

COUNCIL

18 JANUARY 2018

PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

8

TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2018/2019

REPORT OF THE HEAD OF REVENUES, BENEFITS AND INFORMATION TECHNOLOGY
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: PROSPER AND PROTECT / RESPONSIVE AND EFFICIENT

1. EXECUTIVE SUMMARY

1.1 To approve the Council Tax Reduction Scheme (CTRS) for North Hertfordshire for 2018/2019.

2. RECOMMENDATIONS

2.1 That the Council is recommended to approve the Scheme attached at Appendix 1 as the Council Tax Reduction Scheme for North Hertfordshire for 2018/2019.

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 25.0% for 2018/2019. This remains the same as 2017/2018.

2.3 That the amount to be distributed to the Local Precepting Authorities for Council Tax Reduction Scheme Grant is £38,885 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 the local Council Tax Reduction Scheme for the coming financial year.

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 RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

5.1 As part of the consideration of any proposed changes to the Council Tax Reduction Scheme for 2018/2019, the Council is required to consult with the public.

- 5.2 The Council carried out consultation via its web site using a proprietary consultation tool during October and November 2017.
- 5.3 The Council is not considering any structural changes to its Council Tax Reduction Scheme for 2018/2019; however the public's views were sought on two minor proposed changes relating to the Scheme.
- 5.4 These were:
- That capital and income payments of Bereavement Support Payments should be disregarded for the purposes of CTRS
 - That any payments made by the London Emergencies Trust (LET) or the We Love Manchester Emergency Fund (WLMEF) should be disregarded for the purposes of CTRS
- 5.5 The consultation was advertised on the Council's web site and on every piece of correspondence leaving the Revenues & Benefits Office during October and November 2017.
- 5.6 Although the response remained poor with 72 responses, this was a considerable improvement on the 12 responses received the previous year. Sadly, the level of interest in these Schemes is very low and poor response rates to consultation are the norm with most if not all Councils.
- 5.7 Of those that did respond, they were significantly in favour of the changes the Council is considering implementing:

Proposal	For	Against	Don't Know	No Response
To disregard Bereavement Support Payments	38	7	13	14
To disregard payments made by the London Emergencies Trust (LET) or the We Love Manchester Emergency Fund (WLMEF)	37	7	7	21

- 5.8 Consultation has also taken place with the Council's Major Precepting Authorities, Hertfordshire County Council and the Police & Crime Commissioner for Hertfordshire. Responses have not yet been received from the Major Precepting Authorities.

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 28 July 2017.

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 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, which results in a reduction in the Council Tax Base
- 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.

7.3 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.

7.4 The main elements of the Council's initial Scheme for 2013/2014 and subsequent years 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 or their dependents 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% and for 2015/2016 onwards it was reduced to 25%.

8. RELEVANT CONSIDERATIONS

8.1 Cabinet has considered the implications for the fifth year of the Scheme at two meetings on 26 September 2017 and 19 December 2017.

Matters considered by Cabinet on 26 September 2017

8.2 At this meeting Cabinet was advised that the Scheme was projected to run within expected levels and that there should be no change to the value of the awards to the non-protected groups. Cabinet resolved that there should be no substantive changes to the Council Tax Reduction Scheme for 2018/2019 and that public consultation should be carried out on two minor changes that were being implemented in Housing Benefit and were recommended to be also included in CTRS. These were:

- That capital and income payments of Bereavement Support Payments should be disregarded for the purposes of CTRS
- That any payments made by the London Emergencies Trust (LET) or the We Love Manchester Emergency Fund (WLMEF) should be disregarded for the purposes of CTRS

8.3 Disregard of Capital & Income Payments of Bereavement Support Payments

- 8.3.1 The Government has changed the way in which it supports working age widows and widowers following bereavement.
- 8.3.2 Previously there were three benefits available depending on circumstances, which were Bereavement Payments, Bereavement Allowance and Widowed Parents Allowance. These benefits were treated as income or in the case of Bereavement Payments, capital for Housing Benefit purposes.
- 8.3.3 These have been replaced by Bereavement Support Payments, which can provide a single lump sum payment of £3,500 for those with children and £2,500 for those without children and eighteen monthly payments of £350 for those with children and £100 for those without children.
- 8.3.4 Unlike the previous bereavement benefits, Bereavement Support Payments are disregarded for Housing Benefit purposes and it would seem reasonable to do the same for CTRS.
- 8.3.5 This change came into effect on 1 April 2017 and to date the Council has not processed any CTRS claims where Bereavement Support Payments are applied, implying that this is unlikely to be a significant cost to the Scheme.
- 8.3.6 This change was supported by the majority who responded to the consultation exercise.

8.4 Disregard of Payments made by London Emergencies Trust and the We Love Manchester Emergency Fund

- 8.4.1 Following the terrible events at the Manchester Arena and Grenfell Tower in 2017, funds have been set up to assist the victims of these incidents.
- 8.4.2 These funds are administered by the London Emergencies Trust and the We Love Manchester Emergency Fund.
- 8.4.3 The Government has decided that payments from these funds be disregarded for Housing Benefit purposes and again it seems reasonable to replicate this in the Council's CTRS. CTRS is of course a matter for each local authority and whilst the Government cannot dictate that payments from these funds be disregarded, they have encouraged local authorities to do so.
- 8.4.4 It is highly unlikely that this will ever be applied in North Hertfordshire, however there is a small chance that victims of the Grenfell Tower disaster may relocate to this area.
- 8.4.5 It is even more unlikely that a victim of the Manchester Arena tragedy would relocate to North Hertfordshire, however although the event took place in Manchester there were attendees from many areas of the Country and the possibility cannot be totally ruled out.
- 8.4.6 This change was supported by the majority who responded to the consultation exercise.

- 8.5 All the changes considered in 8.3 to 8.4 will effect very few, if any of the caseload and as such are unlikely to actually change the amount of CTRS awarded. They are, however necessary to maintain the integrity and consistency of the Scheme with other welfare benefit changes.

Matters considered by Cabinet on 19 December 2017

- 8.6 At this meeting, Cabinet was advised of the outcome of the consultation and confirmed its intention to recommend to the Council no substantive changes to the CTRS for 2018/2019 and to implement the two minor changes described in 8.3 to 8.4 above.

- 8.7 At the meeting, Cabinet resolved:

- (1) *That the position of the Council Tax Reduction Scheme for 2017/18 and previous years be noted;*
- (2) *That there be no substantive changes to the Council Tax Reduction Scheme for 2018/2019;*
- (3) *That Cabinet recommends to Council that changes be made to the Council Tax Reduction Scheme (CTRS) to implement the following, in order to ensure the consistency of the Scheme with other welfare benefit changes:*
 - *Capital and income payments of Bereavement Support Payments should be disregarded for the purposes of the CTRS; and*
 - *Any payments made by the London Emergencies Trust (LET) or the We Love Manchester Emergency Fund (WLMEF) should be disregarded for the purposes of the CTRS; and*
- (4) *That Cabinet recommends to Council that the level of Scheme funding to be allocated to Parish, Town and Community Councils will be the same as 2017/18.*

Current position

- 8.8 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.

- 8.9 Because CTRS is awarded in the form of a Discount, it is not actual cash that is spent rather than the Discount results in a reduction in the Tax Base, meaning that the “cost” is borne by all Tax Payers. For Precepting Authorities, the consequence is that the level of Council Tax has to rise to raise the same amount of revenue, if the Tax Base is reduced.

- 8.10 The value of CTRS awarded each year is as follows:

<u>Year</u>	<u>Value</u>
2013/2014	£7,040,212
2014/2015	£6,716,696
2015/2016	£6,704,570
2016/2017	£6,606,444
2017/2018 Projected	£6,529,300

- 8.11 During the same period the caseload has decreased from 9,065 to 7,281 and it is because of the reduction in the caseload that the cost of the Scheme has not increased significantly (and in fact has reduced slightly), despite increases in Council Tax levels.
- 8.12 On 19 December 2017, the Government announced that they were allowing District and County Councils to increase Council Tax levels by 2.99% rather than 1.99% before it is necessary to hold a referendum and that Police & Crime Commissioners can raise their Council Tax levels by up to £12.
- 8.13 It is a very complex calculation to estimate the effect on the level of CTRS if Council Tax levels increase. The best estimate at the moment is that if the maximum allowable increase in Council Tax is implemented by the County Council, District Council and Police & Crime Commissioner, this will increase the amount of CTRS payable in 2018/2019 by around £380K based on the same caseload.
- 8.14 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.
- 8.15 Relative in-year collection rates, for the year preceding the introduction of the Scheme and the subsequent four years are as follows:

Year	% Collected at 31 March
2012/2013	98.18%
2013/2014	97.81%
2014/2015	97.84%
2015/2016	98.13%
2016/2017	98.40%

- 8.16 The table above would suggest that the concerns about collection rates have not materialised.
- 8.17 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 five of the Scheme

Funding

- 8.18 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.
- 8.19 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.

- 8.20 DCLG had given notice that Council Tax Reduction Scheme funding will not be separately identified in the 2014/2015 and subsequent Financial 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.
- 8.21 The Scheme for this year (Year 5) was based on the presumption that the “spend” would not exceed the original figure of £7,249,246 and had to be made against a background of uncertainty about when the steady reduction in the caseload would bottom out. So far, the caseload has continued to reduce meaning that at the end of November 2017, the projected “spend” for this year is £6,529,300.
- 8.22 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.
- 8.23 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 2018/2019 at the Cabinet Meetings on 26 September 2017 and 19 December 2017.
- 8.24 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.
- 8.25 Cabinet has given a clear indication (see 8.7 (4) above) that this amount should reflect the Council’s overall financial settlement, which for 2018/2019 will be the same as this current year.
- 8.26 This would mean that an amount of £38,885 be distributed to the Local Precepting Authorities and in line with 8.7 (4) above and this is the amount recommended.

The Scheme itself

- 8.27 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.
- 8.28 Reductions in caseload and the subsequent reduction in expenditure, allowed the Council to reduce the 33.13% reduction applied to the non-protected groups to 25% in 2015/2016 and subsequent years and it is recommended that this remains the same in 2018/2019.
- 8.29 At the meeting on 26 September 2017, Cabinet decided not to recommend any structural changes to the Council Tax Reduction Scheme for 2018/2019. 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.
- 8.30 Because of the potential for Council Taxes to be further increased in 2018/2019, it would be a considerable risk to consider changing 25% level of withdrawal of CTRS as being able to fund it would be totally dependent on an on-going reduction in the caseload.

Discretionary Council Tax Payments

- 8.31 Members will be aware that for 2015/2016, the Council implemented a Scheme of Discretionary Council Tax Payments to comply with case law supporting the provision of such a fund to assist those cases where there was no clear ability to pay.
- 8.32 In accordance with the case law, access to this fund is restricted to where there is clear evidence that outgoings exceed income and there is a shortfall in the ability to pay Council Tax.
- 8.33 In 2016/2017 a total of £36,091 was awarded in Discretionary Council Tax Payments to 33 different claimants. As at 19 December 2017, £16,102 has been awarded in 2017/2018 to 16 claimants. This figure is expected to grow as more funding is awarded towards the end of the financial year.
- 8.34 As this provision is funded from underspends in the Council Tax Reduction Scheme, any underspend in the Discretionary Fund will remain as a surplus within the Collection Fund.
- 8.35 It is likely that £50,000 is an over provision but it is not possible to categorically state that at this point in the financial year. As the Discretionary Scheme is funded from underspends within the Council Tax Reduction Scheme and not the General Fund, Officers recommended to and Cabinet endorsed that the provision remains at £50,000 for 2018/2019.

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

- 8.36 For the first two years of the Scheme, this was set at 33.13%. This meant that for working age claimants, who did not qualify for a disability premium, their entitlement to Council Tax Reduction was calculated in the same way as it was previously for Council Tax Benefit and was then reduced by 33.13%. This ensured that all claimants not in the protected groups had the same percentage reduction applied.
- 8.37 For 2015/2016 because of a reduction in claimant numbers and therefore in expenditure on the Scheme, the Council was able to reduce this percentage to 25% and this percentage has remained the same in subsequent years.
- 8.38 Between May 2013 (the first time that the data was recorded) and November 2017, 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.

	May 2013	Nov 2017	Difference	% Change
No. of Protected Claims	5,475	5,006	-469	-8.57%
Value of Protected Claims	£5,020,863	£5,093,864	£73,001	1.45%
No. of Non-Protected Claims	3,590	2,275	-1,315	-36.63%
Value of Non-Protected Claims	£2,099,190	£1,435,436	-£663,754	-31.62%
Total Number of Claims	9,065	7,281	-1,784	-19.68%
Total Value of Claims	£7,120,053	£6,529,300	-£590,753	-8.30%

- 8.39 At May 2013, the Scheme was already expected to under spend by £129,193 and this in addition to the net reduction in awards above of £590,753 means that expenditure is projected at the end of November 2017 to be £719,946 less than the maximum allowed for in 2016/2017.
- 8.40 This could give the Council some scope to further reduce the percentage reduction applied to the non-protected groups if it so wished, as was the case for 2017/2018.
- 8.41 However, as explained in paragraphs 8.12, 8.13 and 8.32 above, it would be unwise to change the percentage reduction applied at this time.

9. LEGAL IMPLICATIONS

- 9.1 Paragraph 5 (2), Schedule 1A of the Local Government Finance Act 1992 (as amended) 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 2017/2018, 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. Council's terms of reference include: (z) "approving the Council Tax Reduction Scheme".
- 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.
- 9.4 There has been a recent Government announcement relaxing the need for Council's to agree their Council Tax Reduction Schemes by 31 January each year and extending this to mid-March. This means that in future years, Council can consider the Scheme along with all other Budget considerations.

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 For the reasons covered in this report, Cabinet is recommending no change to the percentage reduction for 2018/2019 and that this should remain at 25%.

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 three 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.
- 11.3 The ability for Major Precepting Authorities to increase their Council Taxes by up to 2.99% (or £12.00 in the case of the Police & Crime Commissioner) without the need for

a referendum, will put pressure on the Scheme unless the caseload continues to reduce.

- 11.4 Any substantive changes to the Scheme at this stage could need to be reversed in subsequent years, if it does result in a larger than expected value of the amount of CTRS awarded.

12. EQUALITIES IMPLICATIONS

12.1 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, to advance equality of opportunity and foster good relations between those who share a protected characteristic and those who do not.

12.2 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. The Council is required, under the Local Government Finance Act 2012, to protect specific groups of individuals. By conducting consultation when the scheme was first implemented, and subsequent consultation in 2015, 2016 and 2017, 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 from 2014/2015 to 2018/2019, it is reasonable to assume that the Council has met its obligations under the Equality Act. Clearly continuous review of implementation and potential effects will also continue to take place in year.

12.3 The decision 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. As outlined at 8.33 above, this provision has been called into use on 33 occasions in 2016/2017 and 16 occasions so far this financial year, which represents a valuable ‘safety net’ for those in greatest need.

13. SOCIAL VALUE IMPLICATIONS

13.1 The Social Value Act and “go local” policy do not apply to this report.

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 2018/19.

15.2 Appendix 2 – Glossary of Terms.

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

- 17.1 Report to Cabinet Meeting on 26 September 2017.
- 17.2 Report to Cabinet Meeting on 19 December 2017.