

**CABINET
15 SEPTEMBER 2020**

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2021/2022

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS

EXECUTIVE MEMBER: EXECUTIVE MEMBER FOR FINANCE & IT

COUNCIL PRIORITY: BE A MORE WELCOMING, INCLUSIVE & EFFICIENT COUNCIL

1. EXECUTIVE SUMMARY

- 1.1 To provide Cabinet with an update on how the Scheme is operating.
- 1.2 To consider whether any changes should be made to the Council Tax Reduction Scheme (CTRS) for year nine (2021/2022).

2. RECOMMENDATIONS

- 2.1. That Cabinet notes the CTRS position relating to this and previous financial years.
- 2.2. That Cabinet notes that a full review of the CTRS has commenced and been postponed due to the consequences on the Scheme of the COVID-19 pandemic.
- 2.3 That Cabinet delegates whether it wishes to continue with the amount to be distributed to Parish, Town & Community Councils and if so whether this should be maintained at £38,885 to the Service Director – Customers and the Service Director – Resources in consultation with the Executive Member for Finance & IT, taking into account the financial settlement for 2021/2022
- 2.4 That no changes to the CTRS be made for 2021/2022

3. REASONS FOR RECOMMENDATIONS

- 3.1. To update Cabinet on how the Scheme is working and to consider whether any changes need to be made for 2021/2022.

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 RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 For reasons which will be explained in the report, no changes are recommended to the Scheme for 2021/2022. Any changes would be the subject of consultation with Hertfordshire County Council, the Police & Crime Commissioner for Hertfordshire and the public before being further considered by Cabinet at its December meeting. As no changes are being recommended, this consultation can be light touch and be carried out by asking for comments if any consultee does not agree.

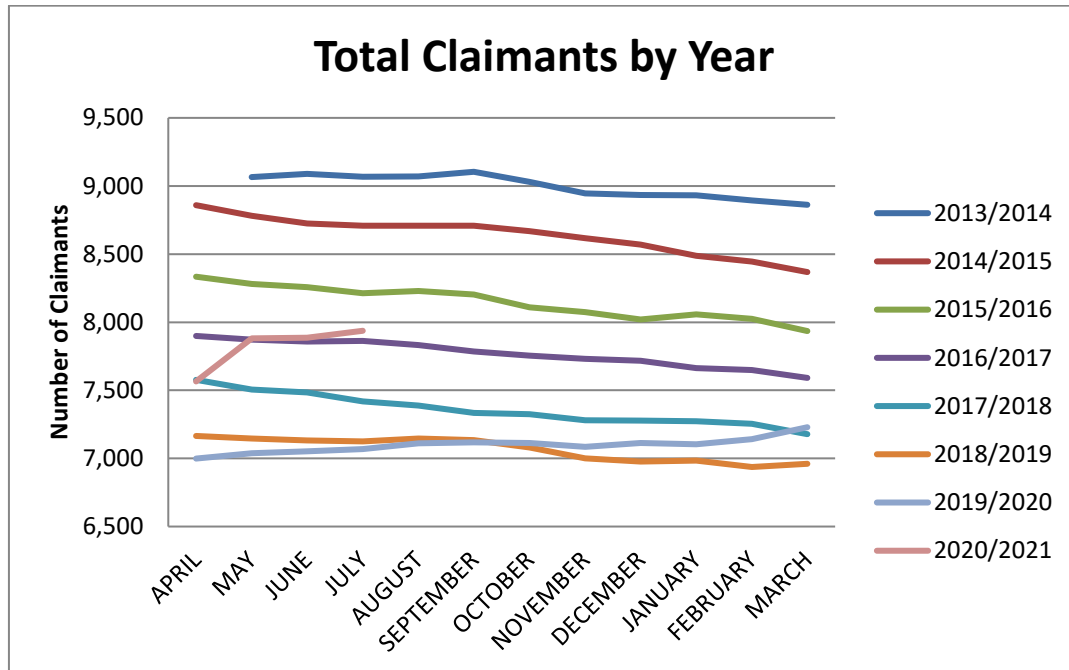
6. FORWARD PLAN

- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 26 June 2020.

7. BACKGROUND

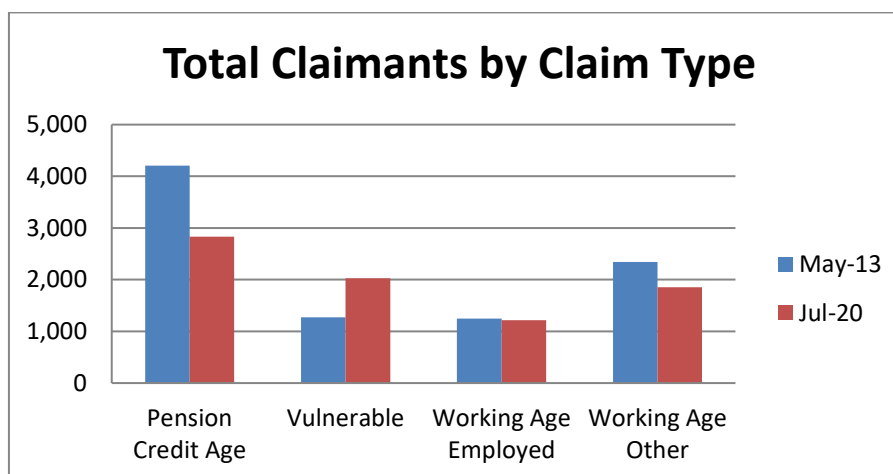
- 7.1 Council Tax Benefit was abolished on 1 April 2013 and was replaced by locally defined Council Tax Reduction Schemes.
- 7.2 2021/2022 is the ninth year of the Scheme, which is now fully embedded.
- 7.3 The Council's Scheme is based on the old Council Tax Benefit Scheme and is therefore means-tested 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 six years. A lower reduction means that the claimant will receive more benefit and therefore pay less Council Tax.
- 7.4 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 and the effects of the COVID-19 pandemic.
- 7.5 The Scheme continues to cost less than originally anticipated due in the main to the reduction in the number of claimants. This has been a steady year-on-year reduction until the early part of 2018/2019, when the claimant numbers plateaued out and then fell slightly. The numbers rose steadily during 2019/2020 with a sharp rise in March 2020 followed by a significant increase in claims so far in 2020/2021 due to the COVID-19 pandemic. The steady reduction in numbers meant that the Scheme costs did not escalate even though Council Tax levels increased. With claimant numbers now increasing significantly, and the tendency for all Major Preceptors to apply the maximum increase in Council Tax without triggering a local referendum, the value of awards is increasing. Further, maximum expected increases in Council Tax for 2021/2022, eliminates any scope available to make the Scheme more generous.
- 7.6 Chart 1 below shows how claimant numbers have steadily reduced since the Scheme was introduced, until 2019/2020.

Chart 1



7.7 Chart 2 below shows the difference in number of claimants by claimant type from May 2013 (the earliest data we have) to July 2020. Members will see there has been a significant reduction in the number of Pension Credit Age claimants with 1,372 less or 32.6%. The number of Working Age claimants not working is 484 less or 20.7% and this gap has reduced significantly in the last year when the totals were 1,220 less or 52.1%. The number of Working Age claimants in work has remained fairly constant with 31 less or 2.5%, however the number of Vulnerable claimants, i.e. those in receipt of a Disability Premium has increased significantly with 759 more or 59.7%.

Chart 2



8. RELEVANT CONSIDERATIONS

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

- 8.1 In previous years, Cabinet has considered whether any changes to the Housing Benefit Regulations should be reflected within the Council's CTRS Scheme.
- 8.2 Where it has been recommended to make any changes to the Scheme, these have to be the subject of public consultation before a final recommendation is made to the Council for adoption or not into the Scheme.
- 8.3 There have been no changes to the Housing Benefit Regulations, which require adoption within the Council's CTRS for 2021/2022.

Other Considerations

- 8.4 In response to the COVID-19 pandemic, the Government announced a Council Tax Hardship Scheme which provided up to an additional £150 for every working age CTRS claimant during 2020/2021.
- 8.5 This Scheme is for one year only and is funded from a Section 31 Grant payable by the Government and does not form part of the Council's CTRS.
- 8.6 At its meeting on 17 December 2019, Cabinet resolved *"That it be noted that a full review of the CTRS is underway and that further recommendations for changes to the Scheme will be presented to Cabinet in 2020 for implementation in 2021/2022"*.
- 8.7 Work commenced on this review in the autumn of 2019 and good progress was being made.
- 8.8 The intention of the review is to make the Scheme as simple as possible and to retain its fairness and financial viability.
- 8.9 One of the consequences of the COVID-19 pandemic is that it has made financial modelling of any changes to the Scheme impossible because the present very high number of claimants and high cost of the Scheme has distorted the data beyond reasonable use under "normal" circumstances.
- 8.10 It has therefore been agreed with the Executive and Deputy Executive Members for Finance & IT that the review should be delayed until more normal circumstances return.

Amount to be distributed to Parish, Town & Community Councils

- 8.11 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. For the first year of the CTRS (2013/2014) this amount was £90,850.

- 8.12 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.
- 8.13 By 2017/2018, this amount had reduced to £38,885 and it has remained at that level since then, as the Council no longer receives any Revenue Support Grant (RSG).
- 8.14 2019/2020 was the final year of a four year settlement, which was announced in February 2016 and allowed Councils to be able to forward plan for those four years. The four year settlement confirmed that this Council would not receive any RSG from 2018/2019 and also announced an additional tariff on Business Rates (known as negative RSG) for 2019/2020, which would have further reduced Council funding by around £1M.
- 8.15 The Government reviewed the position regarding the negative RSG and this was not imposed in 2019/2020 or 2020/2021 and consequently, the Council confirmed that the amount to be distributed to Parish, Town & Community Councils should remain at £38,885.
- 8.16 Unfortunately, uncertainty remains regarding the funding settlement for 2021/2022, especially in view of the Covid-19 pandemic.
- 8.17 The Council could decide to remove this Grant, however Members should be aware that the Government has strongly suggested that they would not expect Councils to do so.
- 8.18 Removal of the Grant would be more justifiable, should the Government impose the negative RSG, but this will not be known until the settlement for 2021/2022 is announced.
- 8.19 In view of this uncertainty, it is recommended that this decision be delegated to the Service Director – Customers and the Service Director – Resources in consultation with the Executive Member for Finance & IT, when the settlement for 2021/2022 is known. It might be necessary to make a decision without knowing the final settlement, as the timing of the detailed Local Government settlement is very unclear. There are administrative benefits in being able to communicate to Parishes what they will receive as a CTRS payment at an early stage, so they can calculate how much they need to raise through their precept.

9. LEGAL IMPLICATIONS

- 9.1 The Council is required to maintain and annually review its Council Tax Reduction Scheme in accordance with Section 13A and Schedule 1A of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012). 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. This has been further amended by Regulation 2 of The Council Tax Reduction Schemes (Amendment) (England) Regulations 2017 to 11 March.
- 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 5.6.44 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 out inviting members of the public to comment on the Council's web site. Only minor changes have been made in subsequent years, with the resulting restricted consultation. As no changes are being recommended for 2021/2022, consultation can take the form outlined at 5.1 above

9.5 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

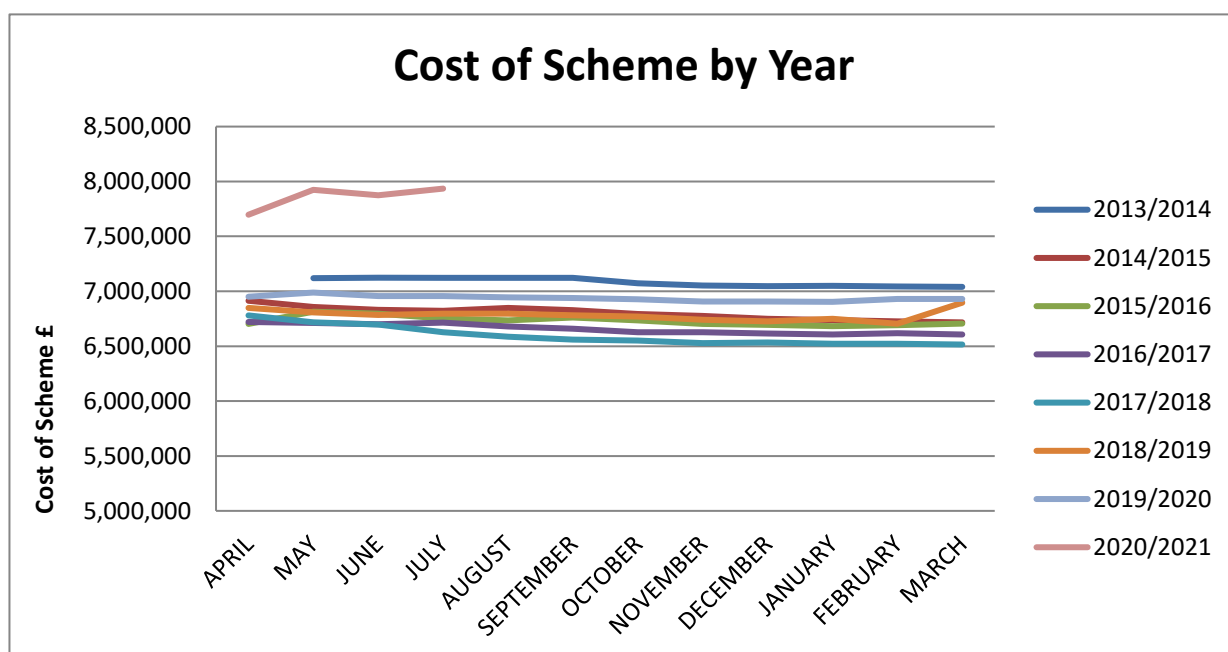
10.1 For the first six years of this Scheme, the costs reduced steadily despite increases in Council Tax levels. This was due to the gradual reduction in claimant numbers.

10.2 The costs of the Scheme started to increase during the fourth quarter of 2018/2019 and remained fairly constant throughout 2019/2020 at that same level.

10.3 However, the large increase in claimant numbers since the COVID-19 pandemic (an increase of 11%) has seen the costs of the Scheme escalate to record levels. Even though claimant numbers remain lower than when the Scheme started in 2013, the subsequent increases in Council Tax levels in the intervening period has meant that costs have reached these record levels.

10.4 Chart 3 shows the costs of the Scheme in terms of Council Tax Support awarded year-on-year.

Chart 3



- 10.5 The costs of the Scheme have increased by 14.5% since the start of the COVID-19 pandemic and are expected on current predictions to be £7.935M in 2020/2021 compared with £6.929M in 2019/2020. This is an increase of just over £1M.
- 10.6 Although the costs of the Scheme can be monitored through their monetary value, the Scheme is applied by the award of a Council Tax Discount, which means that there is a subsequent reduction in the Council Tax Base. The higher the value of CTRS awards, there is a subsequent reduction in the Council Tax Base. This changed in 2013 with the introduction of CTRS as the previous Council Tax Benefit Scheme was funded directly by DWP through the Council Tax Benefit Subsidy Scheme, which reimbursed Councils on a pound for pound basis for the amount of Council Tax Benefit it awarded.
- 10.7 Any reduction in the Council Tax Base inhibits the precepting authorities from raising revenue through Council Tax.
- 10.8 The current estimate is that the Council Tax Base has reduced by around 1.5%, which means that Council Tax levels would have to increase by that amount in 2021/2022, just to raise the same amount of revenue as this year.
- 10.9 At this stage it is impossible to predict what the effect will be on the Council Tax Base by the time it comes to setting the Council Tax for 2021/2022. Claimant numbers are still increasing at this present time and a crucial time is just ahead as the furlough scheme unwinds with the prospects of further job losses in the economy. This will continue to have a detrimental effect on the Council Tax Base if claimant numbers continue to increase.

- 10.10 The Medium Term Financial Strategy (MTFS) assumes that the Council Tax Base (in terms of number of band D equivalent properties) will be the same in 2021/22 as assumed for 2020/21. That is on the assumption that the decline in the Base number due to increased CTRS eligibility will be off-set by property growth. The same flat-line assumption is made across the 5 years of the MTFS. It is also possible that there could be a decline in the Base across the whole period, or there could be an increase at some stage (either due to CTRS eligibility reducing again or property growth exceeding the decline). The previous assumption had been that there would be a net 1% growth and therefore this revised assumption affects the future funding of the Council.
- 10.11 The impact of increasing costs of CTRS and therefore a potential deficit on the Collection Fund are split between North Herts District Council, Hertfordshire County Council and the Police and Crime Commissioner in proportion to their rates of Council Tax. Therefore the impact of a £1M cost would be split as follows: NHDC £127,300, HCC £765,500, PCC £107,200. As this is administered through the Collection Fund any shortfall in 2020/2021 won't have an impact until 2021/2022.

11. RISK IMPLICATIONS

- 11.1 The only way to mitigate the risk of increasing numbers of CTRS claimants is to make the Scheme less generous. This in turn will mean increases in the amount of Council Tax to be collected, which may prove counter-productive and move the problem into increased bad debts.
- 11.2 It is difficult to know when the economy can expect to see a reasonable recovery. There are some signs of that happening now, and this is countered by the concern of a second wave of COVID-19 and the consequences of the furlough scheme unwinding.
- 11.3 On balance and taking into consideration that any decision to reduce the level of awards will disadvantage the most vulnerable of our customers, make collection of Council Tax more difficult and it is unknown what the situation will be in April 2021, it is not considered that this is an approach that the Council should take at this time.

12. EQUALITIES IMPLICATIONS

- 12.1 In line with the Public Sector Equality Duty, public bodies must, in the exercise of their functions, give due regard to the need to eliminate discrimination, harassment, victimisation, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.
- 12.2 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, the Council continues to meet its obligations under the Equality Act. The proposed review will eventually identify any adverse impacts and an equality impact analysis may be required to capture these.

13. SOCIAL VALUE IMPLICATIONS

- 13.1. The Social Value Act and "go local" requirements do not apply to this report.

14. ENVIRONMENTAL IMPLICATIONS

14.1 There are no known Environmental impacts or requirements that apply to this report.

15. HUMAN RESOURCE IMPLICATIONS

15.1 There are no Human Resources implications in this report.

16. APPENDICES

16.1 None

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18. BACKGROUND PAPERS

18.1 None