

Cabinet

25 September 2018

***PART 1 – PUBLIC DOCUMENT**

TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2018/2019

REPORT OF THE SERVICE DIRECTOR - CUSTOMERS
EXECUTIVE MEMBER: COUNCILLOR JULIAN CUNNINGHAM
COUNCIL PRIORITY: PROSPER AND PROTECT

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 seven (2019/2020), 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 changes to the CTRS for 2019/2020 and that this recommendation is made to the Council to consider later in the financial year.
- 2.3 That if it becomes possible that there is scope to amend the standard percentage reduction, this is considered by Cabinet at its meeting on 18 December 2018.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To obtain the views of Cabinet before a final recommendation is made to the Council.

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 This report is recommending that there be no substantive changes to the CTRS for 2019/2020 and is seeking the views of Cabinet on this. As no changes are being proposed, it will not be necessary to carry out any public consultation, however the Cabinet's views will be reported to Hertfordshire County Council and the Police & Crime Commissioner for Hertfordshire as the other Major Precepting Authorities.

6. FORWARD PLAN

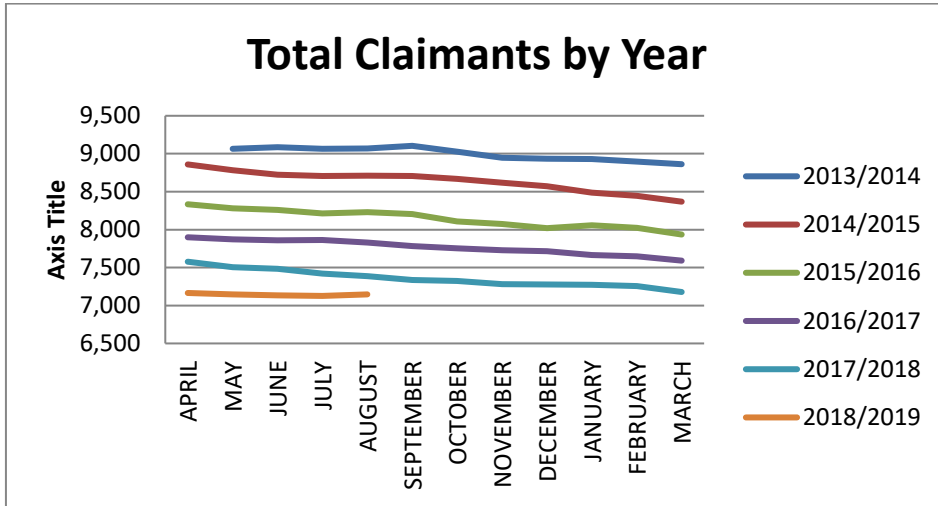
- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 25 July 2018.

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 2018/2019 is the sixth 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 four 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.
- 7.5 The Scheme continues to cost less than originally anticipated due in the main to the steady reduction in the number of claimants. Until this current year, this has meant that the Scheme continued 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 in 2016/2017 however it was decided not to do so when it was announced that the County Council would be increasing its Council Tax by 3.99%. The County Council also opted for the maximum allowable increase in 2017/18 (of 4.99%) and 2018/2019 (of 5.99%). The District Council has also increased its Council Tax by the maximum allowable; however as the District Council precept amounts to only around 13% of the total Council Tax bill, its increase does not have the same effect on the amount of CTRS paid as that of the County Council. The cost of the Scheme has increased in 2018/2019 due to the cumulative effect of the increases and in particular the increased precepts relating to Adult Social Care. The Hertfordshire County Council Precept has increased by 11.28% in the two years between 2016/207 and 2018/2019. Despite this, the Scheme is expected to cost more than £450K less than projected when the Scheme began in 2013.

7.6 Chart 1 below shows how claimant numbers have steadily reduced since the Scheme was introduced.

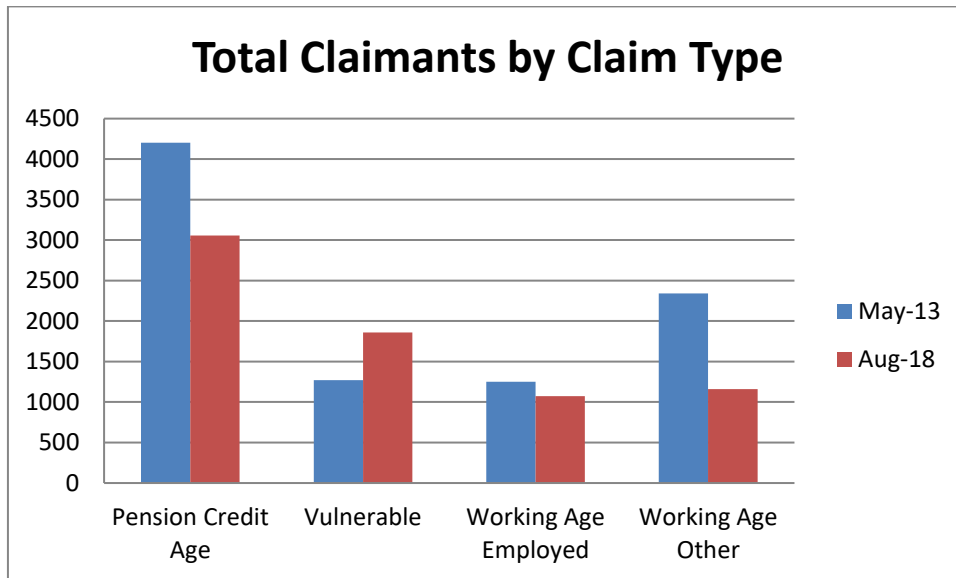
Chart 1



7.7 It is noticeable that in 2018/2019, the number of claimants has remained fairly constant rather than showing a steady reduction as in previous years.

7.8 Chart 2 below shows the difference in number of claimants by claimant type from May 2013 (the earliest data we have) to August 2018. Members will see there has been a significant reduction in the number of Pension Credit Age claimants (1,148 less or 27.31%) and Working Age claimants not working (1182 less or 50.49%). The number of Working Age claimants in work has remained fairly constant (175 less or 14.01%), however the number of Vulnerable claimants, i.e. those in receipt of a Disability Premium has increased significantly (587 more or 46.18%).

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 At the time of preparing this report, there are no changes to Housing Benefit that that need to be considered for inclusion into the CTRS in 2019/2020.

Other Considerations

- 8.4 In addition to the changes to Housing Benefit, this report also considers whether there should be any changes to the minimum amount of Council Tax that working age CTRS claimants are required to pay and the formula for the distribution of compensation funding to the Parish, Town & Community Councils.

Percentage by which claims are restricted (Standard Percentage Reduction)

- 8.5 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%

- 8.6 For the first two years of the Scheme, the standard 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 four years, predominantly due to the overall reduction in caseload.
- 8.7 It was hoped to reduce this percentage even further, however there was a significant risk that the Scheme could become very costly due to the increases in Council Tax applied by the Major Precepting Authorities, including the additional provisions for Adult Social Care. It has proved to be the case that the Scheme has become more expensive in 2018/2019 even with a reducing caseload. The projected cost for 2018/2019 at the end of August 2018 is £6.796M compared with a cost of £6.515M in 2017/2018.
- 8.8 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 2018 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 2019/2020. The current maximum levels that Council Tax can be increased without triggering a local referendum are 2.99% for the County and District Councils and £12.00 (7.3%) for the Police & Crime Commissioner for Hertfordshire. Unless the Government announces further changes to the funding of Adult Social Care, there is no scope for the County Council to increase this Precept in 2019/2020.
- 8.9 It may be worth noting even at this stage that the levelling off in 2018/2019 of the reduction in caseload, may make changing the standard percentage reduction less of an option for 2019/2020.

- 8.10 Any reduction in the standard percentage reduction will have the affect of making the Scheme more generous and this will in turn reduce the Tax Base, requiring a corresponding increase in Council Tax to realise the same amount of revenue.
- 8.11 Cabinet should note that there is always a risk that any reduction in the 25% value may have to be reversed in subsequent years due to the impacts of further rises in Council Tax or increase in the caseload.

Amount to be distributed to Parish, Town & Community Councils

- 8.12 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.
- 8.13 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.
- 8.14 As a four year settlement was announced in February 2016 for the period 2016/2017 to 2019/2020, the Council has already received indication of the funding that it will receive in 2019/20 from Business Rates Baseline and Revenue Support Grant (RSG). The level of RSG received by the Council in 2018/19 was zero, and it is now likely that it will continue to be zero in 2019/20. It had been expected that it would be reduced to around minus £1m, due to an increased tariff or "negative RSG", but a recent consultation has stated a preference for this now not to happen. As a result the amount to be distributed to Parish, Town & Community Councils is proposed to be maintained at £38,885 (i.e. the same amount as in 2018/19). The amount of funding that the Council receives from New Homes Bonus is not incorporated in to the calculation used, but it should be noted that this is expected to reduce from £1.27 million in 2018/19 to £1.12 million in 2019/20.

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. 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 5.6.39 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 There are no changes proposed for 2019/2020 and consequently there is no requirement to consult with the public.

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 Financial modelling will be carried out to assess the feasibility of reducing the standard percentage reduction applied to non-protected claims and a final decision on this can be taken at the December meeting of Cabinet, when there is a more definite expectation on the cost of the Scheme and the implications of any 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 There is no statutory requirement for the council to provide funding to Parish, Town and Community Councils, but it may choose to do so and the Government actively encourages Councils to do so. In 2018/2019 this Council passed on £38,885. The current proposed cost of funding to Parish, Town and Community Councils in 2019/20 is £38,885.

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 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.

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, but current equalities legislation will be checked following decision by Cabinet in December to ensure this remains the case.

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 Resources implications in this report.

15. APPENDICES

- 15.1 None

16. CONTACT OFFICERS

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17. BACKGROUND PAPERS

17.1 None