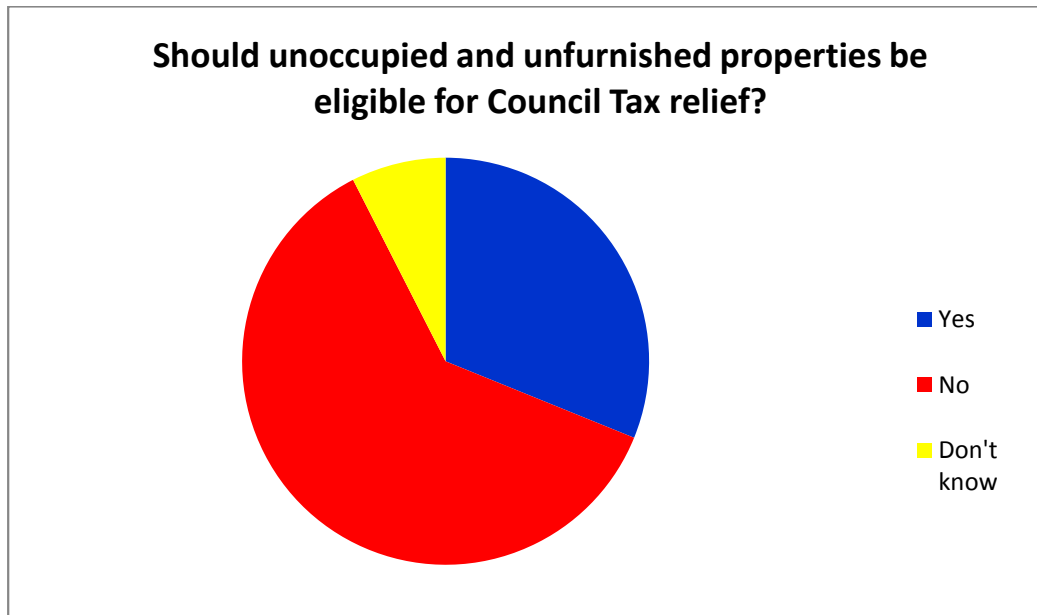
**Question 2.** Should people who own or rent more than one property be able to claim Council Tax relief from the council?



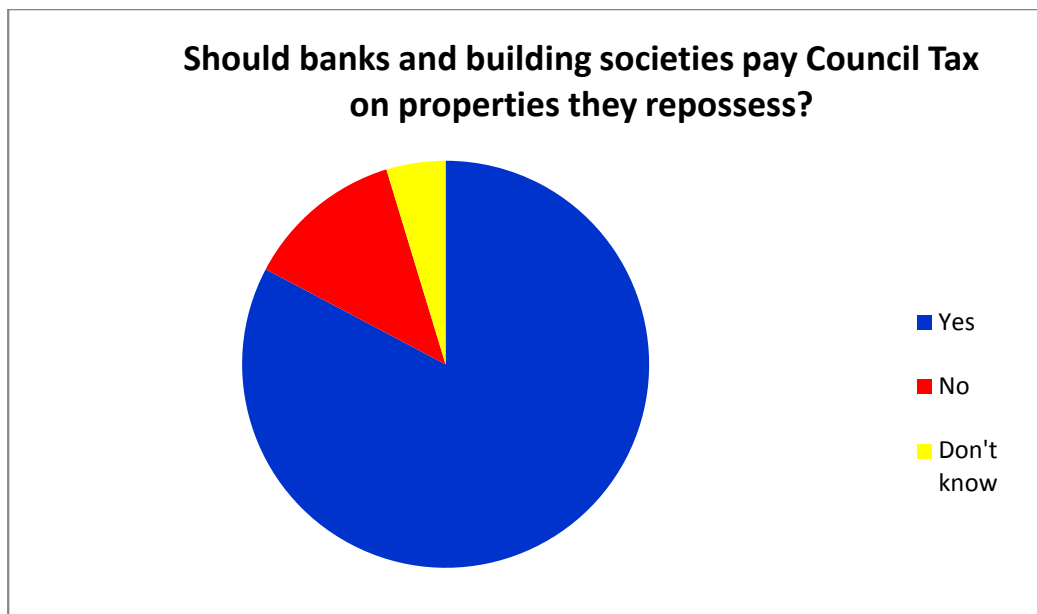
**Question 3.** Should properties undergoing repairs be eligible for Council Tax relief?



**Question 4.** Should unoccupied and unfurnished properties be eligible for council tax relief?

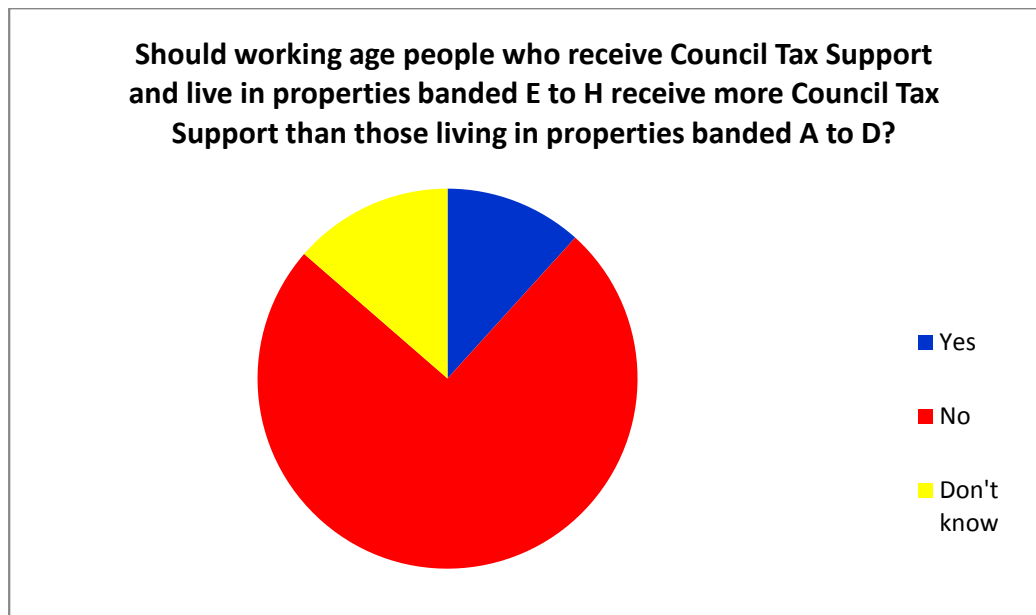


**Question 5** Should banks and building societies pay Council Tax on properties they repossess?



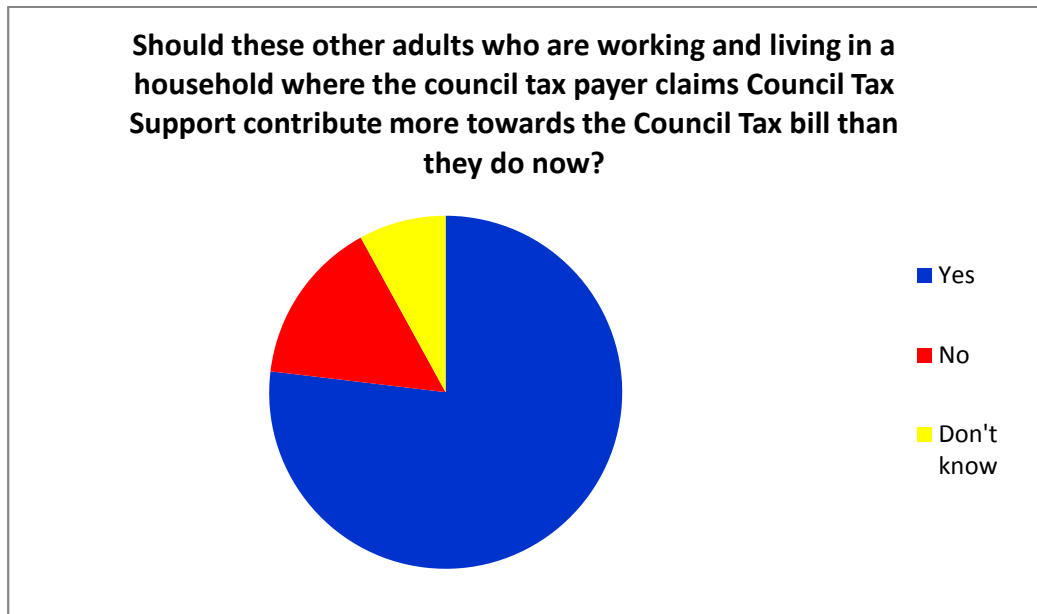
**Principle: In developing schemes, local authorities should consider incentivising claimants into work.**

**Question 6.** Should working age people who receive Council Tax Support and live in properties banded E to H receive more Council Tax Support than those living in properties banded A to D?



**Question 7.** Under the existing Council Tax Benefit scheme, other adults such as an adult son, daughter, other relative or friend who lives in the claimant's home are expected to contribute to household bills such as Council Tax.

Should these other adults who are working and living in a household where the council tax payer claims Council Tax Support contribute more towards the Council Tax bill than they do now?





## **London Borough of Havering Draft Local Council Tax Support Scheme**

### **Introduction**

Council Tax Benefit will be abolished from 1 April 2013. In its place each local authority is required by Section 9 of the Local Government Finance Act 2012 to produce its own scheme to reduce the liability of working age applicants it considers to be in financial need.

This document contains Havering's draft Council Tax Support Scheme which the Council is required to produce under the provisions of Schedule 4 of the act.

The Council has decided to adopt its own scheme which has due regard to the Department for Communities and Local Government's policy intentions and unequivocally protects pensioners.

The Local Council Tax Support scheme is to be interpreted and applied in accordance with the Draft Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations which set out what must be included in the scheme.

The Council is required to design its own scheme to assist applicants who are below state pension credit age. If it fails to do this by 31 January 2013 it will be required to adopt the default scheme as set out in the Draft Council Tax Reduction Schemes (Default Scheme) Regulations.

It may also be amended if the expected cost of the new scheme changes before 31 January 2013 to such an extent that the scheme requires further amendment.

In this document 'the new scheme' means the proposed CTS scheme and 'the current scheme' means the existing Council Tax Benefit scheme (CTB).

The draft regulations provide a detailed scheme for the calculation of CTS where an applicant is a pensioner which following the enactment of those regulations will be incorporated within the Council's new scheme.

Unless expressly stated otherwise the provisions outlined below relate solely to working age applicants under the new scheme.

### **Havering's Local Council Tax Support Scheme**

This document sets out the Council's Local Council Tax Support Scheme for eligible working age Council Tax payers to receive support.

The scheme applicable to pensioners is defined in the Draft Council Tax Reduction Schemes (Prescribed Requirements) Regulations 2012, Part 3, Schedules 1 to 6, which will be adopted within this scheme following their enactment.

The procedure for the operation of the Scheme summarised below is made in accordance with Schedules 7 and 8 of the Council Tax Reduction Schemes (Prescribed Requirements) Regulations 2012.

The principles of the Local Council Tax Support Scheme are:

- Local authorities will be expected to manage the 10% reduction in subsidised expenditure.
- Regulations will be set to protect claimants of state pension credit age.
- Local authorities must consult on their schemes with precepting authorities and the public.
- Local authorities may collaborate to develop joint schemes.
- The Council must adopt the final scheme before 31 January 2013 or the default scheme will apply.
- Local authorities should aim to protect vulnerable groups.
- In developing schemes, local authorities should consider incentivising claimants into work.

The Local Council Tax Support Scheme will include the following:

- Introduction and definitions
- Prescribed of persons
- Provisions relating to entitlement under the scheme
- Applicable amounts
- Maximum Council Tax Reduction
- Alternative Maximum Council Tax Reduction
- Amount of reduction under the scheme
- Assessment of Income and Capital under the scheme
- Students
- Applications
- Extended reductions
- Period of entitlement and changes of circumstances
- Schedules

The new scheme will adopt the existing scheme as defined in the Council Tax Benefit Regulations 2006 as they stand subject to the following amendments:

#### **1. Increase weekly non-dependant deductions**

That Paragraph 58 in Part 6 of the Council Tax Benefit Regulations 2006 shall be taken to read as follows:

“58.

- (1) Subject to the following provisions of this regulation, the non-dependant deductions in respect of a day referred to in regulation 57 (maximum council tax benefit) shall be—
  - (a) in respect of a non-dependant aged 18 or over in remunerative work,  $\text{£}20.00 \times \frac{1}{7}$ ;
  - (b) in respect of a non-dependant aged 18 or over to whom sub-paragraph (a) does not apply,  $\text{£}6.00 \times \frac{1}{7}$ .
- (2) In the case of a non-dependant aged 18 or over to whom paragraph (1)(a) applies, where it is shown to the appropriate authority that his normal gross weekly income is—
  - (a) less than  $\text{£}183.00$ , the deduction to be made under this regulation shall be that specified in paragraph (1)(b);
  - (b) not less than  $\text{£}183.00$  but less than  $\text{£}316.00$ , the deduction to be made under this regulation shall be  $\text{£}9.00$ ;
  - (c) not less than  $\text{£}316.00$  but less than  $\text{£}394.00$ , the deduction to be made under this regulation shall be  $\text{£}15.00$ .

## **2. From April 2014, Restrict the maximum council tax support award to the top of Council Tax band D**

That Paragraph 57 in Part 6 of the Council Tax Benefit Regulations 2006 shall be taken to read as follows:

“57.

- (1) Subject to paragraphs (2) to (5), the amount of a person’s maximum council tax benefit in respect of a day for which he is liable to pay council tax, shall be 100 per cent of the amount  $A/B$  where—
  - (a) A is the amount set by the appropriate authority as the council tax for the relevant financial year in respect of the dwelling in which he is a resident and for which he is liable, subject to any discount which may be appropriate to that dwelling under the 1992 Act; and
  - (b) B is the number of days in that financial year, less any deductions in respect of non-dependants which fall to be made under regulation 58 (non-dependant deductions).

- (2) In calculating a person's maximum council tax benefit any reduction in the amount that person is liable to pay in respect of council tax, which is made in consequence of any enactment in, or made under, the 1992 Act, shall be taken into account.
- (3) The level of any Council Tax Support awarded shall be restricted to the level of band D
- (4) Subject to paragraph (5), where a claimant is jointly and severally liable for council tax in respect of a dwelling in which he is resident with one or more other persons but excepting any person so residing with the claimant who is a student to whom regulation 45(2) (students who are excluded from entitlement to council tax benefit) applies, in determining the maximum council tax benefit in his case in accordance with paragraph (1), the amount A shall be divided by the number of persons who are jointly and severally liable for that tax.
- (5) Where a claimant is jointly and severally liable for council tax in respect of a dwelling with only his partner, paragraph (4) shall not apply in his case.

## **Applications for Council Tax Support**

### ***This part applies to both pensioners and working-age applicants***

The following procedure is in accordance with the Council Tax Reduction Schemes (Prescribed Requirements) Regulations 2012, referred to as 'the Regulations' below and shall be implemented in accordance with those Regulations.

Entitlement to CTS is dependent on an application being made in the following way:

An application may be made:

- (a) In writing
- (b) By means of an electronic communication or
- (c) By telephone following publication by the Council of a number for this purpose.

The form provided by the Council for this purpose must be properly completed, and the Council may require the applicant to complete the form in the proper manner, and may further require that further information and evidence is provided by the applicant.

An application will be defective if the applicant does not provide all of the information the Council requires.

Applications made by telephone will only be valid if the applicant provides a written statement of their circumstances in the format required by the Council.

The Council will provide applicants making their applications with an opportunity to correct any defects in their application.

Applications may be made by those persons set out in paragraph 6 of Schedule 8 of the Regulations.

The Government has indicated that they intend to introduce legislation to the effect that people entitled to Council Tax Benefit on 31 March 2013 will be deemed to have made an application under the new scheme.

### **Evidence and information**

Any person who makes an application or any person to whom a reduction under the Council's scheme has been awarded shall furnish such certificates, documents, information and evidence in connection with the application or award, or question arising out of it as may reasonably be required by the Council in order to determine the person's entitlement. Where the Council requests information it shall inform the applicant or person of their duty to notify the Council of any change of circumstances and shall indicate the kind of changes of circumstances which are to be notified.

Matters related to the electronic communication of information, proof of delivery and content of information will be determined in accordance with Part 4 of Schedule 7 of the Regulations.

Where the person is a pensioner paragraph 7(4) (5) (6) and (7) of Schedule 8 of the Regulations apply which specify matters relevant to evidence and information related to pensioners.

### **Amendment and withdrawal of applications**

Any person who has made an application may amend it at any time before a decision had been made by serving a notice in writing to the Council in accordance with paragraph 8 of Schedule 8 of the Regulations.

### **Decisions by the Council**

The Council will make a decision in respect of any application for a reduction under this scheme in accordance with the criteria set out within the Council Tax Benefit Regulations 2006 (subject to the amendments made to paragraphs 57 and 58 and Schedule 2 referred to above), and in accordance with Schedules 7 and 8 of the Regulations.

The decision will be made within 14 days of the Council receiving at its designated office the properly completed application or the information requested to complete it or the evidence required. The date upon which the Council is deemed to have received the properly completed application shall be determined in accordance with

paragraphs 6 of Schedule 1, paragraph 7 and Part 1 of Schedule 7 of the Regulations being satisfied, or as soon as reasonably practicable thereafter.

The Council will notify the applicant or any person affected by its decision under the scheme in writing forthwith, or as soon as reasonably practicable.

Any person affected to whom the Council sends or delivers a notification of a decision to may, within one month of the notification of the decision, request in writing from the Council a statement setting out the reasons for its decision on any matter set out in the notice.

Following receipt of a request for a written statement the Council will provide this within 14 days or as soon as reasonably practicable thereafter.

Where an award or payment of reduction is made the time and manner of granting the reduction under the scheme will be in accordance with Part 5 of Schedule 8 of the Regulations.

### **Change of circumstances**

For persons who are not pensioners the date on which changes of circumstances are to take effect will be determined in accordance with paragraph 4 of Part 2 of Schedule 8 of the Regulations.

### **Procedure for making an appeal**

Any applicant who is not in agreement with the decision of the Council taken under this scheme may service a notice in writing on the Council setting out their reasons and grounds upon which they believe the Council has made the wrong decision.

Following receipt of an appeal in writing the Council will:

- (1) Consider the appeal
- (2) Notify the applicant in writing of the following:
  - (i) Any decision not to uphold the appeal and the reasons for that; or
  - (ii) That steps are being taken to proceed with the appeal and set out what steps.

Where an applicant remains dissatisfied following receipt of any written notice sent by the Council in response to their appeal, they may within two months of the service of that notice, appeal to the valuation tribunal.

### **Applications for further discretionary reductions**

Under Section 13A(1)(c) of the Local Government Finance Act 1992 and the Draft Council Tax Reduction Schemes (Prescribed Requirements) Regulations, the Authority will consider applications for a further reduction in Council Tax.

There will be financial implications in that the cost of any reduction will be a direct cost to the Council. The cost of any discretionary reduction will, therefore, have to be met by the rest of the council taxpayers.

Applications must be made in writing or by prescribed electronic communications.

The Council will, in making decisions for further discretionary reductions, have due regard to its duties under The Child Poverty Act 2010, The Housing Act 1996, and The Equality Act 2010.

The Council will review all relevant matters when deciding whether to award a reduction including, but not limited to:

- The circumstances of any other person with whom the applicant is jointly and severally liable for Council Tax.
- The overall financial situation of the applicant and the applicant's family.
- The effect the council believes making an award will have on the applicant and any members of the applicant's family.
- Protecting the public purse and maintaining financial budgets.

A person who applies for a discretionary reduction may request that the Council review its decision. Any such request must be made in writing and be received within one month of the date the notification of the decision.

If practicable, another more senior officer, will reconsider the decision in light of all available evidence and, if appropriate amend it. Any change may lead to either a reduction or an increase in any award.

A further right of review will be available against the decision as reviewed which will be considered by a manager but only against the legality of the decision and not the actual outcome.

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## LONDON BOROUGH OF HAVERING EQUALITY ANALYSIS

### INTRODUCING A LOCAL COUNCIL TAX SUPPORT SCHEME FOR APRIL 2013

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#### SCOPE OF PROPOSAL

**1. What is the scope and intended outcomes of the activity being assessed; in terms of both the Council's organisation and staffing, and services to the community?**

As part of the 2010 spending review, the Government announced that it would localise support for Council Tax from April 2013 with an expectation that expenditure would be reduced by 10% from the same date. As well as the 10% savings previously outlined, any increase during the year of the number of awards made above the additional increase forecast by DCLG would have to be funded by the Council. Any new scheme must be in place by 31<sup>st</sup> January 2013.

The Department for Communities and Local Government (DCLG) have published 'Localising Support for Council Tax' Guidance setting out the principles that have to be adhered to in designing a new local scheme.

#### **1 (a) Organisation and Staffing**

The council currently administers the Council Tax Benefit scheme on behalf of central government. From April 2013 the department responsible for administering the scheme will take on the role of delivering the new local support scheme. Staff at present engaged in administering and delivering the current Council Tax Benefit scheme will assume responsibility for delivering the replacement scheme.

#### **1 (b) Services to the Community**

DCLG has made it clear that the new scheme must protect pensioners fully at the current rates of benefit and that full consideration needs to be given to disabled people and other vulnerable groups.

As outlined in the DCLG's Guidance '[Localising Support for Council Tax - Vulnerable people – key local authority duties](#)', which was published on 21 May 2012, the local scheme needs to pay due regard to the following duties:

- The Public Sector Equality Duty (*and The Equality Act 2010*): requiring local authorities to have clearly defined responsibilities in relation to, and awareness of, those in the most vulnerable situations. This means that a local authority must pay due regard and consider how the scheme might affect people who share a relevant protected characteristic and people who do not share it. Each of the eight options is considered in this Equality Analysis (EA).

- The duty to mitigate effects of child poverty (*The Child Poverty Act 2010*): understanding the characteristics of low income and disadvantaged families. The omission of child benefit income in the calculation of local Council Tax support goes some way to protecting children and again additional money from a discretionary fund could also help with this.
- The duty to prevent homelessness (The Housing Act 1996): Those households who find themselves homeless through no fault of their own and who are eligible and in priority need are owed the main homelessness duty.
- Armed Forces covenant: The current provision to fully disregard income received from the War Pension Scheme (£35,165 based on 2011/12 Subsidy expenditure) and Armed Forces Compensation scheme will remain in place in all of our proposed schemes.

While DCLG does not instruct local authorities what they must do in their schemes to be compliant with their duties, it requires authorities to consider the impact of their schemes on all protected characteristics, particularly on the most vulnerable and disadvantaged groups.

## PEOPLE AFFECTED

### 2. Which individuals and groups are likely to be affected by the activity?

#### 2 (a) Staff Individuals and Groups

Internally, the impact on staff administering the new scheme will be restricted to requirements for retraining and transitioning into the new role. For the Council as a whole, there will be a requirement for information on the new scheme to be shared widely to ensure they are able to provide residents with details of the new scheme and how it will work.

As over 70% of Havering Council staff live locally, those who are local residents will be impacted both as taxpayers and as potential recipients of support under the current scheme. The potential impact on staff members living locally is further explored under the Community sections of the Equality Analysis.

#### 2 (b) Community Individuals and Groups (*including voluntary organisations*)

The new scheme requires us to identify cost savings to account for the reduced funding from central government. There are a number of options to be considered by Cabinet, and these will have a differential impact on the community dependant on the options adopted.

The profile of Council Tax payers will reflect the [Havering community profile](#). However, the profile of households in receipt of Council Tax support differs from the wider [Havering community profile](#). This is a consequence of the nature of the support scheme, which provides help for Council Tax payers whose financial circumstances are not adequate to cover the charge. Therefore those households with larger outgoings, such as disabled households or families with children, and those households who are not working or are in low paid employment will be overrepresented within the benefits

caseload. The profile of the current Council Tax Benefit caseload is detailed with section 3 (b).

We have identified 8 potential options for the design of the new scheme. A glossary of the terms used with the options can be found within Appendix C of the Localisation of Council Tax Support report to Cabinet 11 July 2012:

1. Absorb the 10% reduction into the council's financial reserves over Year 1 and/or year 2 of the new scheme (reverting to the default scheme)
2. Restrict council tax liability across each band to 80% for working age claimants in order to make 10% reduction
3. Calculate CTB entitlement and then reduce every working age claimant's award by 18%
4. Maximum award would be restricted to an average band D award, increase benefits taper to 65%, premiums set at 2011 rates and increase non-dependant deductions
5. Maximum award would be restricted to an average band D award, Remove second adult rebate, increase benefits taper to 30% and increase non-dependant deductions
6. Increase council tax for certain properties in line with the Council Tax Technical Reforms for 2013
7. Pass on the 10% reduction by increasing the council tax charge for every taxpayer by £22 per year
8. Restrict the maximum council tax support award to the top of band D, increase non-dependant deductions and increase council tax for certain properties in line with the Council Tax Technical Reforms for 2013

A detailed analysis of the options is contained within the tables in section 5 (b), where we examine to potential impact of each option on people with protected characteristics.

## DATA AND INFORMATION

- 3. What data/information do you have about the people with 'protected characteristics' (age, disability, gender, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sexual orientation) or other socio-economic disadvantage (e.g. disabled and part-time workers, low income and/or lone parents (mothers and fathers), looked-after children, other vulnerable children, families and adults) among these individuals and groups? What information do you have about how they will be affected by the activity? Will you be seeking further information in order to assess the equalities impact of the activity? How is this information being used to influence decisions on the activity?**

**3 (a) Staff**

Over 70% of Havering Council employees live locally so they are taxpayers and/or potential recipients of support under the current scheme. Staff members who are local residents are part of the Council Tax data breakdown in 3 (b).

### 3 (b) Community

There are almost 100,000 Council tax payers in Havering. As of May 2012, the current full working age caseload totals 10,313 claimants of which 6,954 are non working & 3,359 are working claimants.

A breakdown of the ethnicity of current claimants is as follows:

White: British	81.7%
White: Irish	2.1%
White: Any Other	4.0%
Mixed: White & Black Caribbean	1.4%
Mixed: White & Black African	0.4%
Mixed: White and Asian	0.2%
Mixed: Any Other	0.5%
Asian/Asian British: Indian	1.4%
Asian/Asian British: Pakistani	0.6%
Asian/Asian British: Bangladeshi	0.5%
Asian/Asian British: Any Other	0.1%
Black/Black British: Caribbean	2.1%
Black/Black British: African	3.2%
Black/Black British: Any Other	0.4%
Any Other	0.4%
Asian/Other	0.4%
Chinese	0.1%
Other Ethnic Group	0.5%

An analysis has been undertaken of the number and claim type of those affected by each of the options 2-8 (option 1 has no impact on the community as the system will not change to that provided under the current Council Tax Benefit provisions). The Council Tax Benefit data extracted is detailed overleaf:

## Groups affected under Option 2

<b>Claim Category</b>	<b>Total No. of affected Working Age claims</b>	<b>No. claims affected by Band</b>		<b>LA Saving/ Customer Loss £</b>	<b>Overall % Saving</b>
<b>Disabled</b> (includes Blind, Disabled, Severely Disabled & Employment Support Allowance cases).	2253	A to C	1756	£430K	2.3%
		D	387		
		E	85		
		F	18		
		G	7		
<b>Lone Parents Child Under 5</b> (includes single claimants who have one or more children under 5 years)	1685	A to C	1263	£276,012	1.5%
		D	366		
		E	52		
		F	3		
		G	1		
<b>Working 16hrs+</b> (includes all claimants & partner who are not in any of the above categories and who are working a combined 16hrs or more).	1884	A to C	1756	£827,428	4.4%
		D	387		
		E	85		
		F	18		
		G	7		
<b>Everyone Else</b> (includes the remainder who do not fit into any of the above 3 categories).	4491	A to C	3427	£1.8 million	9.8%
		D	837		
		E	176		
		F	32		
		G	8		
<b>Totals</b>	10313	A to C	7650	£1.9million	10%
		D	2137		
		E	430		
		F	79		
		G	17		

**Groups affected under Option 3**

<b>Claim Category</b>	<b>Total No. of affected Working Age claims</b>	<b>No. claims affected by Band</b>		<b>LA Saving/ Customer Loss £</b>	<b>Overall % Saving</b>
<b>Disabled</b> (includes Blind, Disabled, Severely Disabled & Employment Support Allowance cases).	2253	A to C	1756	£430K	2.3%
		D	387		
		E	85		
		F	18		
		G	7		
<b>Lone Parents Child Under 5</b> (includes single claimants who have one or more children under 5 years)	1685	A to C	1263	£276,012	1.5%
		D	366		
		E	52		
		F	3		
		G	1		
<b>Working 16hrs+</b> (includes all claimants & partner who are not in any of the above categories and who are working a combined 16hrs or more).	1884	A to C	1756	£827,428	4.4%
		D	387		
		E	85		
		F	18		
		G	7		
<b>Everyone Else</b> (includes the remainder who do not fit into any of the above 3 categories).	4491	A to C	3427	£1.8 million	9.8%
		D	837		
		E	176		
		F	32		
		G	8		
<b>Totals</b>	10313	A to C	7650	£1.9million	10%
		D	2137		
		E	430		
		F	79		
		G	17		

### Groups affected under Option 4

Description	Numbers Affected	No. cases All CTB lost	Annual LA Saving/ Customer Loss £	Overall % Saving
<b>1.Restriction to average Band D Benefit Award (£20.57)</b>  <b>NB. Actual Band D Liability 2012/13 £28.94.</b>	All Working Age: Band A 1512 Band B 2652 Band C 3648 Band D 2265 Band E 467 Band F 85 Band G 15	15 lose all CTB across all Bands	Total £729,352  A £0.00 B £28,353 C £181,116 D £284,076 E £166,192 F £65,652 G £15,080	4%
<b>2.Increase Non Dependant Deductions:</b> £0.00 to £0.00* £2.85 to £15.00 £5.70 to £20.00 £7.20 to £28.00 £8.60 to £35.00	1113	623	£479,636	3%
<b>3.Increase Tapers</b> (currently 20%)  (a) 65% (as HB)	All Working Age caseload 10313	1362	£838,760	4%
<b>Total for option 6 combinations when entered into CLG tool</b>			<b>£1.8 million</b>	<b>10%</b>

\*Under the current benefit rules, non-dependant deductions are based on the gross income of the non-dependant. However, where the non-dependant is in receipt of and out-of-work benefit, the deduction remains at zero in line with the current scheme.

**Groups affected under Option 5**

<b>Description</b>	<b>Numbers Affected</b>	<b>No. cases All CTB lost</b>	<b>Annual LA Saving/Customer Loss £</b>	<b>Overall % Saving</b>
<b>1.Restriction to average Band D Benefit Award</b> <b>( £20.57)</b>  <b>NB. Actual Band D Liability 2012/13 £28.94</b>	All Working Age: Band A 1512 Band B 2652 Band C 3648 Band D 2265 Band E 467 Band F 85 Band G 15	15 lose all CTB across all Bands	Total £729,482  A £0.00 B £28,366 C £181,116 D £284,076 E £166,192 F £65,652 G £15,080	4%
<b>2. Increase Non dependant deductions:</b> £2.85 to £6.00 £5.70 to £9.00 £7.20 to £15.00 £8.60 to £20.00	1113	108	£210,704	1%
<b>3.Increase Tapers</b> (currently 20%)  30%	All Working Age caseload  10313	550	£377,000	2%
<b>4. Reduce 2011 Premiums by:</b> (a) 18%	10313	1362	£664,508	3.5%
<b>Total for option 7 combinations when entered into CLG tool</b>			<b>£1.8 million</b>	<b>10%</b>



**Groups affected under Option 6**

Category	Current Reduction	Proposed Reduction	No of Properties Qualifying in 2011/12	Value in 2011/12 of Exemption or Discount (inc. GLA precept)	Potential Additional Income From Changes (based on 98.00% collection )
Second Homes	Discretionary discount between 10% and 50% Havering currently give 10%	Range of discretion to be between 0% and 50%.	716	£46,798 (10% discount)	<b>£46k if set at 0%</b>
Exemption Class A – empty and undergoing major repairs/structural alterations	100% up to a maximum of 12 months	Discretionary discount between 0% -100% and flexibility to reduce the period for which the discount applies	317	£177,794	12-month period: £0k if set at 100% £44k if set at 75% £87k if set at 50% £131k if set at 25% <b>£174k if set at 0%</b>
Exemption Class C – unoccupied and unfurnished	100% up to a maximum of 6 months	Discretionary discount between 0% and 100% and flexibility to reduce the period for which the discount applies	5712	£1,293,903	6-month period: £0k if set at 100% £317k if set at 75% £634k if set at 50% £951k if set at 25% <b>£1,268k if set at 0%</b>
					£555k if set at 75% £793k if set at 50% £1,030k if set at 25% £1,268k if set at 0%

Category	Current Reduction	Proposed Reduction	No of Properties Qualifying in 2011/12	Value in 2011/12 of Exemption or Discount (inc. GLA precept)	Potential Additional Income From Changes (based on 98.00% collection )
					<i>(assumed 75% occupied within 3 months so additional savings only generated by remaining 25%)</i>
Long term unoccupied and unfurnished (after expiry of 6 months class C exemption)	Discretionary discount between 0% and 50%  Havering currently give 0%	Discretion to charge an Empty Homes Premium of up to 50% (i.e. charge 150%) on properties unoccupied and unfurnished for more than 2 years.	464	None – no discount awarded	<b>£295k if set at 150%*</b>
Mortgagees in Possession - Class L	100% with no time limit	Class L to be abolished	78	£42,207	<b>£41k</b>
<b>Total additional revenue</b>					<b>£1.824k</b>

### **Groups affected under Option 7:**

Please note the second table, Option 7a, reflects the current scheme for comparison. Option 7b below is a variation of Option 7 making a saving of only £1 million but can be used in combination with elements from other options.

<b>Option 7 - 1.27% increase. Covers the £1.9m shortfall in CTS but no allowance for increased CTS payable due to the increase in Council Tax liability</b>										
<b>Proposed Council Tax Amounts to raise additional £1.9m (gross &amp; rounded up)</b>										
Band	@	A	B	C	D	E	F	G	H	Total
Amount of Council Tax	£845.00	£1,014.00	£1,183.00	£1,352.00	£1,521.00	£1,859.00	£2,197.00	£2,535.00	£3,042.00	
No. of Props per CTB1*	3.60	2,871.70	6,647.70	20,003.10	31,542.00	16,852.90	8,421.50	4,737.50	513.00	91,593.00
Debit raised	£3,042.00	£2,911,903.80	£7,864,229.10	£27,044,191.20	£47,975,382.00	£31,329,541.10	£18,502,035.50	£12,009,562.50	£1,560,546.00	£149,197,391.20
Annual increase for Tax Payer	£10.61	£12.73	£14.86	£16.98	£19.10	£23.34	£27.59	£31.83	£38.20	£1,873,550.41

<b>Option 7a- no increase. The 10% reduction in Council Tax Support (£1.8m) would have to be met from elsewhere e.g. reserves</b>										
<b>Current Council Tax Amounts</b>										
Band	@	A	B	C	D	E	F	G	H	Total
Amount of Council Tax	£834.39	£1,001.27	£1,168.14	£1,335.02	£1,501.90	£1,835.66	£2,169.41	£2,503.17	£3,003.80	
No. of Props per CTB1*	3.60	2,871.70	6,647.70	20,003.10	31,542.00	16,852.90	8,421.50	4,737.50	513.00	91,593.00
Debit raised	£3,003.80	£2,875,337.49	£7,765,473.82	£26,704,583.01	£47,372,929.80	£30,936,119.51	£18,269,695.67	£11,858,752.08	£1,540,949.40	£147,323,840.79

<b>Option 7b - 0.74% increase. Covers £1.0m of the £1.8m shortfall in CTS but no allowance for increased CTS payable due to the increase in Council Tax liability</b>										
<b>Proposed Council Tax Amounts to raise additional £1.0m (gross &amp; rounded down)</b>										
Band	@	A	B	C	D	E	F	G	H	Total
Amount of Council Tax	£845.00	£1,014.00	£1,183.00	£1,352.00	£1,521.00	£1,859.00	£2,197.00	£2,535.00	£3,042.00	
No. of Props per CTB1*	3.60	2,871.70	6,647.70	20,003.10	31,542.00	16,852.90	8,421.50	4,737.50	513.00	91,593.00
Debit raised	£3,042.00	£2,911,903.80	£7,864,229.10	£27,044,191.20	£47,975,382.00	£31,329,541.10	£18,502,035.50	£12,009,562.50	£1,560,546.00	£149,197,391.20
Annual increase for Tax Payer	£10.61	£12.73	£14.86	£16.98	£19.10	£23.34	£27.59	£31.83	£38.20	£1,873,550.41

## Groups affected under option 8

<b>Option 8 Case Studies</b>		
a) Single Disabled person. Income £147.41 Band A		
	Weekly CTB	Annual CTB
Current Assessment	£12.00	£624.00
Band A No non dependant deduction	£12.00	£624.00
CTB Reduction	£0.00 No Change	£0.00 No Change
b) Lone Parent, Income £236.87, 1 child, 1 non dependant (gross income greater than £394.00 per week). Band D		
	Weekly CTB	Annual CTB
Current Assessment	£20.18	£1049.36
<ul style="list-style-type: none"> <li>Band D</li> <li>Increased non dependant deduction £8.60 to £20.00</li> </ul>	£8.78	£456.56
CTB Reduction	£11.40	£592.80
c) Working Couple, Income £151.85, 1 non dependant (gross income greater than £394.00 per week). Band D		
	Weekly CTB	Annual CTB
Current Assessment	£16.42	£853.84
<ul style="list-style-type: none"> <li>Band D</li> <li>Increased non dependant deduction £8.60 to £20.00</li> </ul>	£8.78	£456.56
CTB Reduction	£7.64	£397.28
d) Lone Parent, Income Support, no non dependants, Band F.		
	Weekly CTB	Annual CTB
Current Assessment	£41.58	£2162.16
<ul style="list-style-type: none"> <li>Band F(Restricted to Band D)</li> <li>No non dependants</li> </ul>	£28.94	£1504.88
CTB Reduction	£12.64	£657.28
e) Lone Parent, Income Support, 1 non dependant (gross income £316.00 to £394.00 per week, Band F		
	Weekly CTB	Annual CTB
Current assessment	£34.38	£1787.76

<ul style="list-style-type: none"> <li>• Band F (Restricted to Band D)</li> <li>• Increased non dependant deduction £7.20 to £15.00</li> </ul>	£13.94	£724.88
CTB Reduction	£20.44	£1062.88

Examples a) to c) show only the impact of the non dependant changes. Such cases are unaffected by the restriction to Band D.

Example d) shows the impact of a restriction to Band D upon a Band F property banding, while example e) shows the impact of such a restriction when there is also a non dependant living in the household.

Currently, there is no Council Tax data breakdown on the following protected characteristics: gender reassignment/identity, marriage and civil partnership, pregnancy and maternity, religion/belief or sexual orientation.

We will be undertaking an extensive consultation of Havering residents to canvas their views on the final design of the Local Council Tax Support Scheme. As part of this process we will ask responders to complete a Corporate Equal Opportunities Monitoring form that will assist in informing Cabinet of the wider impact when they come to ratify the scheme.

## CONSULTATION

### 4. If no data and information is available about the groups likely to be affected by the activity, how would you inform your EA? Will you be considering carrying out some consultation to inform your EA?

The Council will be required to consult on its proposed scheme with the public and preceptors. Staff who live within the borough will be targeted through an internal consultation. Any new scheme must be in place by 31<sup>st</sup> January 2013.

Once Cabinet have approved the draft final scheme, a consultation document will be prepared that will allow residents to comment on the draft final scheme. This will include case studies to help residents make informed decisions. Part of this consultation document will be monitoring through the completion of the Corporate Equal Opportunities Monitoring Form to identify the characteristics of the respondents.

We are also looking at whether it would be more cost effective to engage an external organisation to undertake the consultation on behalf of the Council and to collate and analyse responses.

#### 4 (a) Staff

We will be attending staff meetings across the Council during the consultation process to advise staff members of the introduction of the Local Council Tax Support scheme and other potential changes to Council Tax, and how they will impact on their work

areas. These meetings will include an opportunity to comment on the design of the scheme.

Those staff members who are local residents will also be invited to participate in the wider community consultation process.

#### **4 (b) Community**

The questionnaire will be drafted in partnership with the Communications team to ensure that it is understandable and accessible, ensuring clarity for residents. Translation and Interpreting Services (TIS) will be available to residents upon request.

The consultation process has initially been planned as an online exercise whereby residents will be able to take part by visiting the Havering website. Consideration is also being given to alternative/additional methods of consultation such as telephone sampling, face to face interviews with a sample of residents and paper copies of the consultation document available in customer facing areas.

During the consultation process we will also meet with representatives from Havering community groups, social landlords and voluntary organisations to separately canvas their thoughts on the options put forward for consultation.

The draft scheme will be updated to reflect residents' feedback from the consultation and any gaps/actions identified from the EA.

### **LIKELY IMPACT**

#### **5. Based on the collected data and information, what will be the likely impact of the activity on individuals and groups with protected characteristics or other socio-economic disadvantage?**

##### **5 (a) Staff**

Internally, the impact on staff administering the new scheme will be restricted to requirements for retraining and transitioning into the new role. For the Council as a whole, there will be a requirement for information on the new scheme to be shared widely to ensure they are able to provide residents with details of the new scheme and how it will work.

As over 70% of Havering Council staff live locally, those who are local residents will be impacted both as taxpayers and as potential recipients of support under the current scheme. The potential impact on staff members living locally is further explored under 5 (b).

##### **5 (b) Community**

To undertake an analysis on the impact on the protected characteristics and sub-groups, we have first examined the community data we currently hold. For example for

option 2 (see tables overleaf), disabled people contributed 23% of the total saving, but are only 17.5% of the overall population. Therefore this has been recorded as having a higher impact on this group than would have been expected from the community profile. For the same option, 20% of the savings come from working age claimants. Based on the lower youth employment rates, this is more likely to represent older households (30-64) who make up 46% of the population and therefore there is no impact related to age.

In the case of the Council Tax Benefit (CTB) data, we have looked at how the savings from each option are distributed between disabled households, working households, lone parent households and others and then compared the distribution within [Havering's community profile](#). Where a client group are identified as contributing a higher percentage of the savings than their proportion within the community this is recorded as an adverse impact.

Some of the protected characteristics that we know are more likely to be adversely affected are as follows:

**Age** – We have identified the number of working households affected. Youth unemployment is at a higher rate than that of the general population, therefore the more working households impacted the older the profile of applicants affected.

**Disability** – Disabled households are those where a state disability related benefit is in payment. We recognise that disabled people are historically disadvantaged and face greater barriers when accessing (information about) services and therefore consider disabled households to be more vulnerable than other households.

**Gender** - The data extracted shows the number of lone parent households affected; as lone parents are predominantly female the impact on women is considered to be disproportionately higher than the impact on men.

**Socio-economic disadvantage** – The Council Tax Benefit scheme is a means tested benefit available to households on a low income. Therefore all recipients would be considered to be at a socio-economic disadvantage, particularly lone parents (most likely to be women), part-time workers (most likely to be women), working-age couples on low income, large households (more likely to be from BME backgrounds) and carers (most likely to be women).

**Other protected characteristics** - Currently, there is no Council Tax data breakdown on the following protected characteristics: gender reassignment/identity, marriage and civil partnership, pregnancy and maternity, religion/belief or sexual orientation.

Where we currently do not hold quantitative data, we have used wider empirical evidence available from sources such as the Department for Communities and Local Government<sup>1</sup>. For example, for option 5, 30% of the savings are derived from increased non-dependant deductions. Empirical evidence suggests that culturally BME families are more likely to have larger households containing older working children. As

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<sup>1</sup> For example see: <http://www.communities.gov.uk/documents/housing/pdf/138814.pdf>

Havering has a BME population of 11% it is likely that they will be disproportionately impacted by this measure (+19%).

In the case of Council Tax data, the savings are distributed by households and property size and second properties. Using empirical evidence as to the characteristics of larger households we have extrapolated that there is a disproportionate impact on households more likely to live in larger properties and/or have larger households.

The impact of each of the options on the protected characteristics is highlighted in the table overleaf. When considering the impact, the tables highlight effects that are a consequence of the change from the **current** Council Tax and/or Council Tax Benefit scheme. Historic differential impacts on the protected groups that are inherent in the current Council Tax and Council Tax Benefit arrangements have not been addressed.



**Table: Impact of proposed Council Tax Options on protected characteristics and sub-groups**

Protected characteristics	Option 1
	Option 1: Absorb the 10% reduction into the council's financial reserves over Year 1 and/or year 2 of the new scheme. In effect the new Local Council Tax Support scheme duplicates the current Council Tax Benefit scheme.
<b>Age</b>	There is no adverse impact as a consequence of this change to the benefit scheme
<b>Disability</b>	There is no adverse impact as a consequence of this change to the benefit scheme
<b>Gender</b>	There is no adverse impact as a consequence of this change to the benefit scheme
<b>Gender reassignment/identity</b>	There is no adverse impact as a consequence of this change to the benefit scheme
<b>Marriage and Civil Partnership</b>	There is no adverse impact as a consequence of this change to the benefit scheme
<b>Pregnancy and maternity</b>	There is no adverse impact as a consequence of this change to the benefit scheme
<b>Race/ethnicity</b>	There is no adverse impact as a consequence of this change to the benefit scheme
<b>Religion or belief</b>	There is no adverse impact as a consequence of this change to the benefit scheme
<b>Sexual orientation</b>	There is no adverse impact as a consequence of this change to the benefit scheme
<b>Socio-economic Groups</b>	There is no adverse impact as a consequence of this change to the benefit scheme

If this is the agreed option a separate EA will be undertaken to assess the impact on potential organisational changes and staffing restructures

<b>Protected characteristics</b>	<b>Option 2</b>
	Option 2: Restrict council tax liability across each band to 80% for working age claimants in order to make 10% reduction. Council Tax properties in bands A to H are all subject to 20% liability reduction for working age claimants prior to the calculation of any entitlement to support. Pensioners are protected and the level of support calculated using 100% liability. Local Council Tax Support is calculated in the same way as the current CTB scheme except for the liability reduction.
<b>Age</b>	As per the provisions of the Welfare Reform Act 2012 and the Local Government Finance Bill, people of working age will be disproportionately affected compared to people from other age groups (people of pensioner age).
<b>Disability</b>	There is a slightly disproportionate impact on disabled households (providing 23% of the savings although only 17.5% of the number of households). This is partly because in order to meet their specific needs disabled households tend to require larger properties (attracting a higher banding). Hence, disabled households are more likely to be affected due to the higher base.
<b>Gender</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Gender reassignment/identity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Marriage and Civil Partnership</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Pregnancy and maternity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Race/ethnicity</b>	Evidence suggests that some BME communities have a cultural tradition for living in multi-generational households and tend to reside in larger properties. Due to the higher tax base these properties attract, some BME families are more likely to be affected by this option.
<b>Religion or belief</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Sexual orientation</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Socio-economic Groups</b>	Potentially, older working age households and households with children are more likely to be affected by this proposal. Households with children are more likely to live in larger properties, while older households will tend to live in larger/more expensive properties as they will have carers and/or older children requiring their own rooms, or whose children have left the property but they have not yet moved/downsized to a smaller property.

Protected characteristics	Option 3
	<p>Option 3: Calculate CTB entitlement and then reduce every working age claimant's award by 18%.</p> <p>The savings required will be achieved by reducing the amount of support the household is entitled to under the Local Council Tax Support scheme by an agreed percentage after the benefit calculation has been made.</p>
<b>Age</b>	As per the provisions of the Welfare Reform Act 2012 and the Local Government Finance Bill, people of working age will be disproportionately affected compared to people from other age groups (people of pensioner age).
<b>Disability</b>	There is a slightly disproportionate impact on disabled households (providing 23% of the savings although only 17.5% of the number of households). This is partly because in order to meet their specific needs disabled households tend to require larger properties (attracting a higher banding). Hence, disabled households are more likely to be affected due to the higher base.
<b>Gender</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Gender reassignment/identity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Marriage and Civil Partnership</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Pregnancy and maternity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Race/ethnicity</b>	Evidence suggests that some BME communities have a cultural tradition for living in multi-generational households and tend to reside in larger properties. Due to the higher tax base these properties attract, some BME families are more likely to be affected by this option.
<b>Religion or belief</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Sexual orientation</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Socio-economic Groups</b>	Potentially, older working age households and households with children are more likely to be affected by this proposal. Households with children are more likely to live in larger properties, while older households will tend to live in larger/more expensive properties as they will have carers and/or older children requiring their own rooms, or whose children have left the property but they have not yet moved/downsized to a smaller property.

Protected characteristics	Option 4
	<p>Option 4: Maximum award would be restricted to an average B and D award.            Increase benefits taper to 65%. Premiums set at 2011 rates.            Increase non-dependant deductions as follows:            £0.00 to £00.00 *            £2.85 to £15.00            £5.70 to £20.00            £7.20 to £28.00            £8.60 to £35.00            Remove second adult rebate.</p> <p>A more complex calculation is required for this option as changes have been made to the actual support calculation. The income taper (the amount of earned income taken into account) is brought in line with the proposed Universal Credit and Housing benefit calculation, increasing from 20% to 65%.</p>
<b>Age</b>	Both young and older people are potentially disproportionately impacted by this option, but for different reasons; Older families are more likely either to have grown-up children within their household or are more likely to have other adults living with them on a non-commercial basis to offset household costs (second adults, carers). Young people are more likely to be non-dependants and therefore will be expected to make a greater contribution to the Council Tax, although they have earning levels below other working groups.
<b>Disability</b>	Some disabled households might be negatively impacted because due to their type/level of disability they require larger properties that fall within E to H, while their level of support is restricted to B and D levels.
<b>Gender</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Gender reassignment/identity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Marriage and Civil Partnership</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Pregnancy and maternity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Race/ethnicity</b>	As with option 2, BME communities that have a cultural tradition for living in multi-generational households are more likely to be

	negatively impacted by this option as they tend to reside in larger (higher banded) properties and/or with older working non-dependants within the household.
<b>Religion or belief</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Sexual orientation</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Socio-economic Groups</b>	Very high non-dependant increases will penalise a very small group of older working age claimants (such as claimants with adult children in the household) who would disproportionately lose any Council Tax support, including those receiving Income Support or Job Seekers Allowance.

Protected characteristics	Option 5
	<p>Option 5: Maximum award would be restricted to an average B and D award.</p> <p>Remove second adult rebate.</p> <p>Increase benefits taper to 30%.</p> <p>Increase non-dependant deductions:</p> <p>£00.0 to £00.0</p> <p>£2.85 to £6.00</p> <p>£5.70 to £9.00</p> <p>£7.20 to £15.00</p> <p>£8.60 to £20.00</p> <p>Reduce premiums by 18%.</p> <p>In work claimants will receive less support because the taper applies to the earned income (although the taper is less than that proposed in option 4). It will be easier to collect the Council Tax from claimants in work</p>
<b>Age</b>	As with option 4, both young and old are potentially impacted by this option. Again older families are more likely either to have grown-up children within their household or are more likely or to have other adults living with them on a non-commercial basis to offset household costs. Young people are more likely to be non-dependants and therefore be expected to make a greater contribution to the Council Tax, although they have earning levels below other working people
<b>Disability</b>	As with option 4, there is a small possibility that some disabled households will be impacted as a consequence of needing larger properties that fall within band E to H, having their level of support restricted to B and D levels.
<b>Gender</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Gender reassignment/identity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Marriage and Civil Partnership</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Pregnancy and maternity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Race/ethnicity</b>	As with option 4, families that have a cultural tradition for living in multi-generational households will more likely be impacted, both as they tend reside in larger (higher banded) properties and with older working children within the household.
<b>Religion or belief</b>	There is no evidence available to indicate that sexual orientation is a factor impacted by this option

<b>Sexual orientation</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Socio-economic Groups</b>	As highlighted within the impact on Age, young people are more likely to be non-dependants and therefore be expected to make a greater contribution to the Council Tax, although they have earning levels below other working people

Protected characteristics	Option 6
	<p>Option 6: Increase council tax for certain properties in line with the Council Tax Technical Reforms for 2013.</p> <p>The Local Government Finance Act, expected to receive royal assent in November 2012, will allow local authorities to reduce the level of support.</p> <p>This option has no impact on claimants. It also has no impact on the majority of taxpayers with one home. It could assist bring properties into use and occupation in line with new homes agenda.</p>
<b>Age</b>	Older households are more likely to be affected by this option. However, households that have additional property targeted under these measures are proportionally likely to be more prosperous older households.
<b>Disability</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Gender</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Gender reassignment/identity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Marriage and Civil Partnership</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Pregnancy and maternity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Race/ethnicity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Religion or belief</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Sexual orientation</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Socio-economic Groups</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.



Protected characteristics	Option 7
	<p>Option 7: Pass on the 10% reduction by increasing the council tax charge for every taxpayer by £22 per year.</p> <p>Local authorities could choose to manage the reduction using flexibility over Council Tax. However, significant increases in Council Tax could trigger a referendum, which would have its own considerations.</p>
<b>Age</b>	<p>With reference to the Havering Population Profile, over 60% of residents (16-64 years old) are of working age. This means that working age residents are more likely to be disproportionately affected. A further 18% of the population aged 65 year and above will be affected by this option. The remaining population is made up of children.</p>
<b>Disability</b>	<p>Disabled people including older people with long-term illnesses will be affected by this option but low income disabled and/or older people in receipt of council tax support would have their entitlement recalculated to take account of the increase in council tax.</p>
<b>Gender</b>	<p>Whilst everyone will be affected, women are more likely to be affected by this option not only because they make up 52% of the Havering population but also because they are more likely to be part-time workers, lone parents and carers. Consequently, their income is lower than the average income and the impact from this option will be much more significant. Where council tax support is in payment, this will be recalculated to take into account the increase in council tax.</p>
<b>Gender reassignment/identity</b>	<p>There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the scheme.</p>
<b>Marriage and Civil Partnership</b>	<p>There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the scheme.</p>
<b>Pregnancy and maternity</b>	<p>Women are more likely to be affected by this option not only because they may be out of work due to pregnancy or maternity. Evidence also suggests that women are more likely to be lone parents. Consequently, their income is lower than the average income and the impact from this option will be much more significant. Where council tax support is in payment, this will be recalculated to take into account the increase in council tax.</p>
<b>Race/ethnicity</b>	<p>Although everyone will be affected by this option, benefits evidence shows that white and black minority ethnic claimants are more likely to be affected. However, because they are entitled to benefit, their entitlement will be recalculated to take account of the increase in council tax.</p>
<b>Religion or belief</b>	<p>There is no evidence available to indicate there is an adverse impact to this protected characteristic as a consequence of this change to the scheme.</p>
<b>Sexual orientation</b>	<p>There is no evidence available to indicate there is an adverse impact to this protected characteristic as a consequence of this change to the scheme.</p>
<b>Socio-economic Groups</b>	<p>Whilst everyone will be affected by this option, it is recognised that certain groups will be more disadvantaged than others,</p>

	<p>particularly disabled people, lone parents (most likely to be women), part-time workers (most likely to be women), working-age couples on low income, large households (more likely to be from BME backgrounds) and carers (most likely to be women). However, those groups who are more likely to be already in receipt of benefit, therefore, their entitlement will be recalculated to take account of the increase in council tax.</p>
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Protected characteristics	Option 8
	<p>Option 8: Restrict the maximum council tax support award to the top of band D, £28.94.</p> <p>Increase non-dependant deductions from:</p> <p>£00.0 to £00.0*</p> <p>£2.85 to £6.00</p> <p>£5.70 to £9.00</p> <p>£7.20 to £15.00</p> <p>£8.60 to £20.00</p> <p>Increase council tax for certain properties in line with the Council Tax Technical Reforms for 2013 as follows:</p> <p>Remove the second homes discount completely (currently 10%).</p> <p>Amending the Class A exemption (Empty and undergoing major structural repairs) to a 25% discount for a maximum of 12 months.</p> <p>Removing the Class C exemption (unoccupied and unfurnished) completely.</p> <p>Taking the savings from the abolition of Class L (mortgagees in possession).</p> <p>This uses a combination of restricting the maximum council tax support to a weekly band D charge of £28.94, non dependant deductions and reductions in property exemptions.</p> <p>All claimants (no more than 15 households in total) residing in properties banded E, F and G are likely to be affected by restricting benefit to B and D Claimants. In total, a very small number, 123 claimants will be affected by this option when compared to the working age benefit caseload of 10,313.</p>
<b>Age</b>	<p>As with option 4 and 5, both young and older people are potentially impacted by this option. Again older families are more likely either to have grown-up children within their household or are more likely to have other adults living with them (e.g. carers) on a non-commercial basis to offset household costs. Young people are more likely to be non-dependants and therefore be expected to make a greater contribution to the Council Tax, although they have earning levels below other working people</p>
<b>Disability</b>	<p>As with option 4 and 5, there is a small possibility that some disabled households will be impacted as a consequence of needing larger properties that fall within band E to H, having their level of support restricted to B and D levels.</p>
<b>Gender</b>	<p>There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.</p>

<b>Gender reassignment/identity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Marriage and Civil Partnership</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Pregnancy and maternity</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Race/ethnicity</b>	As with option 4 and 5, families that have a cultural tradition for living in multi-generational households will more likely be impacted, both as they tend reside in larger (higher banded) properties and with older working children within the household
<b>Religion or belief</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Sexual orientation</b>	There is no evidence available to indicate there is an adverse impact to this group as a consequence of this change to the benefit scheme.
<b>Socio-economic Groups</b>	As highlighted within the impact on Age, young people are more likely to be non-dependants and therefore be expected to make a greater contribution to the Council Tax, although they have earning levels below other working people.

**6. What is the likely impact on arrangements for safeguarding children and/or safeguarding vulnerable adults?**

**6 (a) Vulnerable children**

Households with vulnerable children are more likely to be in receipt of Council Tax Benefit under the current scheme and will continue to receive support under the new arrangements.

The protection offered under the current scheme is to be transferred into the new Local Council Tax Support Scheme.

**6 (b) Vulnerable adults**

As with vulnerable children, households with vulnerable adults are more likely to be in receipt of Council Tax Benefit under the current scheme and will continue to receive support under the new arrangements.

The protection offered under the current scheme is to be transferred into the new Local Council Tax Support Scheme.

**PREVENTING DISCRIMINATION**

**7. If any negative impact is identified, is there a way of eliminating or minimising it to reasonable level? If not, how can the negative impact be justified?**

**7 (a) Staff**

Please refer to 7 (b).

**7 (b) Community**

Raising awareness of residents to the forthcoming changes is essential and arrangements are to be put in place to ensure payment options including instalments, direct debits etc are also widely publicised. The scheme will also work closely with debt counselling and financial inclusion provision. We will also make sure that our communication methods and materials are accessible, inclusive and effective. For example, we will include translation strap line on all our consultation and information documents. Translation and Interpreting Services, including alternative formats, will also be provided upon request.

Although some households will be adversely impacted in comparison to current arrangements by some of the proposed changes, the options have been designed to minimise both the number of households affected and the financial impact on these households.

Certain options will be the subject of consultation with the Greater London Council and inform our final decision and new scheme. The draft scheme will be updated to reflect residents' feedback from the consultation and any gaps/actions identified from the EA.

The implementation of the new scheme will be complemented by the launch of a hardship fund for short term support for vulnerable families. Affected households will also be actively supported to move into work and other options will be explored, including support for possible relocation where appropriate.

## **PROMOTING EQUALITY**

### **8. How will the activity help the Council fulfil its legal duty to advance equality of opportunity in the way services are provided?**

#### **8 (a) Staff**

Please refer to 8 (b).

#### **8 (b) Community**

The new scheme will promote social inclusion and community cohesion by providing financial support to vulnerable and economically disadvantaged groups such as older residents, residents with disabilities, lone parents and families on low incomes.

## **SPECIFIC NEEDS**

### **9. What actions will you be taking in order to maximise positive impact and minimise negative impact from the activity?**

#### **9 (a) Staff**

Please refer to 9 (b).

#### **9 (b) Community**

Details of the new scheme will be widely publicised to seek to maximise take up by those households entitled to support under the new Local Council Tax Support arrangements. Details of how the scheme will work, including how to access hardship support, will be published on the Havering website and shared with local community organisations.

Raising awareness of residents to the forthcoming changes is essential and arrangements are to be put in place to ensure payment options including instalments, direct debits etc are also widely publicised. The scheme will also work closely with debt counselling and financial inclusion provision. We will also make sure that our communication methods and materials are accessible, inclusive and effective. For example, we will include translation strap line on all our consultation and information

documents. Translation and Interpreting Services, including alternative formats, will also be provided upon request.

Existing networks will be used to promote the information amongst hard to reach groups.

As already outlined in 7(b), it is intended that the new scheme will incorporate a hardship fund to support vulnerable families who are adversely affected by the changes.

## **MONITORING AND REVIEW**

### **10. Once implemented, how often do you intend to monitor the actual impact of the activity?**

#### **10 (a) Staff**

Please refer to 10 (b)

#### **10 (b) Community**

The draft scheme will be updated to reflect residents' feedback from the consultation and any gaps/actions identified from the EA.

Formal monitoring and review arrangements will be incorporated within the design of the new scheme.

Individual households will have access to formal appeal and review arrangements should they have complaints or concerns about the assessment criteria and method used to identify the Council Tax support they need.

Performance and quality checking systems will be core to the design of the scheme. The performance data collated, including satisfaction surveys and community profile monitoring will form part of regular reporting arrangements to senior management and members.

## **SIGN OFF AND PUBLICATION**

### **11. When completed, the Equality Analysis needs to be signed off by the Head of Service. Once signed off, it should be forwarded to the Directorate Equality Analysis Web administrator to publish it on the council's website.**

**HEAD OF SERVICE**

**Name:**

**Date:**

**Signature:**

## Resources

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**Our ref:** CTBLocalisation

**Your ref:**

**Date:** 14 November 2012

Dear Andrew

## **LONDON BOROUGH OF HAVERING – DRAFT COUNCIL TAX SUPPORT SCHEME GREATER LONDON AUTHORITY RESPONSE TO CONSULTATION**

Thank you for your communications setting out the draft council tax support (CTS) scheme which the London Borough of Havering was intending to issue for consultation with local residents and stakeholders as required under Schedule 4 to the Local Government Finance Bill. The draft scheme published for consultation is summarised in Appendix A to this letter. This letter sets out the Greater London Authority's formal response to your public consultation.

### **Introduction**

Firstly the GLA recognises that the determination of council tax support schemes under the provisions of a Local Government Finance Bill is a local matter for each London borough. Individual schemes will need to be developed which have regard to specific local circumstances both in respect of the potential impact of any scheme on working age claimants (particularly vulnerable groups) and more generally the financial impact on the council and local council taxpayers and the final policies adopted may differ therefore across the capital's 33 billing authorities for legitimate reasons.

This fact notwithstanding the GLA also shares in the risks and potential shortfalls arising from the impact of council tax benefit localisation in proportion to its share of the council tax in each London billing authority. It is therefore important that we are engaged in the scheme development process and have an understanding both of the factors which have been taken into account by boroughs in framing their proposals as well as the data and underlying assumptions used to determine any forecast shortfalls which will inform their final scheme design.

### **Framing and Publicising Proposals**

The Government has expressed a clear intention that in developing their scheme proposals billing authorities should ensure that:

- Pensioners see no change in their current level of awards whether they are existing or new claimants
- They consider extending support or protection to other vulnerable groups
- Local schemes should support work incentives and in particular avoid disincentives to move into work

The GLA concurs with those general broad principles and would encourage all billing authorities in London to have regard to them in framing their final schemes.

It is essential that schemes are presented in a way which is transparent, understandable and accessible to claimants and we therefore welcome the efforts which Havering has made to communicate its proposals to local residents and stakeholders.

It is likely, however, that the level of awareness amongst those working age claimants who may be affected by the potential changes in the borough and across London remains limited and may not crystallise until these individuals receive their revised benefit notifications and council tax bills for 2013-14 early next year. We note for example that the Council's proposals – while maintaining the existing scheme for the majority of claimants – will potentially result in large increases in the level of council tax payable by larger households living in properties in Bands E to H. It is also intended that non dependant deductions will be increased with the rise some income ranges exceeding 100%.

There remains a significant risk that collection rates will be affected adversely in the first year of the new system as it will take time for some claimants to set up new or revised payment arrangements. The GLA therefore considers that before finalising their schemes billing authorities should consider the challenges which they will face in collecting relatively small sums of money from claimants on low incomes who may not be in a position to pay by direct debit or other automatic payment mechanisms.

## **Financial Context**

According to the consultation paper 'Localising Support for Council Tax in England – Funding arrangements consultation' issued by CLG in May Havering is provisionally estimated to receive £13.56m in council tax support grant in 2013-14 with the GLA forecast to receive £3.48m in respect of the Havering borough area and around £159m for London as a whole. Slightly less than 50% of this funding will be allocated to the business rates retention baseline and will thus have the potential to move in line with the NNDR tax take including the impact of the annual RPI uplift in the multiplier with the balance being provided through revenue support grant (RSG). The RSG element has the potential to be reduced further over the next CSR period commencing in 2015-16.

In developing its proposals for consultation Havering has identified a potential difference of around £1.9m between the cost of the Council continuing to provide council tax support on the same basis at a present for its share of council tax through the 'default scheme' for working age claimants and its expected level of council tax support grant. The estimated forecast shortfall in respect of the GLA's share is around £0.5m i.e. a total forecast shortfall for the Havering borough area of £2.4m.

The Council's draft scheme therefore seeks to identify an approach which would allow it to close the expected funding gap. Havering have made limited changes to the existing council tax benefit scheme, with the main proposal being that council tax support be limited to the weekly Band D charge.



## **Technical Reforms to Council Tax**

The GLA considers that in formulating its council tax support scheme each billing authority should both consider and address how it intends to take advantage of the technical reforms to council tax which will provide greater flexibility in relation to discounts and exemptions for second and empty homes. The additional revenues from the technical reforms could be used to reduce any shortfalls and thus the sums which need to be recovered from working age claimants via any changes to council tax support.

We welcome the fact that Havering has considered how it intends to take advantage of the technical reforms to council tax and has incorporated this information within the design of its draft council tax support scheme. The Council propose to remove existing discounts for second homes (and potentially could include changes to existing discounts and exemptions for certain classes of empty property). The GLA notes that Havering have forecast that this would generate additional revenue of approximately £1.6 million. The GLA would be keen to see updated data on the forecast revenues from the technical changes and assumptions on collection rates as soon as the changes have been confirmed in order to determine the affect on the Mayor's budget for 2013-14.

## **Protecting Vulnerable Claimants**

Where boroughs choose not to adopt the default scheme and therefore pass on any shortfalls to claimants they should seek in their scheme to provide an element of protection to the most vulnerable and those in the most difficult circumstances either within the framework of their scheme or through a hardship scheme.

The GLA notes that intends to continue to fully disregard income received from the War Pensions scheme. We also recognise that Havering has sought to develop a scheme which limits the number of households likely to see reductions in support compared to the existing council tax benefit system.

Ultimately the decision as to which groups are designated as vulnerable is a matter for local determination having regard to the potential impact on other working age claimants or council taxpayers and service users more generally.

## **Incentivising Work**

The GLA considers that a key priority for the design of a localised council tax support scheme is to ensure that it does not disincentivise those in work or those seeking to move into work. In order to ensure that schemes meet this objective billing authorities should therefore take particular care in determining their policies on earnings disregards and extended payment periods (i.e. run ons).

The GLA notes that the limited changes being made by Havering should not have a negative impact on incentivising work.

## **Impact of the Government Announcement on 16 October of an Additional £100m to Support Development of Council Tax Support Schemes**

Before determining its final scheme the GLA would encourage Havering to take into account the Government's announcement on 16 October that it will provide up to £100m of additional reward grant to authorities which adopt schemes which limit the impact of changes in council tax support on working age claimants. Havering's share of this Transition Grant would be £0.367 with GLA receiving £0.094 million. It is our expectation that Havering's scheme as designed would meet the Government's criteria for this incentive grant but only if its proposal to restrict support to the Band D liability was significantly modified or abandoned entirely.

## **Setting the Council Tax base for 2013-14 and Assumptions in Relation to Collection Rates**

The Council will be required to set a council tax base for 2013-14 taking into account the potential impact of the changes being made. This will require the Council to make a judgement as to the forecast collection rates from those claimants affected by the changes. It is likely in respect of those working age claimants currently in receipt of 100% benefit that the recovery rates will be significantly below the average percentage collection for council tax as a whole.

The GLA would encourage the Council to provide it with an indicative council tax base forecast as soon as options are presented to members for approval in December or January (if not before) in order that it can assess the potential implications for the Mayor's budget for 2013-14. This should be accompanied ideally by supporting calculations disclosing any assumptions around collection rates.

## **Varying Council Tax Payments in Year**

The GLA is keen to develop a dialogue with all 33 London billing authorities as to how the budgeting, cashflow and accounting arrangements for council tax support will operate under the new system – particularly in order to manage the sharing of risks. These discussions would also need to address the mechanisms and triggers under which billing authorities will be able to vary their instalment payments to preceptors (i.e. the GLA) in year where, for example, council tax collection rates are lower than anticipated or the actual demand for council tax support is greater than budgeted for.

We anticipate that the Government will address these issues in the secondary legislation on council tax support and business rates retention in the autumn as similar issues are also likely to apply where business rates revenues are lower than forecast.

In the absence of any nationally prescribed policy the GLA would be keen to develop a common wide approach in London which would apply equally across all 33 billing authorities.

This could for example follow the current approach used for the Crossrail Business Rate Supplement where instalments may be varied no more than once per quarter with the trigger for any variation being where the forecast shortfall in revenues exceeds a set percentage of the total precept instalments payable for the year. This

would recognise that there is a balance to be struck between cashflow and resource management and the additional administration which would result for both parties if instalment payments were to be changed.

In practice, where shortfalls are not material, the GLA would envisage that any deficits would be recovered through the collection fund deficit calculation in January in the normal way (and thus recovered in the following financial year in cash terms).

Finally I would like to thank you for consulting the GLA and we look forward to working with the London Borough of Havering over the coming months in order to ensure the successful implementation of the council tax support localisation reforms.

Yours sincerely

**Martin Mitchell**  
Finance Manager

## **SUMMARY OF DRAFT COUNCIL TAX SUPPORT SCHEME PROPOSED FOR CONSULTATION BY THE LONDON BOROUGH OF HAVERING**

At present there are approximately 19,400 council tax benefit claimants in Havering of which just under 10,400 are of working age. Of these around 7,010 are working age claimants passported by DWP who therefore pay no council tax at present.

The Council has identified a potential £1.9m funding shortfall (the difference between providing council tax support to all claimants on the same basis as at present with its forecast council tax support grant of £13.56m). The GLA's potential shortfall in respect of Havering is forecast to be around £0.5m compared to its notional support grant allocation for that borough of £3.48m.

Havering commenced its consultation in July with a closing date of 14 November. The consultation is available at the following link

<http://www.surveymonkey.com/s/DRBTCFH>

The Council is proposing limited changes to the current council tax benefit scheme:

- Restricting the maximum council tax support award to the top of Band D i.e. £28.94 per week
- Adjusting existing non-dependant deductions as follows:
  - £2.85 deduction for non dependents with incomes under £180 per week would increase to £6;
  - £5.70 deduction for non dependents with incomes from £180 to £309.99 per week would increase to £9;
  - £7.20 deduction for non dependents with incomes between £310 and £386.99 per week would increase to £15 and
  - £8.60 deduction for non dependents with incomes over £387 per week would increase to £20.

However the deduction for those non dependents in receipt of pension credit, income support or income based job seekers allowance would remain at nil

The Council is also proposing to make the following changes to exemptions and discounts for second and empty homes:

- Removal of the second homes discount completely (currently 10%)
- Amending the Class A exemption (Empty and undergoing major structural repairs) to a 25% discount for a maximum of 12 months.
- Removing the Class C exemption (unoccupied and unfurnished) completely.
- Taking the savings from the abolition of Class L (mortgagees in possession).



## CABINET

12 December 2012

## REPORT

<b>Subject Heading:</b>	Housing Revenue Account (HRA) Capital Programme 2013/14 to 2014/15 – elements of 2013/14 programme for approval in advance of full programme
<b>Cabinet Member</b>	Councillor Lesley Kelly
<b>CMT Lead:</b>	Cynthia Griffin Group Director Culture and Community
<b>Report Author and contact details:</b>	Jonathan Geall Housing Needs and Strategy Manager 01708 434606 <a href="mailto:jonathan.geall@haverir.gov.uk">jonathan.geall@haverir.gov.uk</a>
<b>Policy context:</b>	Housing Strategy and Housing Revenue Account (HRA) Business Plan
<b>Financial summary:</b>	Allocation of a total of £15.4m capital resources, consisting of £12.9m of the £15m 2013/14 Decent Homes Grant allocation, and £2.4m of the £17.4m of additional HRA capital resources available in 2013/14, to enable consultation and negotiations with tenants, leaseholders and contractors to commence before year start, thus easing deliverability of, and efficiencies within, the 2013/14 HRA Capital Programme
<b>Is this a Key Decision?</b>	Yes
<b>Is this a Strategic Decision?</b>	No
<b>When should this matter be reviewed?</b>	n/a
<b>Reviewing OSC</b>	Towns and Communities

## The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	<input type="checkbox"/>
Excellence in education and learning	<input type="checkbox"/>
Opportunities for all through economic, social and cultural activity	<input checked="" type="checkbox"/>
Value and enhance the life of every individual	<input checked="" type="checkbox"/>
High customer satisfaction and a stable council tax	<input type="checkbox"/>

### SUMMARY

This report seeks approval of certain key elements of the 2013/14 Housing Revenue Account (HRA) capital programme in advance of recommendations on the full programme which will be brought to Cabinet later in this financial year together with the proposed HRA revenue budget for 2013/14.

Early approval of resources for particular elements of the Decent Homes programme, such as window replacements and new kitchens and bathrooms, is sought. A beneficial result of the introduction of HRA self-financing this year and confirmation of future years' Decent Homes Grant, is that the Council is in the position for the first time ever of having a clear view on future housing capital availability without having to rely on the Annual Subsidy Determination. This would typically not be available until late December.

This ability to forward plan means that the Council can commit capital resources earlier than previously, thus allowing commencement of consultation and negotiation with tenants, leaseholders and contractors before year end, ready for expenditure in the first quarter of next year. Until now, approval of the capital programme in February and March at the earliest has resulted in a lull in capital programme delivery in the first quarter of the financial year while the necessary pre-contract consultation and negotiations are completed. This can put in-year delivery at risk.

### RECOMMENDATIONS

1. That Cabinet approves the following allocation of capital resources within the HRA Capital Programme for 2013/14, with onward transmission to Council for approval:

	£'000s in 2013/14
Kitchens	7,900
Windows	1,600
Bathrooms	1,365
Non-traditional houses	1,467
Tower block refurbishment ( <i>for</i> )	600

<i>New Plymouth and Napier Houses)</i>	
Tower block works beyond Decent Homes <i>(for New Plymouth and Napier Houses)</i>	900
Planned preventative maintenance	1,500
Total	15,332

## REPORT DETAIL

### 1.1 Background

To date, the HRA capital programme for the following year has always been taken to Cabinet for approval, and onward transmission to full Council, together with the HRA budget recommendations in February each year.

Until the introduction of HRA self-financing, the Council was largely dependent on the annual subsidy determination to calculate available resources, both capital and revenue on a year-by-year basis. As this figure was not released by the government until late in December each year, officers could not seek member approval of the following year's capital programme before February Cabinet, this being the earliest available Cabinet meeting after release of the annual subsidy determination.

With the introduction of HRA self-financing in 2012/13 and confirmation of future years' Decent Homes grant, the Council is now in the position of being able to accurately predict in advance what capital resources will be available.

While there are clearly benefits in considering capital and revenue together, agreeing the full details of the HRA Capital Programme so late in the preceding year causes considerable problems in capital delivery, most notably:

- section 20 consultation with leaseholders affected cannot commence until budgets are approved. As this process can add one to three months to the letting of contracts, it means that many contracts for communal works, for example window replacements in flatted blocks, cannot start until the second quarter of the financial year. This thus constrains the time in which significant capital programmes can be delivered
- programmes that run across years, for example, kitchen and bathroom replacements, have to halt at year end/year start when it would be cost-effective to let contracts for the following year before year start, although of course, expenditure would not be incurred before year start. This enables contractors to gear up for delivery in quarter 1 and/or keep operatives on-site, and can enable more cost-effective quotes as the risk of stopping the programme in the subsequent year is removed.

The combined impact of the above is that every year, the HRA capital programme comes to a virtual halt as contract matters are dealt with during the first quarter. This is disruptive and cost-inefficient.

Therefore, this report seeks approval for resource allocation to key elements of the 2013/14 HRA Capital Programme.

The full 2013/14 HRA Capital Programme and indicative 2014/15 Programme will be presented to Cabinet in February together with the HRA revenue budget for 2013/14 as in customary practice.

## 1.2 Proposed HRA capital resource allocation for 2013/14 in advance of approval of the full 2013/14 Programme

At its meeting of 8 February 2012, Cabinet considered and noted the draft HRA Capital Programmes for 2013/14 and 2014/15. As discussed above, until this point in time, it has not been possible for members to approve capital schemes in advance of confirmation that the resources would be available. HRA self-financing and confirmation of Decent Homes Grant has changed this.

It is now proposed to seek approval of the allocation of a proportion of the Decent Homes Grant and the resources within the HRA Business Plan which can be converted to capital to a number of schemes for expenditure in 2013/14. The amounts for which approval is now sought are either equal to or less than the amounts noted by Cabinet at the February 2012 meeting.

Thus, Cabinet is not being asked to approve any variations to capital priorities previously noted, but to allocate the resources within sufficient time of year start so as to enable expenditure to commence in quarter 1 of 2013/14.

The table below lists the elements for which resource allocation is now requested, making clear the allocation already noted by Cabinet in February 2012, the amount for which approval is now sought, and the reason why officers believe earlier than usual allocation will be beneficial.

### *Decent Homes works for which 'early' approval is being sought*

Element	Amount listed in 2013/14 capital programme noted by Cabinet in February 2012	Amount for which approval is now being sought	Reason for 'early' approval being sought
	£'000s	£'000s	
<b>Decent Homes Works</b>			
Kitchens	7,917	7,900	Substantial pre-start survey work, including an asbestos survey, required
Windows	1,632	1,600	Section 20 consultation needed with leaseholders
Bathrooms	1,365	1,365	Substantial pre-start survey work, including an asbestos survey, required
Non-traditional houses	1,467	1,467	Substantial pre-start survey work, including an asbestos survey, required Review of the structural implications required before start



Tower block refurbishment (for New Plymouth and Napier Houses)	4,125	600	Significant amount of pre-procurement design and consultation required Section 20 consultation needed with leaseholders
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<b>Decent Homes Summary</b>	<b>£'000s</b>
Total for <b>all</b> Decent Homes works included in the draft 2013/14 Capital Programme noted by Cabinet in February 2012	23,656
Total for the Decent Homes works <b>covered in this Cabinet report</b> included in the draft 2013/14 noted by Cabinet in February 2012	16,506
Total for the Decent Homes works <b>for which 'early' approval sought</b> in this Cabinet report	12,932

### ***Non-Decent Homes works for which 'early' approval is being sought***

<b>Non-Decent Homes Works</b>			
Tower block works beyond Decent Homes (for New Plymouth and Napier Houses)	922	900	Significant amount of pre-procurement design and consultation required Section 20 consultation needed with leaseholders
Planned preventative maintenance	1,500	1,500	Section 20 consultation needed with leaseholders

<b>Non-Decent Homes Summary</b>	<b>£'000s</b>
Total for <b>all</b> Non-Decent Homes works included in the draft 2013/14 Capital Programme noted by Cabinet in February 2012	7,124
Total for the Decent Homes works <b>covered in this Cabinet report</b> included in the draft 2013/14 noted by Cabinet in February 2012	2,422
Total for the Decent Homes works <b>for which 'early' approval sought</b> in this Cabinet report	2,400

## **1.3 Reasons and Options**

The reasons for seeking approval of certain elements of the 2013/14 HRA Capital Programme now, rather than waiting for full HRA Budget report due in February 2013 are:

- section 20 consultation with leaseholders affected, that is, the statutory right leaseholders have to be consulted about works for which they will be charged, cannot commence until budgets are approved. As it is governed by legislation and can have a direct impact on the choice of contractors and/or specification of works, the section 20 process must be completed prior to the letting of a contract, and can take from one to three months to complete. The contracts to replace windows in flatted blocks and carry out more substantial works to tower blocks require section 20 consultation. Approval of these elements of the HRA Capital Programme at this stage will allow the section 20 consultation to be

completed before the beginning of 2013/14, thus allowing work to commence in quarter 1. This overcomes the lull in works otherwise typical in quarter 1

- programmes that run across years, for example, kitchen and bathroom replacements, have to date had to halt at year end/year start because resource approval is only given in February / March. It is more cost-effective to let contracts for the following year before year start, although of course, expenditure would not be incurred before year start. This enables contractors to gear up for delivery in quarter 1 and/or keep operatives on-site, and can enable more cost-effective quotes as the risk of stopping the programme in the subsequent year is removed.

The other options are:

- (a) wait until February 2013 to seek Cabinet and Council approval of the 2013/14 HRA Capital Programme – REJECTED because capital resources in the HRA are known now and so to delay *all* elements of the Programme until February would mean that the Council would be continuing to needlessly delay expenditure within the Capital Programme until the second quarter of the next financial year as it has had to do until now
- (b) seek approval now of the *entire* 2013/14 HRA Capital Programme – REJECTED because although there is greater certainty about capital resources for next year, the exact allocation across all the competing priorities within the HRA would be best achieved by aligning the final full programme with the HRA budget-setting process. Put simply, the time and financial efficiencies of earlier than usual approval of the programme only applies to those elements considered in this report.

## IMPLICATIONS AND RISKS

### 2. Financial implications and risks:

There is sufficient capital available to fund the elements of expenditure proposed in this report. Notably, the Council received confirmation in a letter from the Greater London Authority dated 6 September 2012 of £15m of Decent Homes Grant for 2013/14, along with confirmation of the final tranche of £23.581m of Decent Homes Grant in 2014/15. The Decent Homes expenditure covered in this report totals £12.932m in 2013/14 thus, it is clear that Grant is available in full to cover this.

It should be noted that further Decent Homes works will be included in the full HRA Capital Programme due to be presented in February 2013. That report will propose that these works will be funded from the remainder of the Decent Homes Grant for 2013/14, and an element of Revenue Contribution to Capital Outlay, RCCO, and other resources in the Major Repairs Reserve, MRR.

For avoidance of doubt, the £12.932m requested in this report for Decent Homes works does *not* constitute the full Decent Homes programme in 2013/14. The full programme is likely to total £23.7m, as listed in the Decent Homes Summary table in section 1.2 above, and will be detailed in full in the February 2013 Cabinet report.

The non-Decent Homes works for which capital resources are here requested total £2.4m. These can be funded from £17.399m resources available in the HRA Business Plan (additional to the Decent Homes Grant) for capital outlay, and already counted for this purpose within the Plan as approved by Cabinet on 8 February 2012.

In summary, the total allocation being requested in this report is £15.332m, consisting of £12.932m for Decent Homes, and £2.4m for other works.

For avoidance of doubt, Cabinet are not being asked to allocate any HRA capital resources in addition to those included in the draft 2013/14 HRA Capital Programme as noted by Cabinet on 8 February 2012. Furthermore, there is no capital liability falling to the Council's capital resources within the General Fund.

### **3. Legal implications and risks:**

Any local authority that owns housing stock is obliged to maintain a Housing Revenue Account and, under the Localism Act 2011, manage and project the resources within the HRA through the development and maintenance of an HRA Business Plan. This Plan was approved by Cabinet on 8 February 2012. The proposed capital expenditure covered in this report uses resources accounted for within this HRA Business Plan.

### **4. Human Resources implications and risks:**

None arising directly from this report.

### **5. Equalities implications and risks:**

The matters covered in this report relate solely to the allocation of capital resources already noted for expenditure in 2013/14 by Cabinet at its meeting on 8 February 2012, therefore, no further equalities analysis has been carried in relation to this particular report. That said, equalities analyses will be carried out, as required, on key aspects of the 2013/14 HRA revenue and capital budget-setting process and will inform the HRA Budget to be presented to Cabinet in February 2013.

## **BACKGROUND PAPERS**

Letter from the Greater London Authority, dated 6 September 2012, confirming the Council's 2013-15 Decent Homes Grant allocation.

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