

<b>COUNCIL</b> <b>22 January 2015</b>
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<b>*PART 1 – PUBLIC DOCUMENT</b>	<b>AGENDA ITEM No.</b>  <b>6</b>
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**TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2015/2016**

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

**1. SUMMARY**

- 1.1 To approve the Council Tax Reduction Scheme (CTRS) for North Hertfordshire for 2015/2016

**2. RECOMMENDATIONS**

- 2.1 That the Scheme attached at Appendix 1 be approved as the Council Tax Reduction Scheme for North Hertfordshire for 2015/2016.
- 2.2 That in accordance with Section 59A.1 of the Council Tax Reduction Scheme referred to in 2.1, the Council sets the percentage by which each award to each recipient in the Non-Protected Groups is reduced at 25.00% for 2015/2016. This represents a reduction of 8.13% from 2014/2015.
- 2.3 That the amount to be distributed to the Local Precepting Authorities for Council Tax Reduction Scheme Grant is £67,238 and that this is distributed in proportion to the total awards of CTRS in each Local Precepting area.

**3. REASONS FOR RECOMMENDATIONS**

- 3.1 To comply with the requirement to approve any changes to the local Council Tax Reduction Scheme for the coming financial year by the deadline of 31 January.

**4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Variations to the existing Scheme have been considered by Cabinet and are discussed in this report.

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

- 5.1 Because the Council is proposing to make no changes to the existing Scheme other than variations allowed for within it or imposed by changes in regulations, no formal consultation with the public was necessary. The variations were considered by Cabinet at its meetings on 23 September 2014 and 16 December 2014. The legislative changes have only recently been made and are:

- Changes to ensure that CTRS Schemes remain aligned with changes to Housing Benefit
- Changes to ensure that CTRS Schemes can align to Universal Credit where implemented

5.2 None of these changes affect any existing applicants in North

5.3 Consultation has also taken place with the Major Precepting Authorities, (Hertfordshire County Council and the Police & Crime Commissioner for Hertfordshire). No comments have been received from either of these Authorities, which is not unexpected as both have been supportive of the Council's Scheme, which remains self-funding.

5.4 Finally, consultation in the form of a briefing note and discussion at the Annual Parish Conference was carried out with the Local Precepting Authorities, (Parish, Town & Community Councils). A further meeting has been called with the Local Precepting Authorities on 12 January 2015, after the deadline for preparation of this report.

## **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 The Local Government Finance Act 2012, abolished Council Tax Benefit (CTB) from 31 March 2013 and replaced this with local Council Tax Reduction Schemes (CTRS) to be designed and administered by individual Billing Authorities, NHDC being one such authority.

7.2 There was a late amendment to the Act, which requires the Government to review within three years the effectiveness of CTRS and whether on-going Council Tax Support should be incorporated within Universal Credit. The Scheme being considered in this report is for the third year of operation.

7.3 Local Authorities are free to design any Scheme they wish, within certain prescribed parameters.

In summary:

- Government support was capped at 90% of the forecast CTB Subsidy levels for 2013/2014. The support for 2014/2015 onwards is not separately identified and is included in the overall financial settlement announced just prior to each Christmas
- Awards will be made in the form of a Discount, rather than Benefit paid
- Existing and future pensioners will be fully protected and will receive the same means tested award as if CTB continued. A pensioner is defined as an individual of pension credit age.
- The Secretary of State reserves the right to designate other "Vulnerable Groups".
- Schemes are expected to support the Government's intention to incentivise work.

7.4 The Act places an obligation on Billing Authorities to consult on any proposals to change its Scheme from year-to-year with its Major Precepting Authorities and members of the public.

7.5 The main elements of the Council's initial Scheme for 2013/2014 and the second year 2014/2015 were:

- Initial calculations to be based on the existing Council Tax Benefit Scheme including retention of Allowances & Premiums, Non-Dependent Deductions, Second Adult Rebate, Capital Limits and Tapers. (A Glossary of terms is at Appendix 2)
- in addition to those of pensionable age, claimants with disabilities are also protected
- The Earnings Disregards are increased by 50% to incentivise work
- An across the board percentage reduction be applied to the calculated awards for each claim not in the Protected Groups. For 2013/2014 and 2014/2015 that percentage reduction was 33.13%

## 8. ISSUES

8.1 Cabinet has considered the implications for the third year of the Scheme at two meetings on 23 September 2014 and 16 December 2014.

### **Matters considered by Cabinet on 23 September 2014**

8.2 At this meeting Cabinet was advised that the Scheme was projected to run within the proposed budget, that the Council Tax collection rate was comparable with the previous year and that there had been very few comments received about the Scheme.

8.3 Cabinet was advised that funding of the Scheme for 2015/2016 would not be separately identified and that the Council would be required in due course to make a decision on the level of funding for the Scheme for 2015/2016 and the amount of Council Tax Reduction Scheme Grant that is to be passed on to the Local Precepting Authorities. These matters were to be considered after the settlement figure for 2015/2016 was known but Cabinet was of the view that the amount of Council Tax Reduction Scheme Grant passed on to the Local Precepting Authorities should be reduced in line with any reduction in overall Government funding to the Council.

8.4 Cabinet resolved:

*(1) That there be no changes to the Council Tax Reduction Scheme for 2015/16*

### **Matters considered by Cabinet on 16 December 2014**

8.5 At this meeting, Cabinet considered whether to implement a Discretionary Council Tax Payments Scheme and the percentage reduction to be applied to awards to the non-protected groups.

8.6 At the meeting, Cabinet resolved:

*(1) That the current position of the 2014/15 Scheme be noted;*

*(2) That the implementation of a Discretionary Council Tax Payments Scheme be approved;*

*(3) That, subject to clarifying the wording in Paragraph 7.1, the policy for administering Discretionary Council Tax Payments, as attached at Appendix 2 to the report, be approved;*

- (4) *That it be noted that a provision of £50,000 was suggested to meet the requirements of the Discretionary Council Tax Payments Scheme;*
- (5) *That it be recommended to Council that there be no changes to the Council Tax Reduction Scheme for 2015/16;*
- (6) *That it be recommended to Council that the percentage reduction to be applied to claims in the non-protected groups be 25% for 2015/16;*
- (7) *That it be recommended 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; and*
- (8) *That the Strategic Director of Finance, Policy and Governance, in consultation with the Portfolio Holder for Finance and IT, be delegated authority to:*
  - *review the funding available for the Council Tax Reduction Scheme following the announcement of the Final Settlement, including the recommendation at (5) above; and*
  - *calculate the actual amount referred to in (6) above following the Final Settlement figures.*

### **Current position**

- 8.7 At both its meetings, Cabinet was given an update on the projected spend of the Scheme for the year and the Council Tax collection rate at the time.
- 8.8 The numbers of claimants and projected spend for the year at the end of December can be found at Appendix 3.
- 8.9 Members will see that at the end of December the projected spend on the Scheme was nearly £500K under the amount expected at the start of the year and this is due to the reduction in the caseload.
- 8.10 £500K represents a contingency of just under 6.9%, which given that the trend in caseload numbers continues to reduce, gives scope to reduce the percentage reduction applied to the non-protected groups, allow for the implementation of a Discretionary Council Tax Payments Scheme and provide some safeguard should the trend in caseload numbers change and increase.
- 8.11 When the original Scheme was considered, there was concern that the reduction in support to working age claimants would result in an increase in Council Tax arrears.
- 8.12 Relative collection rates at the end of each month, for the year preceding the introduction of the Scheme and the subsequent two years 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%	76.16%
December	86.66%	86.03%	85.69%
January	96.10%	95.33%	
February	97.75%	97.22%	
March	98.18%	97.81%	

- 8.13 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. At the end of December 2014, there was a total of £1,888,860 of instalments deferred to February and March, which is 2.66% of the collectable debit.
- 8.14 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.

### **Considerations for year three of the Scheme**

#### **Funding**

- 8.15 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 (Local Precepting Authorities) 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.
- 8.16 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.
- 8.17 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.
- 8.18 The Scheme for this year (Year 2) has assumed the same level of funding by the Major Precepting Authorities (£7,249,246). This figure is now built into the Council Tax Base.
- 8.19 Financial comparisons for the Scheme in 2015/2016 are made to the figure of £7,249,246.

- 8.20 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.
- 8.21 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.
- 8.22 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.
- 8.23 Cabinet has given a clear indication (see 8.6 (5) above) that this amount should reflect the Council’s overall financial settlement, which for 2015/2016 had been estimated as a reduction of 15.00% and this figure was used in the initial consultations with Parish Councils. The Provisional Settlement announcement on 18 December 2014 resulted in an actual reduction of 15.52%.
- 8.24 A reduction of 15.00% would give an amount of £67,238 to be distributed to the Local Precepting Authorities whereas 15.52% would give an amount of £66,826, a difference of £412. In view of the additional consultation that would be required for such a minor variation, the figure of £67,238 is the amount recommended to be distributed to Parish Councils.
- 8.25 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.

### **The Scheme itself**

- 8.26 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.
- 8.27 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 were not subjected to any further reductions in Council Tax support. This is something that all other Councils, who have provided additional funding 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/or make up the shortfall from the loss of the Transitional Grant.
- 8.28 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.
- 8.29 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**

- 8.30 There has been recent case law established relating to the provision of additional support for those experiencing difficulty in making payment.
- 8.31 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 Councils concerned should have remitted the charge.
- 8.32 The Tribunal further ruled that Councils should have a procedure for assisting those in severe financial difficulties.
- 8.33 This ruling supports the view for Councils to have a process for dealing with these situations.
- 8.34 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.
- 8.35 For reasons of transparency, and in view of the Tribunal ruling it is recommended that the Council sets aside funding for Discretionary Council Tax Payments, for which claimants would qualify on the same lines as those for Discretionary Housing Payments. A similar 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.
- 8.36 A Discretionary Council Tax Payments policy based on that for administering Discretionary Housing Payments is at Appendix 4.
- 8.37 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 have built into the Scheme a contingency of £50,000 which based on the current spend on Discretionary Housing Payments, should be adequate for this purpose.
- 8.38 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.
- 8.39 The “funding” is applied by writing-off the amount due ensuring that this is ring-fenced within the Collection Fund and as this is a function reserved to Cabinet, this decision was taken by Cabinet at its meeting on 16 December 2014.

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

- 8.40 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.

- 8.41 Between May 2013 (the first time that the data was recorded) and December 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>Dec 2014</b>	<b>Difference</b>
No. of Protected Claims	5,475	5,419	56
Value of Protected Claims	£5,020,863	£5,006,890	£13,973
No. of Non-Protected Claims	3,590	3,151	439
Value of Non-Protected Claims	£2,099,190	£1,743,042	£356,148

- 8.42 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 £13,973 and £356,148 means that expenditure is projected at the end of December 2014 to be £499,314 less than allowed for in 2014/2015.
- 8.43 This does give the Council scope to reduce the percentage reduction applied to the non-protected groups if it so wishes.
- 8.44 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 15.89%, 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.
- 8.45 A more risk based approach would be to reduce the percentage to 25%, which would leave a contingency of £237K in the Collection Fund and would give on average an additional £120 a year to a claimant living in a Band D property.
- 8.46 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.
- 8.47 This would increase the amount of Council Tax Reduction being paid by approximately £212K, which would in turn lead to a reduction in the Council Tax Base of around 143 in 2015/2016 if the level of Council Tax Reduction Scheme payments remained constant.
- 8.48 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.

## **9. LEGAL IMPLICATIONS**

- 9.1 The Local Government Finance Act 2012 requires the Council to adopt any changes to its Council Tax Reduction Scheme by 31 January each year, otherwise the existing Scheme will persist. For 2014/2015, the Council is proposing only minor changes to the Scheme, with the uprating of Allowances, Premiums and Deductions in line with those that will apply for the pensioner caseload.
- 9.2 The Council is required to consult on its proposed Scheme, which has been completed and the outcomes considered by Cabinet and identified in this report.



9.3 The Scheme has to be adopted by the Council, although Cabinet has considered the matter and its views are contained in this report.

## 10. FINANCIAL IMPLICATIONS

10.1 These have been largely considered in Section 8 of this report.

10.2 Section 59A.1 of the Scheme requires the Council to set the percentage by which awards to the non-protected claimants are reduced.

10.3 The reduction in the caseload and consequently the amount of CTRS paid gives the Council scope to reduce this figure to 25.00%, whilst retaining a contingency should there be a reversal in the trend for the caseload to continue to reduce.

## 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.

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 in the last two years. However, there is always the risk that this national trend could be bucked locally for example if a local employer closed down its business and on that basis it is proposed that this risk be included in the financial risks incorporated into the budget calculations.

11.3 Should the Council fail to agree the minor changes to the Scheme by 31 January 2015, the existing Scheme will persist.

## 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 in this report.

### **15. APPENDICES**

- 15.1 Appendix 1 – Council Tax Reduction Scheme.  
15.2 Appendix 2 – Glossary of Terms.  
15.3 Appendix 3 – Current Costs of the Scheme.  
15.4 Appendix 4 – Discretionary Council Tax Payments Scheme.

### **16. CONTACT OFFICERS**

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**17. BACKGROUND PAPERS**

17.1 Report to Cabinet Meeting on 23 September 2014.

17.2 Report to Cabinet Meeting on 16 December 2014.