

**TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2015/2016**

REPORT OF THE HEAD OF REVENUES, BENEFITS & INFORMATION TECHNOLOGY  
PORTFOLIO HOLDER: COUNCILLOR T. W. HONE

**1. SUMMARY**

- 1.1 To provide Cabinet with a further update on how the scheme is operating during its second year.
- 1.2 To consider whether to implement a Discretionary Council Tax Payments Scheme.
- 1.3 To make a recommendation to Council on the Council Tax Reduction Scheme for 2015/2016.

**2. RECOMMENDATIONS**

- 2.1 That Cabinet notes the current position relating to this financial year.
- 2.2 That Cabinet approves the implementation of a Discretionary Council Tax Payments Scheme.
- 2.3 That Cabinet approves the policy for administering Discretionary Council Tax Payments.
- 2.4 That Cabinet notes that a provision of £50,000 is suggested to meet the requirements of the Discretionary Council Tax Payments Scheme.
- 2.4 That Cabinet recommends to Council that there be no changes to the Council Tax Reduction Scheme for 2015/2016.
- 2.5 That Cabinet recommends to Council that the percentage reduction to be applied to claims in the non-protected groups be 25% for 2015/2016.
- 2.6 That Cabinet recommends to Council that the amount of Council Tax Reduction Scheme Grant distributed to the Local Precepting Authorities should be reduced by the same percentage as the Council's own Funding Settlement, which will not be known until just before Christmas 2014.
- 2.7 That Cabinet delegates to the Strategic Director of Finance, Policy and Governance in consultation with the Portfolio Holder for Finance and I.T.
  - To review the funding available for the Council Tax Reduction Scheme following the announcement of the Final Settlement including the recommendation at 2.5

- To calculate the actual amount referred to in 2.6 following the Final Settlement figures

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure that the Council complies with the requirement to ensure that a Scheme is in place by 31 January 2015.

### **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 This is a statutory requirement.

### **5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS**

- 5.1 As Cabinet did not recommend any changes to the Council Tax Reduction Scheme for 2015/2016 at its meeting on 23 September 2014, it was not necessary to consult this year.
- 5.2 A meeting has been arranged with the Parish, Town and Community Councils for 12 January 2015 to discuss with them the proposals for distributing the funding to be allocated to the Local Precepting Authorities. This could not take place any earlier as it is necessary to have the Final Settlement figures available before this can be calculated. Parish, Town and Community Councils were made aware of this event and timescales at their Annual Conference held in October 2014.

### **6. FORWARD PLAN**

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 1 August 2014.

### **7. BACKGROUND**

- 7.1 Council Tax Benefit was abolished from 1 April 2013 and was replaced by locally defined Council Tax Reduction Schemes.
- 7.2 Council Tax Benefit was a national, demand led scheme funded by the Department for Works and Pensions (DWP) and administered by each Local Authority. Expenditure was subsidised on a pound for pound basis.
- 7.3 Council Tax Reduction Schemes are now designed by each Local Authority. There were four stipulations to the schemes in the first year:
- Those who have reached the Pension Credit age are to be protected so that they are no worse off than they would have been, had Council Tax Benefit continued
  - Funding is capped at 90% of what the Office for Budget Responsibility estimated Council Tax Benefit expenditure would have been in 2013/2014, had it continued
  - Schemes should provide an incentive to work
  - Payment was to be made in the form of a Discount, rather than a Benefit, thus requiring an adjustment to the Council's Tax Base and those of each Parish, Town and Community Council

- 7.4 Three of these stipulations continue; there is however no certainty on the level of funding available for next and on-going years at this point in time. This decision will depend on the Final Settlement from the Government, which is not expected until just before Christmas.
- 7.5 Funding is now administered by the Department for Communities and Local Government (DCLG) and is incorporated into the Revenue Support Grant rather than subject to a specific claim and external Audit.
- 7.6 When designing its scheme for 2013/2014 (Year 1), the Council opted not to provide any additional funding to support the scheme because this would be unsustainable in the long term and would lead to further cuts in scheme funding in future years. The other Major Precepting Authorities, the County Council and the Police & Crime Commissioner for Hertfordshire also supported this view and were unwilling to support the scheme with any extra funding.
- 7.7 The Council did opt to protect those with disabilities and also as an incentive to work, agreed to increase the earnings disregards by 50%, thereby ensuring that for those in work, more of their earnings were retained before support was withdrawn.
- 7.8 The Council also decided not to accept the Government's Transitional Funding for two reasons:
- The requirement to ensure that nobody was more than 8.5% worse off could not be met without the Council providing substantial additional funding for the scheme
  - It was made clear that the funding would be for one year only, meaning that further substantial cuts to support would have to be made in year 2 and beyond
- 7.9 The Council's final scheme was based on a calculation following the old Council Tax Benefit rules. An across the board percentage reduction was applied to the final figure to ensure that all claimants apart from the protected groups of Pensioners and those with disabilities, received the same percentage reduction in support.
- 7.10 Because the Council did not provide any additional funding for the scheme and opted to protect those with disabilities, the percentage reduction applied to the non-protected groups was 33.13%.
- 7.11 By not providing any additional funding and not taking the Transitional Grant, the Council ensured, unlike those that took those options that although the percentage reduction was high, there should not be a need for any large increases in this figure in future, provided the DCLG Funding remains fairly constant and/or there was a significant reduction in caseload.

## **8. ISSUES**

### **The Existing Scheme**

- 8.1 When implementing the scheme, there were three areas of concern:
- Would there be public support for the scheme?
  - Would the scheme meet the financial constraints placed on it?

- Would there be a significantly detrimental effect on Council Tax collection rates because of the number of households that would now have to pay some Council Tax?

8.2 To mitigate against the first concern, the Council carried out extensive publicity, including contacting directly each claimant likely to be affected by the scheme to explain the consequences of it. Most of those affected by the scheme were therefore well informed in advance, which lessened the impact when Council Tax bills with the new award were delivered.

8.3 A high number of queries were received following the issue of the bills, however there appeared to be an acceptance of the scheme from the vast majority of those affected by it and this has continued into the second year.

8.4 Appendix 1 shows the number of claims by category active at the end of each month, together with the projected expenditure for the scheme for each of the first two years. Unfortunately monitoring did not begin until May 2013 and there are no figures available for April 2013, but the figures do show that claim numbers are falling and projected expenditure is around £455K less than the budget at present.

8.5 Provided there is not a sudden increase in the number of claimants, the scheme should come in under budget for 2014/2015.

8.6 There was a significant risk that Council Tax collection rates would be significantly reduced as a result of the Council Tax Reduction Scheme, however so far this has not proved to be the case.

8.7 Relative collection rates at the end of each month, for the previous two years and this year are as follows:

<b><u>Month</u></b>	<b><u>2012/2013</u></b>	<b><u>2013/2014</u></b>	<b><u>2014/2015</u></b>
April	10.88%	10.95%	10.78%
May	20.45%	20.57%	20.35%
June	29.72%	29.75%	29.61%
July	39.20%	39.23%	38.93%
August	48.99%	48.40%	48.04%
September	57.79%	57.55%	57.88%
October	67.55%	67.27%	67.03%
November	77.41%	76.58%	
December	86.66%	86.03%	
January	96.10%	95.33%	
February	97.75%	97.22%	
March	98.18%	97.81%	

8.8 Collection rates continue to be reducing slightly compared with those at the corresponding time in previous years. A direct comparison is difficult because of the statutory right from 2013/2014 to request twelve instalments rather than ten, which means that a proportion of the collectable debit is deferred to February and March. There is a continuing trend from Council Tax Payers to request the additional instalments and this is encouraged by Officers when dealing with customers who are experiencing difficulty in paying.

8.9 These are in-year collection figures and of course collection of unpaid Council Tax continues beyond the end of the financial year in question. The ultimate effect on the

Collection Fund is therefore difficult to quantify until all avenues of collection have been exhausted, which may be several years after the relevant year.

- 8.10 In summary, the scheme has met with seeming acceptance, is projected to be within budget and whilst there has been a slight reduction in in-year collection rates, the full effect of this will not be known for some time yet.

### **Considerations for 2015/2016**

#### **Funding**

- 8.11 For 2013/2014 DCLG made specific funding available to each Major Precepting Authority (in the case of North Hertfordshire, the County & District Councils and the Police & Crime Commissioner for Hertfordshire) to support their schemes. This included, where appropriate a specific amount intended to compensate Parish, Town and Community Councils for the reduction in their Tax Bases as a result of the new scheme. This was paid direct to District Councils, who were expected to consult with their Parish, Town and Community Councils on how this should be distributed.
- 8.12 The District Council's allocated funding from the Major Precepting Authorities was £7,249,246 with an additional £90,850 being made available for distribution to the Parish, Town and Community Councils, the formula for distribution of which was agreed at a meeting with those Councils in January 2013.
- 8.13 DCLG had given notice that Council Tax Reduction Scheme funding will not be separately identified in the 2014/2015 and subsequent Revenue Support Grant Settlement and it will be down to each Major Precepting Authority to decide how much it is prepared to fund each scheme and allocate to its Parish, Town and Community Councils.
- 8.14 The Scheme for this year (Year 2) has assumed the same level of funding by the Major Precepting Authorities (£7,249,246).
- 8.15 It is intended that the same level of funding will be available for 2015/2016, however this cannot be finally determined until the Final Settlement is known and will be subject to the final report to Council on adoption of the Scheme for 2015/2016 in January 2015.
- 8.16 For 2013/2014 the Council opted to distribute the full allocated amount of £90,850 to its Parish, Town and Community Councils, although there was no requirement to do so. In fact a small number of Councils opted not to allocate any of its funding at all and retained the allocation themselves.
- 8.17 At its meeting on 24 September 2013, Cabinet resolved ".that any change in funding in 2014/15 to Parish, Town and Community Councils be in the same proportion as that for the District Council. This principle was re-affirmed for 2015/2016 at the Cabinet Meeting on 23 September 2014.
- 8.18 Any reduction in funding to the Parish, Town and Community Councils will mean that they may have to increase their Council Tax charges to retain the same amount of total income dependant on any fluctuations in the Tax Base.
- 8.19 Applying a 15% reduction to the funding to Local Precepting Authorities based on their Precepts for 2014/2015 results in Band D Council Taxes increasing for twenty-two Local Precepting Authorities and actually reducing for nine. Of the twenty-two where an increase would apply, in eighteen cases this is less than £1.00 and in three of the

remaining four, the increase is between £1.00 and £2.00. Only in one case is the increase greater than £2.00.

- 8.20 Also at the meeting held on 23 September 2014, it was noted that the final decision on the level of funding for the Scheme in 2015/2016 could not be made until after the financial settlement is known, which is not expected until just before Christmas. A reduction of 15% has been used in the calculation mentioned at 8.19 above for illustrative purposes based on the provisional indication of potential reduction.

### **The Scheme itself**

- 8.21 The North Hertfordshire Scheme is very simple in concept in that it takes the previous Council Tax Benefit Scheme and applies an across the board reduction to awards to the non-protected groups to fit in with the available funding.
- 8.22 The decisions taken for Year 1 of the Scheme not to provide additional funding nor accept the Government's Transitional Grant meant that for 2014/2015 and 2015/2016, claimants in North Hertfordshire need not be subjected to any further reductions in Council Tax support, other than that resulting from any decrease in overall Government funding. This is something that all other Councils will have to factor in to their own schemes in addition to any other changes they will have to implement by either continuing to provide additional funding from their own General Fund and make up the shortfall from the loss of the Transitional Grant.
- 8.23 In fact reductions in caseload and the subsequent reduction in expenditure, now gives the Council scope to reduce the 33.13% reduction applied to the non-protected groups and this will be considered later in this report.
- 8.24 At the meeting on 23 September 2014, Cabinet decided not to recommend any changes to the Council Tax Reduction Scheme for 2015/2016. The option for the Council to set the percentage reduction to be applied each year is already built into the Council Tax Reduction Scheme and any variation of this does not constitute a change to the Scheme.

### **Recent Case Law**

- 8.25 There has been recent case law established relating to consultation and the provision of additional support for those experiencing difficulty in making payment.
- 8.26 The Supreme Court ruled earlier this year that three Councils' consultation was unlawful because it did not provide details of alternative ways of funding Council Tax Reduction Schemes other than by relying solely on the Government's funding, such as additional funding being provided by the Council or increases in Council Tax levels.
- 8.27 The Court also ruled that whilst the consultation had not met the criteria required, because of the time elapsed it would not order the consultation to be carried out again but any further consultation on changes to schemes would have to include these alternative methods of possible funding.
- 8.28 This ruling would apply to many Councils, including this Council and is something that would have to be complied with if it is necessary to consult again in the future.
- 8.29 Also earlier this year, the Valuation Tribunal considered three cases where it was shown that the appellants did not have the means to pay their Council Tax and ruled that the Council's concerned should have remitted the charge.

- 8.30 The Tribunal further ruled that Councils should have a procedure for assisting those in severe financial difficulties.
- 8.31 This ruling supports the view for Councils to have a Discretionary Fund for this purpose.
- 8.32 For the first two years of the Scheme, the Council has not received any specific requests for remittance of Council Tax on these grounds and had it received any would have dealt with it by means of write-off.
- 8.33 For reasons of transparency, and in view of the Tribunal ruling it is suggested that the Council has a fund for Discretionary Council Tax Payments, which would be administered on the same lines as those for Discretionary Housing Payments. The same policy would be used with the exception that whilst Discretionary Housing Payments can only be claimed by those in receipt of Housing Benefit, Discretionary Council Tax Payments can be claimed by any Council Tax payer that meets the criteria. This would be in accordance with the Tribunal ruling.
- 8.34 A Discretionary Council Tax Payments policy based on that for administering Discretionary Housing Payments is at Appendix 2.
- 8.35 The ruling makes it clear that Discretionary Payments cannot be limited to a fund of money available to support such payments. In other words a claim cannot be refused that meets all the criteria simply because the ear-marked funding has been spent. Because of this, a cash limit cannot be imposed, however Officers would suggest that based on the current spend on Discretionary Housing Payments, funding of £50,000 should be adequate for this purpose.
- 8.36 This amount can be funded from the expected under spend on the Collection Fund for the Council Tax Reduction Scheme and would not have any effect on the General Fund.

**Consideration of the multiplier to be used to reduce the awards to the non-protected groups**

- 8.37 For the first two years of the Scheme, this has been set at 33.13%. This means that for working age claimants, who do not qualify for a disability premium, their entitlement to Council Tax Reduction is calculated in the same way as it was previously for Council Tax Benefit and is then reduced by 33.13%. This ensures that all claimants not in the protected groups have the same percentage reduction applied.
- 8.38 Between May 2013 (the first time that the data was recorded) and October 2014, the number of claimants and the value of awards for those in the protected groups have remained fairly stable. However, there has been a significant reduction in both the caseload and value of awards for those in the non-protected groups, indicating that the intention to encourage claimants to move into work is working

	<b>May 2013</b>	<b>Oct 2014</b>	<b>Difference</b>
No. of Protected Claims	5,475	5,444	31
Value of Protected Claims	£5,020,863	£5,003,429	£17,434
No. of Non-Protected Claims	3,590	3,224	366
Value of Non-Protected Claims	£2,099,190	£1,790,972	£308,218

- 8.39 At May 2013, the Scheme was already expected to under spend by £129,193 and this in addition to the reductions in expenditure above of £17,434 and £308,218 means that expenditure is projected at the end of October 2014 to be £454,845 less than allowed for in 2014/2015.
- 8.40 This does give the Council some scope to reduce the percentage reduction applied to the non-protected groups if it so wishes.
- 8.41 Allowing for £50,000 being available for the Discretionary Council Tax Payments detailed above, the percentage reduction for the non-protected groups could be reduced to 18.01%, however this would leave no contingency in case there was a reversal of the trend for the caseload to decrease and instead there was an increase.
- 8.42 A more risk based approach would be to reduce the percentage to 25%, which would leave a contingency of £187K in the Collection Fund and would give on average an additional £120 a year to a claimant living in a Band D property.
- 8.43 An increase in Council Tax Support would mean that those in the non-protected groups would need to pay less Council Tax which in turn may help to make collection easier.
- 8.44 This would increase the amount of Council Tax Reduction being paid by around £215K, which would in turn lead to a reduction in the Council Tax Base of around 145 in 2015/2016 if the level of Council Tax Reduction Scheme payments remained constant.
- 8.45 However, if the current trend continues and the caseload continues to reduce, the overall level of payments is likely to drop to compensate for this.
- 8.46 A reduction in the percentage reduction would also hopefully help to increase the collection rate.

### **Next Steps**

- 8.47 Cabinet has already stated that its preferred option is to make no changes to the Scheme for 2015/2016, and this will be subject to final ratification by Council in January 2015, once all the Final Settlement figures are known and applied..
- 8.48 On the basis that the Scheme will continue to be based on the old Council Tax Benefit Scheme, with an across the board percentage reduction for the non-protected claimants, a recommendation will also need to be made to the Council in January 2015 on what the percentage reduction should be.
- 8.49 A recommendation will also need to be made to the Council in January 2015 on the level of funding to be delegated to the Local Precepting Authorities.
- 8.50 As there will not be an opportunity for a further Cabinet meeting before the papers for the Council meeting in January 2015 have to be published, it is recommended that these decisions be delegated to the Strategic Director of Finance, Policy and Governance in consultation with the Portfolio Holder for Finance and I.T. taking into consideration Cabinet's stated view that any changes in these amounts should reflect any changes in the final financial settlement.



## **9. LEGAL IMPLICATIONS**

- 9.1 The Council is required to set its Council Tax Reduction Scheme by 31 January preceding the start of the financial year in which it is to apply.
- 9.2 Cabinet's terms of reference include at paragraph 5.6.38 of the Constitution making recommendations to Council on the Council Tax Reduction Scheme. Paragraph 4.4.1(z) of the Constitution reserves to Full Council approving the Council Tax Reduction Scheme.
- 9.3 The Council is required to consult on any changes to its scheme as follows:
- Consult any Major Precepting Authority which has power to issue a precept to it
  - Publish a draft scheme in such manner as it thinks fit
  - Consult such other persons as it considers are likely to have an interest in the operation of the scheme
- 9.4 For the original scheme implemented for 2013/2014, it was necessary to carry out comprehensive consultation to ensure that the Council complied with the legal requirement to consult and did not leave itself open to challenge. At its meeting on 24 September 2013 Cabinet decided to make no fundamental changes to the scheme for 2014/2015 subject to the required statutory consultation and the advice was that consultation would still be required but could be lighter touch, with access to the consultation being through the Council's web site.
- 9.5 For 2015/2016, Cabinet decided at its meeting on 23 September 2014 that it was not recommending any changes to the Scheme for 2015/2016 and therefore no consultation has been necessary.

## **10. FINANCIAL IMPLICATIONS**

- 10.1 The Scheme in place for 2014/2015 is expected to show a reduction in cost than originally anticipated due to the reduction in caseload.
- 10.2 The financial implications of the Scheme have been covered elsewhere in the report..

## **11. RISK IMPLICATIONS**

- 11.1 Because the Council is required to implement a demand led Scheme with cash limited funding, there is a financial risk should the number of claimants increase significantly. Monthly monitoring of the number of claimants and cost of the Scheme is undertaken by the Senior Management Team. The amount of Council Tax recovered in the year is monitored by Overview and Scrutiny on a quarterly basis. These monitoring arrangements allow for any actions or adjustments to the budget to be taken at an early stage.
- 11.2 The Office for Budgetary Responsibility has predicted that caseloads nationally will reduce and this is borne out by the reductions in the Council's caseload over the last two years and the estimated reduced spend on the Scheme in 2014/2015 to that originally expected.
- 11.3 Should the Council fail to agree a Scheme by 31 January 2015, the existing Scheme will remain in force by default, but this will not include any change required to the percentage reduction to take account of any reduced expenditure on the Scheme.

## **12. EQUALITIES IMPLICATIONS**

- 12.1 The Equality Act 2010 came into force on the 1 October 2010, a major piece of legislation. The Act also created a new Public Sector Equality Duty, which came into force on the 5 April 2011. There is a General duty, described in 12.2, that public bodies must meet, underpinned by more specific duties which are designed to help meet them.
- 12.2 In line with the Public Sector Equality Duty, public bodies must, in the exercise of its functions, give **due regard** to the need to
- Eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Act.
  - Advance equality of opportunity between people who share a protected characteristic (age, disability, gender re-assignment, marriage or civil partnership, race, religion and belief, sex, sexual orientation and pregnancy and maternity) and those who do not (this can mean removing or minimising disadvantage; meeting people's needs; taking account of disabilities; encouraging participation in public life).
  - Foster good relations between those people who share a protected characteristic and those who do not (such as tackling prejudice and promoting understanding)..
- 12.3 The duty is not, however, to achieve in full the three equality aims but to take them into account, and demonstrate that they have been considered, when making a final decision. Therefore the duty does not stop difficult, but justifiable, decisions being made. By conducting extensive consultation when the scheme was first implemented, the Council sought to collect information from those who may be potentially affected by these proposals. The public consultation showed broad support for the scheme. By retaining fundamentally the same scheme for 2014/2015 and 2015/2016, it is reasonable to assume that the Council has met its obligations under the Equality Act but continuous review of implementation and potential effects will also continue to take place in year.
- 12.4 The additional recommendation for 2015/16 to provide a suitable 'Discretionary Council Tax Payment Scheme'" provides an additional means by which those most in need financially can access such support were it necessary.

## **13. SOCIAL VALUE IMPLICATIONS**

- 13.1 As the recommendations made in this report do not constitute a public service contract, the measurement of 'social value' as required by the Public Services (Social Value) Act 2012 need not be applied, although equalities implications and opportunities are identified in the relevant section at paragraphs 12.

## **14. HUMAN RESOURCE IMPLICATIONS**

- 14.1 There are no Human Resource implications to this report.

## **15. APPENDICES**

- 15.1 Appendix 1 - Council Tax Reduction Scheme Values May 2013 to October 2014 by Category.
- 15.2 Appendix 2 – Proposed Discretionary Council Tax Payments Policy.

## **16. CONTACT OFFICERS**

16.1 Report Author: Howard Crompton  
Head of Revenues, Benefits & Information Technology  
Tel: 01462 474247  
Email: [howard.crompton@north-herts.gov.uk](mailto:howard.crompton@north-herts.gov.uk)

16.2 Contributors: Norma Atlay  
Strategic Director of Finance, Policy & Governance  
Tel: 01462 474297  
Email: [norma.atlay@north-herts.gov.uk](mailto:norma.atlay@north-herts.gov.uk)

Tim Neill  
Accountancy Manager  
Tel: 01462 474461  
Email: [tim.neill@north-herts.gov.uk](mailto:tim.neill@north-herts.gov.uk)

Liz Green  
Head of Policy & Community Services  
Tel: 01462 474230  
Email: [liz.green@north-herts.gov.uk](mailto:liz.green@north-herts.gov.uk)

Anthony Roche  
Acting Corporate Legal Manager  
Tel: 01462 474588  
Email: [anthony.roche@north-herts.gov.uk](mailto:anthony.roche@north-herts.gov.uk)

Sarah Gibbs  
Revenues & Benefits Service Manager  
Tel: 01462 474306  
Email: [sarah.gibbs@north-herts.gov.uk](mailto:sarah.gibbs@north-herts.gov.uk)

Anne Banner  
Benefits Manager  
Tel: 01462 474610  
Email: [anne.banner@north-herts.gov.uk](mailto:anne.banner@north-herts.gov.uk)

Geraldine Goodwin  
Revenues manager  
Tel: 01462 474277  
Email: [geraldine.goodwin@north-herts.gov.uk](mailto:geraldine.goodwin@north-herts.gov.uk)

## **17. BACKGROUND PAPERS**

- 17.1 North Hertfordshire District Council, Council Tax Reduction Scheme 2014/2015.