

**CABINET
27 SEPTEMBER 2016**

***PART 1 – PUBLIC DOCUMENT**

AGENDA ITEM No.

10

TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2017/2018

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

1. SUMMARY

- 1.1 To provide Cabinet with an update on how the scheme has operated during its first three and a half years.
- 1.2 To consider whether any changes should be made to the Council Tax Reduction Scheme (CTRS) for year five (2017/2018), prior to public consultation and a final recommendation being made to Council later in the financial year.

2. RECOMMENDATIONS

- 2.1 That Cabinet notes the CTRS position relating to this and previous financial years.
- 2.2 That there be no substantive changes to the CTRS for 2017/2018.
- 2.3 That Cabinet is minded to recommend to the Council at its Meeting on 19 January 2017 that changes be made to the CTRS to implement the following to ensure the consistency of the Scheme with other welfare benefit changes:
 - Changes to the Temporary Absence Rules
 - Removal of Severe Disability Premium for persons where Universal Credit (Carers Element) is in payment and;
 - Removal of the Employment Support Allowance Work Related Activity Component for all new Employment Support Allowance Work Related Activity Group claims

and that the Head of Revenues, Benefit & IT should carry out the necessary public consultation

- 2.4 That the Executive Member for Finance & IT is consulted on the content of the consultation questionnaire.
- 2.5 That Cabinet notes that the level of Scheme funding to be allocated to the Parish, Town and Community Councils will be reduced in line with the reduction in Government Support unless Members wish to revisit this approach.
- 2.6 That Cabinet considers at its meeting on 20 December 2016 whether there is scope to increase the value of awards, taking into consideration any knowledge at the time on likely Council Tax increases for 2017/2018.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To decide on whether any changes are proposed to the CTRS for 2017/2018 and enable the required consultation to be carried out.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 The purpose of this report is to consider whether the scheme as it stands meets the needs of providing support where required and is affordable. Other options can be considered as part of this process.

5. CONSULTATION WITH EXTERNAL ORGANISATIONS AND WARD MEMBERS

- 5.1 This report is recommending that there be no substantive changes to the CTRS for 2017/2018 and is seeking the views of Cabinet on this. Consultation with the Major and Local Precepting Authorities and the public will be required, prior to Cabinet considering its final recommendations to Council in December 2016, taking into consideration the outcome of the consultation.

6. FORWARD PLAN

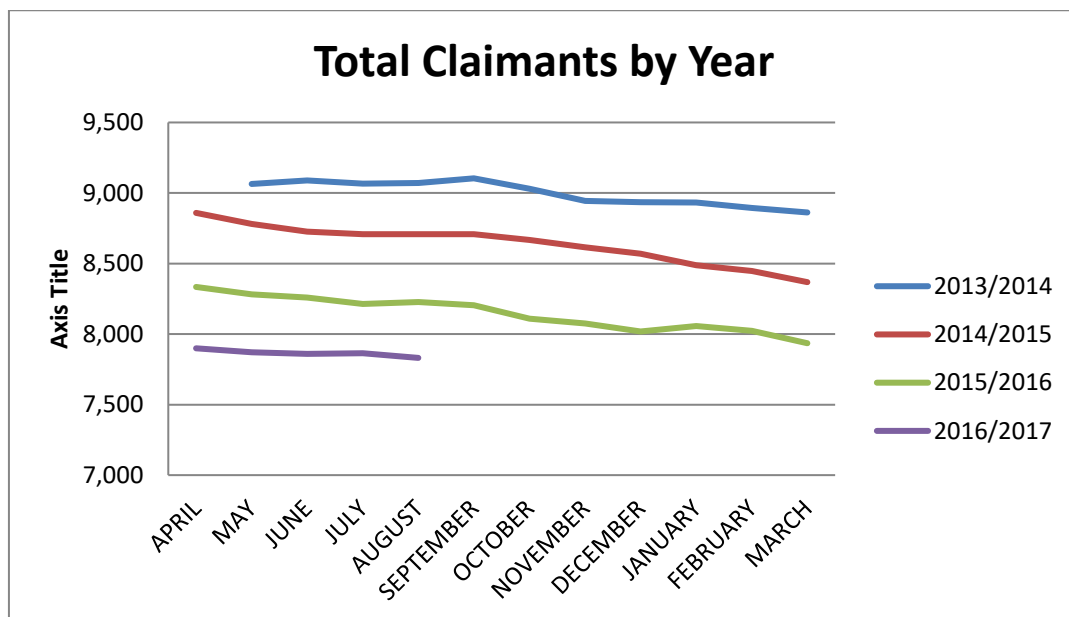
- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 22 July 2015.

7. BACKGROUND

- 7.1 Council Tax Benefit was abolished on 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 Since 1 April 2013, Council Tax Reduction Schemes are now designed and administered by each Local Authority. The only proviso is that 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. This is achieved by means of a separate Scheme prescribed by the Government and administered and effectively paid for by Precepting Authorities
- 7.4 Funding was originally set by the Government in 2013/2014 at 90% of the projected cost of Council Tax Benefit for that year, had it continued. As those of Pension Age are protected, it meant that the burden of the reduced funding fell on Working Age claimants.
- 7.5 Since 2014/2015, funding is rolled up within the overall Government Support and is no longer separately identified. In practice, application of the Scheme results in a reduction in the Council Tax Base, which ultimately reduces the Council's ability to raise Council Tax income.
- 7.6 From the beginning, this Council decided to also protect those claimants who were entitled to a Disability Premium and this has met with general public support when subjected to consultation.

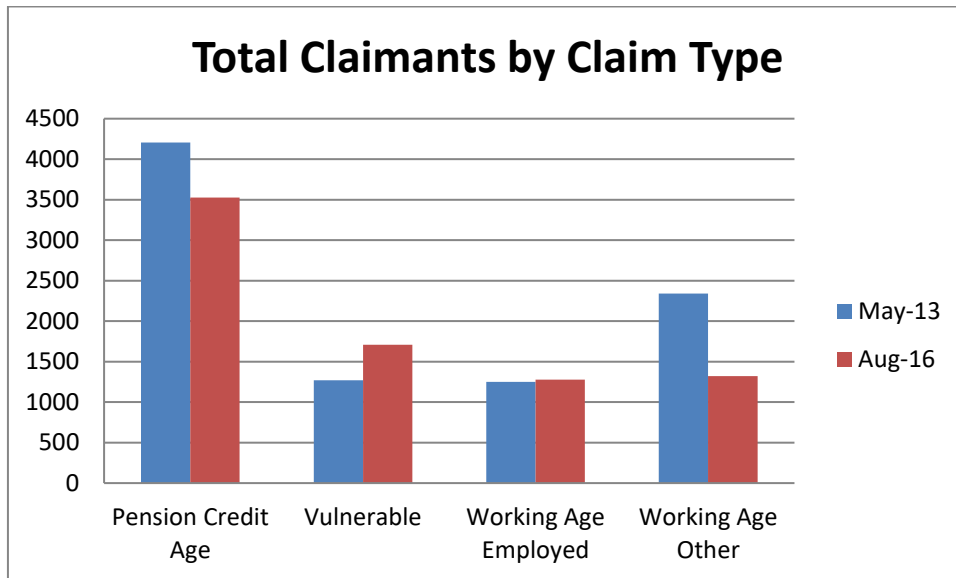
- 7.7 The Council's Scheme is based on the old Council Tax Benefit Scheme and is therefore means-tested with a standard percentage reduction being made to the final award. This reduction was 33.13% for the first two years of the Scheme and has been reduced to 25% for the subsequent two years.
- 7.8 The Scheme has been generally accepted within North Hertfordshire. The Council has received very little feedback on the Scheme and collection rates have been fairly well maintained considering the recent period of austerity.
- 7.9 The Scheme continues to cost less than anticipated due in the main to the steady reduction in the number of claimants. This has meant that the Scheme continues to cost around about the same amount each year even though Council Tax levels have increased. It was hoped to make the Scheme more generous for this current year (2016/2017) however it was decided not to do so when it was announced that the County Council would be increasing their Council Tax by 3.9%. Despite this, the Scheme is expected to remain in surplus by over £500,000, which means that the Collection Fund will be better off by that amount.
- 7.10 Appendix 1 gives the data in terms of claimant numbers and cost of the Scheme throughout its life. Chart 1 below shows how claimant numbers have steadily reduced since the Scheme was introduced.

Chart 1



- 7.11 Chart 2 below shows the difference in number of claimants by claimant type from May 2013 (the earliest data we have) to August 2016. Members will see there has been a significant reduction in the number of Pension Credit Age claimants (679 less or 16.15%) and Working Age claimants not working (1,021 less or 43.61%). The number of Working Age claimants in work has remained fairly constant (30 more or 2.40%), however the number of Vulnerable claimants, i.e. those in receipt of a Disability Premium has increased significantly (436 more or 34.30%).

Chart 2



8. ISSUES

Changes to Housing Benefit and should these be reflected in the CTRS?

- 8.1 For the first three years the Council's CTRS did not deviate from the old Council Tax Benefit Scheme, which itself is modelled on the Housing Benefit Scheme.
- 8.2 For this current year, 2016/2017 the Government has removed entitlement to Family Premium for new claimants to Housing Benefit from 1 April 2016. The Council decided at its meeting in January this year to retain entitlement to Family Premium for its CTRS. This was the first deviation from the former Council Tax Benefit Scheme implemented by the Council and was designed to not further financially penalise families with dependent children.
- 8.3 The Government is proposing further changes to Housing Benefit for 2017/2018 to reduce the amount of Housing Benefit expenditure and the Council needs to decide whether to reflect these within its CTRS.
- 8.4 The changes can be summarised as follows:
- Back-dating of awards can only be made to a maximum of one month for working age claimants rather than six months
 - Changes to the Temporary Absence Rules
 - Removal of Severe Disability Premium for persons where Universal Credit (Carers Element) is in payment
 - Child Premiums limited to two dependent children for new claims from 1 April 2017 or for children born after 1 April 2017
 - Removal of the Employment Support Allowance Work Related Activity Component for all new Employment Support Allowance Work Related Activity Group claims

Back-dating of awards can only be made to a maximum of one month for working age claimants rather than six months

- 8.5 This has been introduced into Housing Benefit to reduce costs. The previous time limit was six months and to qualify claimants must show continuous good cause why they did not claim at the correct time. The test of good cause is quite stringent and requires evidence such as but not limited to hospitalisation, incapacity or mental health difficulties. It is not sufficient to simply state ignorance of the claim process.
- 8.6 Given the onus to prove continuous good cause it seems unreasonable to restrict this to a period of one month, which could result in Council Tax arrears, which could be avoided if that good cause can be demonstrated. Officers would therefore recommend that this change is not implemented within the Council's CTRS and the back-dating rules remain unchanged.

Child Premiums limited to two dependent children for new claims from 1 April 2017 or for children born after 1 April 2017

- 8.7 From 1 April 2017 only two dependent children will be allowed for within the calculation of entitlement to Housing Benefit for new claims or any children born to existing claimants after 1 April 2017.
- 8.8 This is designed to save Housing Benefit expenditure but will of course have an adverse effect on claimants in this category, which could manifest itself in additional rent arrears.
- 8.9 Similarly, if the Council were to implement this in its CTRS, it would further penalise a small number of working age claimants and could have a detrimental effect on Council Tax collection. For this reason, Officers would recommend that this change is not incorporated into the Council's CTRS.

Changes to the Temporary Absence Rules

- 8.10 The changes came into effect from July this year and relate to absences outside Great Britain and will be put into the Prescribed CTRS Regulations which apply to Pension Credit Age claimants from 1 April 2017.
- 8.11 Appendix 2 summarises the changes to the Temporary Absence Rules, which will apply to both Housing Benefit and the Prescribed CTRS Regulations which apply to Pension Credit Age claimants.
- 8.12 In reality Temporary Absence is rarely applied and where it is this is more likely to be pension age claimants spending time abroad, particularly in the winter months. It is difficult to detect such cases unless this is reported to us by an informant.
- 8.13 On the basis that these changes will apply to Housing Benefit and the Prescribed Pension Credit Age Scheme, it would be potentially confusing to have different rules apply to the CTRS for working age claimants, especially due to the complexity of the rules. In addition, as it is applied so rarely it would seem reasonable to make the changes to the CTRS for working age claimants.
- 8.14 If Cabinet is mindful to recommend to the Council that such a change be made to the CTRS, this will require consultation with the public.

Removal of Severe Disability Premium for persons where Universal Credit (Carers Element) is in payment

- 8.15 This is a technical change. Under Universal Credit a Carers Element exists for those who are caring for someone. This change moves the recognition of this from the person receiving the care by means of the Severe Disability Premium to the person providing the care in the form of an additional payment. If the Council did not change this rule in line with Housing Benefit, there is a risk that some claimants may benefit from both the premium and the additional Universal Credit payments..
- 8.16 Again, if the Council wished to implement this change, consultation with the public will be required.

Removal of the Employment Support Allowance Work Related Activity Component for all new Employment Support Allowance Work Related Activity Group claims

- 8.17 This is another technical change applying to a small number of claimants who receive Employment Support Allowance and are able to do some work. Where this applies at the present, an additional payment is made to the claimants in the form of the Work Related Activity Component. To ensure that they receive the full benefit of this, their Housing Benefit and CTRS premiums are increased by the same amount. Now that the Government is withdrawing this component, it is necessary to also withdraw the premiums from both Housing Benefit and CTRS.
- 8.18 Officers would therefore recommend that this change be implemented, which will again require public consultation.
- 8.19 All the changes considered in 8.5 to 8.18 will effect very few of the caseload and some are of a very technical nature, which will not actually change the amount of CTRS awarded and are necessary to maintain the integrity and consistency of the Scheme with other welfare benefit changes.

Percentage by which claims are restricted

- 8.20 Entitlement under the Council's CTRS is based on the following criteria for each claim group:

Claim Group	Criteria	Calculation
Pensioner	Pension Credit Age	Entitlement protected under old Council Tax Benefit Rules as amended by the Prescribed Scheme
Vulnerable	Claimant, Partner or Dependent disabled	Entitlement protected under old Council Tax Benefit Rules as amended by the Prescribed Scheme
Working Age – Employed	Under Pension Credit Age, in work and not vulnerable	Entitlement calculated based on old Council Tax Benefit Rules and then reduced by 25%
Working Age - Other	Under Pension Credit Age, not in work and not vulnerable	Entitlement calculated based on old Council Tax Benefit Rules and then reduced by 25%

- 8.21 For the first two years of the Scheme, the percentage reduction for the two working age groups was 33.13% and the Council has been able to make the Scheme more generous for these two groups in the last two years, predominantly due to the overall reduction in caseload.

- 8.22 It was hoped to reduce this percentage even further for this year, however there was a significant risk that if the caseload did not continue to decrease, the Scheme could be overspent due to the increase of 3.9% in the County Council's Council Tax and 1.9% for the District.
- 8.23 It is built into the Council's Scheme that this percentage will be decided each year by the Council and so there is no need to consult on this figure and Cabinet will be able to make a more informed recommendation to the Council following its meeting in December 2016 when more data will be available on the projected caseload and there may be a better understanding on likely levels of Council Tax increases for 2017/2018.
- 8.24 Cabinet should note that there is always a risk that any reduction in the 25% value may have to be reversed in subsequent years should there be a further rise in Council Tax or increase in the caseload.

Amount to be distributed to Parish, Town & Community Councils

- 8.25 When CTRS was introduced in 2013, the Government provided funding to each Billing Authority to compensate for the reduction in their Tax Bases as CTRS was to be treated as a Discount and was no longer reimbursed on a pound for pound basis through subsidy arrangements. Each Billing Authority was also given a sum of money to distribute amongst its Parish, Town & Community Councils to compensate for their reduction in the Tax Base.
- 8.26 This funding is no longer separately identifiable within the Council's financial settlement from the Government and the principle has now been adopted each year that the amount of money distributed by the Council will reduce in line with its own reduction in Government support.
- 8.27 As a four year settlement was announced in February 2016 for the period 2016/2017 to 2019/2020, the Council has already received indication that it will be subject to a 23.3% reduction in funding for 2017/2018. Consequently the amount to be distributed to Parish, Town & Community Councils should also be expected to reduce from £50,697 for this year to £38,885 for 2017/2018.
- 8.28 Officers would therefore recommend that the principle of reducing the amounts distributed to Parish, Town & Community Councils in line with its own reduction in Government Support should continue.

9. LEGAL IMPLICATIONS

- 9.1 Section 5(2) of Schedule 4 of the Local Government Finance Act 2012, which inserts Schedule 1A to the Local Government Finance Act 1992 requires the Council 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 Full Council's terms of reference include at 4.4.1 (z) "approving the Council Tax Reduction Scheme". Cabinet's terms of reference include at 5.6.39 recommending to Full Council "The Council Tax Reduction Scheme".

9.3 Section 3(1) of Schedule 4 of the Local Government Finance Act 2012, which inserts Schedule 1A to the Local Government Finance Act 1992 requires the Council 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. Very minor changes were made to the Scheme in year two and a restricted consultation exercise was carried inviting members of the public to comment on the Council's web site. There were no changes proposed to the Scheme for year three and the practice at that time was that no further consultation was required.

9.5 The changes proposed for 2017/2018 are of a minor or technical nature and therefore a restricted consultation exercise would be satisfactory in this instance to comply with the requirement that any changes be consulted on.

9.6 Cabinet should note that changes to the Scheme cannot be made later in the financial year due to the need to consult before any changes can be implemented.

10. FINANCIAL IMPLICATIONS

10.1 The financial implications have been covered elsewhere in the report.

10.2 The projected underspend on the Scheme may give the Council scope to reduce the 25% reduction applied to non-protected claims and a final decision on this can be taken later in the year, when there is a more definite expectation on the cost of the Scheme and the implications of the Budget changes on potential Council Tax increases will be clearer. The requirement to set this figure each year is already built into the Scheme and so can be changed for any year.

10.3 The intention would be to report to Cabinet in December on the expenditure on the Scheme at that time with a recommendation on the % reduction to be applied for 2017/2018. Cabinet can then make its final recommendation to the Council in January.

10.4 There is no statutory requirement for the council to provide funding to Parish, Town and Community Councils, but it may choose to do so. In 2016/2017 this Council passed on £50,697. The current estimated cost of funding to Parish, Town and Community Councils in 2017/18 is £38,885, based on a reduction in Government Support of 23.3%.

11. RISK IMPLICATIONS

11.1 There will be financial risks associated with the Scheme, which will be evaluated when the next report is prepared for consideration by Cabinet.

11.2 The indications so far for this current year is that the Scheme is under budget, which does provide a contingency in the unlikely event of an increase in claims later in the year.

- 11.3 There is a risk that there may be an increase in caseload. At this stage, Cabinet is only considering the criteria on which to consult and no final decision needs to be made until the December Cabinet Meeting, by which time there will be further, more up-to-date data on which to make that decision.
- 11.4 At this stage of the process for determining the scheme for 2017/2018, the main risk is that the Council decides to make changes to the Scheme and does not follow the correct consultation process and therefore leaves itself open to challenge. This is why the Council needs to consider whether it wishes to make any fundamental changes to the scheme for 2017/2018 at this early stage.

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 demonstrate the Council has taken them into account 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 substantially retaining the same scheme since 2013/2014, it is reasonable to assume that the Council continues to meet its obligations under the Equality Act, but pertinent guidance notes and any changes to equalities legislation will be checked following decision by Council in January to ensure this remains the case.
- 12.4 By not mirroring the changes proposed to Housing Benefit in its CTRS relating to back-dating and the number of dependent children taken into consideration, the Council is protecting working age claimants from possible further reductions in the Council Tax Support they receive.

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 by Category
15.2 Appendix 2 – Summary of Temporary Absence Changes

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1 North Hertfordshire District Council, Council Tax Reduction Scheme 2013/2014
17.2 North Hertfordshire District Council, Council Tax Reduction Scheme 2014/2015
17.3 North Hertfordshire District Council, Council Tax Reduction Scheme 2015/2016