

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2022/2023

REPORT OF: 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 approve the Council Tax Reduction Scheme (CTRS) for North Hertfordshire for 2022/2023

2. RECOMMENDATIONS

- 2.1. That Council note the CTRS position relating to this and previous financial years.
- 2.2. That Council note that a full review of the CTRS had commenced and has been postponed due to the consequences on the scheme of the COVID-19 pandemic.
- 2.3 That Council agree that the funding allocated for distribution to Parish, Town & Community Councils in relation to CTRS in 2022/2023 is unchanged from 2021/2022.
- 2.4 That no changes to the CTRS be made for 2022/2023.

3. REASONS FOR RECOMMENDATIONS

- 3.1. To update Council on how the Scheme is working and to note that the full review planned to take place was postponed due to the impact of the COVID-9 pandemic and this remains the case. However, work is planned to start in January 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 2022/2023. Any changes would be the subject of consultation with Hertfordshire County Council, the Police & Crime Commissioner for Hertfordshire, and the public. As no changes are being recommended, this consultation was carried out with a light touch approach by simply asking for comments if any consultee does not agree. No comments on the proposal were received from Hertfordshire County Council, the Police & Crime Commissioner for Hertfordshire, or the public.

6. FORWARD PLAN

6.1 This report does not contain a recommendation on a key Executive decision and has therefore not been referred to in the Forward Plan.

7. BACKGROUND

7.1 Council Tax Benefit was abolished on 1 April 2013 and was replaced by locally defined Council Tax Reduction Schemes. 2022/2023 is the tenth year of the Scheme, which is now fully embedded.

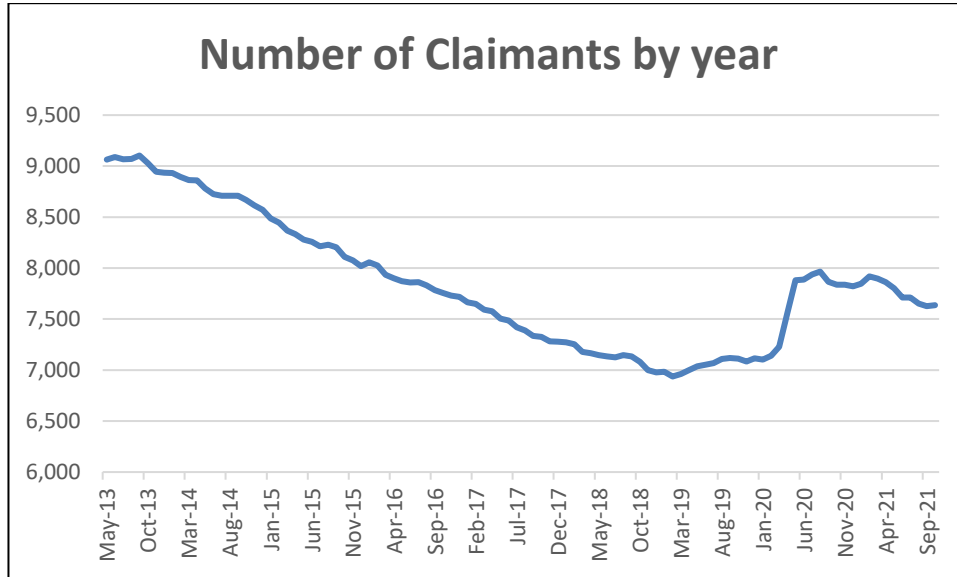
7.2 The Council's Scheme is based on the old Council Tax Benefit Scheme and is therefore means-tested with a standard percentage reduction being made to the final award. This reduction was 33.13% for the first two years of the Scheme and has been reduced to 25% for the subsequent years.

7.3 The Scheme has been generally accepted within North Hertfordshire. The Council has received very little feedback on the Scheme and collection rates have been well maintained considering the recent period of austerity and the effects of the COVID-19 pandemic and this remains the case.

7.4 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 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. There could still be some significant increases following the end of the furlough scheme, although this is not apparent as yet. Further, maximum expected increases in Council Tax for 2022/2023, eliminates any scope available to make the Scheme more generous.

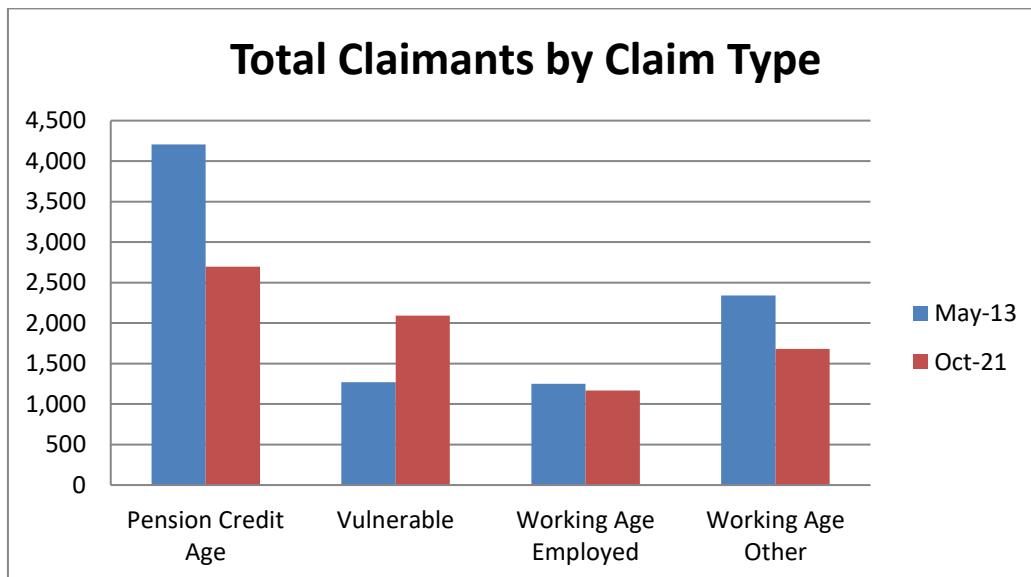
7.5 Chart 1 below shows how claimant numbers had been steadily reduced since the Scheme was introduced.

Chart 1



7.6 Chart 2 below shows the difference in number of claimants by claimant type from May 2013 (the earliest data we have) to October 2021. There has been a significant reduction in the number of Pension Credit Age claimants with 1,508 less or 35.9%. The number of Working Age claimants not working is 660 less or 28.2% and this gap has reduced in the last year as expected because of the pandemic. The number of Working Age claimants in work has remained fairly constant with 82 less or 6.6%, however the number of Vulnerable claimants, i.e. those in receipt of a Disability Premium has increased significantly with 821 more or 64.6%.

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 and recommended on to Council 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 must 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 2022/2023.

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. There is some residual funding of £230,800 remaining which will be distributed as an additional amount of up to £100 to every eligible working age CTRS claimant by 31 March 2022.
- 8.5 The Council Tax Hardship 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, however work was halted when the Covid-19 pandemic started.
- 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 and work on modelling a new scheme is therefore expected to start in early 2022.

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 that has been adopted each year is 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). It had been expected that the next reduction would take place when negative RSG was imposed on the Council. However, this has not happened yet and is not expected to happen until at least 2023/2024.
- 8.14 Whilst the decision on how much funding to provide to Parish, Town and Community Councils is not related to the CTRS scheme, and is essentially a budget decision, the Parish, Town and Community Councils do reflect how much CTRS money that they are getting in calculating their precept. It is therefore beneficial for it to be determined earlier than the Council meeting in February. Cabinet were therefore asked to recommend to Council that the funding allocated for CTRS related payments to Parish, Town and Community Councils remain at the same level for 2022/2023 and will be reviewed again as part of the 2023/2024 Medium Term Financial Strategy/ Budget process. This reflects that the Council will not see a reduction in RSG related funding from Government.

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". Cabinet made this recommendation to Council at its meeting of 21 December 2021.
- 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 2022/2023, consultation has taken the form outlined at 5.1 above

9.5 Council 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.

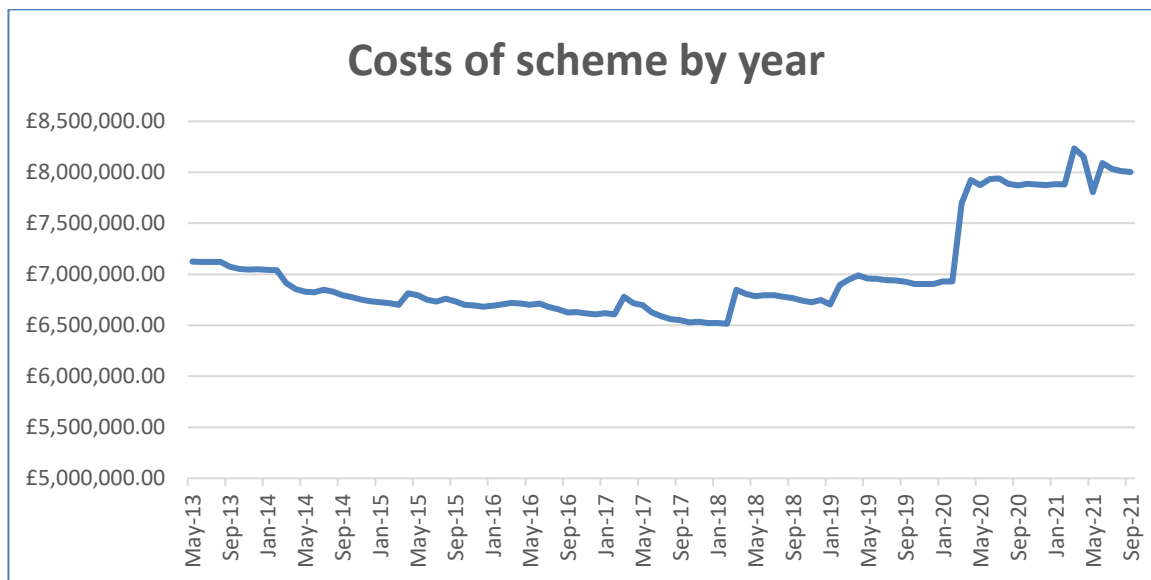
10. FINANCIAL IMPLICATIONS

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 however, following the pandemic there has been a significant increase in spend, which should start to decrease as the economy starts to recover.

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

Chart 3



10.4 The cost of the scheme at the end of October 2021 is just over £8million compared with just under £7.9million at this time last year, and just over £6.9million in early 2020 (pre Covid-19).

10.5 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.

10.6 Any reduction in the Council Tax Base inhibits the precepting authorities from raising revenue through Council Tax.

10.7 The current estimate is that the Council Tax Base for 2022/2023 has increased by about 1.35% this follows a reduction in the 2021/2022 Council Tax Base of 1.17%.

- 10.8 Claimant numbers are still increasing at this present time and a crucial time is just ahead as the furlough scheme unwinds with the potential of further job losses in the economy. This will continue to have a detrimental effect on the Council Tax Base if claimant numbers increase.
- 10.9 The Medium-Term Financial Strategy (MTFS) assumes that the Council Tax Base (in terms of number of band D equivalent properties) in 2022/2023 will be in line with 2021/2022. That is on the assumption that any further decline in the base number due to increased CTRS eligibility will be offset by property growth. For 2023/2024 onwards an annual growth of 0.5% is assumed.). 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.
- 10.10 The impact of increasing costs of CTRS and therefore a potential deficit on the Collection Fund is 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 roughly be split as follows: NHDC £127k, HCC £766k, PCC £107k. As this is administered through the Collection Fund any shortfall in 2022/2023 won't have an impact until 2023/2024.

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 still difficult to know when the economy can expect to see a reasonable recovery. There have been some signs of that starting to happen but has been countered by the further waves of COVID-19 and the consequences of the furlough scheme coming to an end.
- 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 2022, 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

17. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1. None