

**CABINET
18 DECEMBER 2018**

PART 1 – PUBLIC DOCUMENT

TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME (CTRS) 2019/2020

REPORT OF: 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 in its sixth year and to recommend that no changes be made to the Scheme for 2019/2020.

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 is recommended to Council at its meeting on 17 January 2019.
- 2.3 That Cabinet recommends to the Council that the level of Scheme funding to be allocated to the Parish, Town and Community Councils will be the same as 2018/2019 and will be reviewed for 2020/2021

3. REASONS FOR RECOMMENDATIONS

- 3.1 To keep the Scheme aligned as far as possible with Housing Benefit.
- 3.2 To ensure that the Council complies with the requirement to ensure that a Scheme is in place by 11 March 2019.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 As there have been no changes to the Housing Benefit Regulations in the last year that need to be reflected in the Council's CTRS, Cabinet at its meeting on 25 September 2018 opted to recommend that no changes be proposed to the Scheme for 2019/2020 and that this should be recommended to Council at a future meeting in this financial year.
- 4.2 At the Cabinet meeting on 25 September 2018, Officers were asked to review whether there was scope to amend the standard percentage reduction and if so, to report back to this meeting of the Cabinet.

- 4.3 The outcome of the review has been considered by the Executive Member for Finance & IT and it has been decided not to recommend any change to the standard percentage reduction. (See 8.1 to 8.8 below)

5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS

- 5.1 The Executive Member for Finance & IT has been consulted on the outcome of the review on whether there is scope to reduce the standard percentage reduction.
- 5.2 As there are no changes to the CTRS proposed, it has not been necessary to carry out any further consultation.

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.

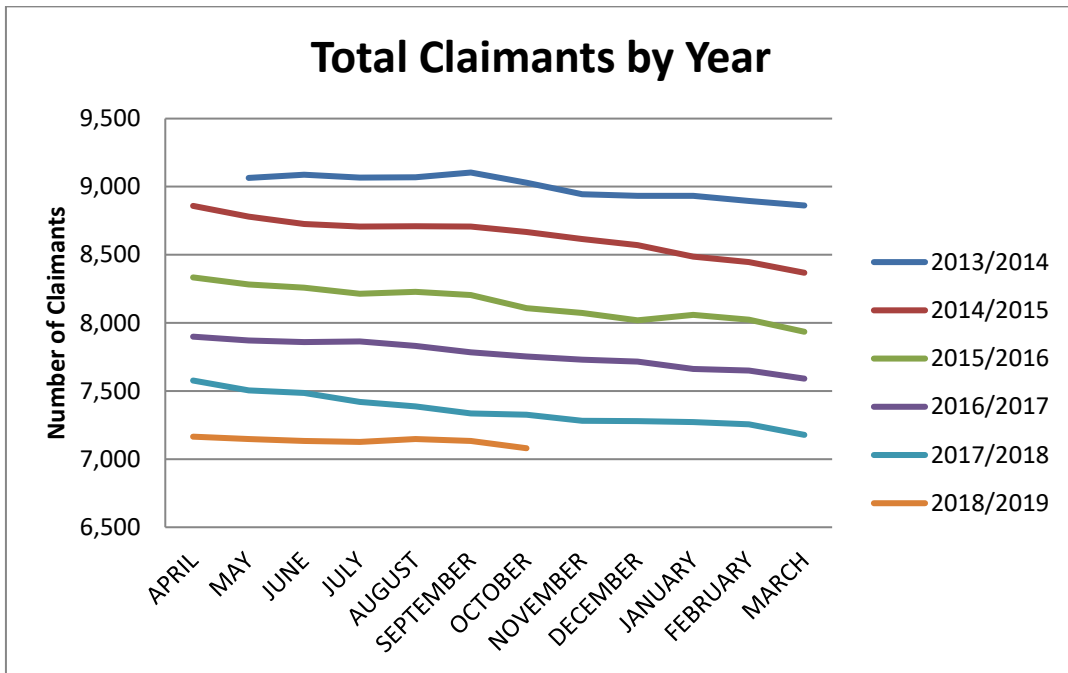
7. BACKGROUND

- 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 three years.
- 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 Prior to this year (2018/2019) the Scheme has shown a steady year-on-year reduction in the amounts awarded. Because the caseload has steadily declined, this has meant that any increases in awards due to increased levels of Council Tax have been offset by a reduction in the number of recipients. It was hoped to make the Scheme more generous in previous years, 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% in 2016/2017. The County Council also opted for the maximum allowable increase in 2017/2018 and 2018/2019 of 4.99%. The District Council and the Police & Crime Commissioner for Hertfordshire have also increased their Council Tax by the maximum allowable; however as the District Council and Police & Crime Commissioner for Hertfordshire precepts amounts to only around 23% of the total Council Tax bill (13% and 10% respectively), their increases do not have the same effect on the amount of CTRS paid as that of the County Council.

7.6 In 2018/2019, the reduction in caseload has flattened out with the result that the Scheme is expected to make awards of around £253,600 more in this year than 2017/2018.

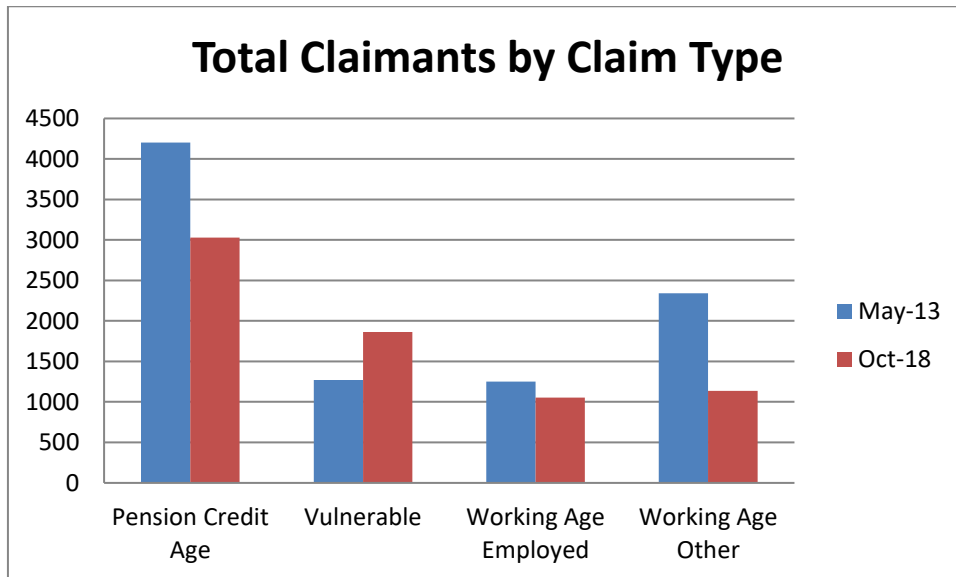
7.7 Chart 1 below shows how claimant numbers have steadily reduced since the Scheme was introduced up to this current year, where they have flattened out.

Chart 1



7.8 Chart 2 below shows the difference in number of customers by claimant type from May 2013 (the earliest data we have) to October 2018. Members will see there has been a significant reduction in the number of Pension Credit Age customers (1,177 less or 28.00%) and Working Age customers not working (1,205 less or 51.47%). The number of Working Age customers in work has remained fairly constant (197 less or 15.77%), however the number of Vulnerable claimants, i.e. those in receipt of a Disability Premium has increased significantly (594 more or 46.73%).

Chart 2



- 7.9 Significantly, these reductions are less marked for the current year, where the reductions in caseload are significantly reduced. Pension Credit Age customers have reduced by 93 or 2.98%; Working Age claimants not working by 18 or 1.56%; Working Age customers in work have reduced by 36 or 3.31% and the number of Vulnerable customers has increased by 49 or 2.70%.

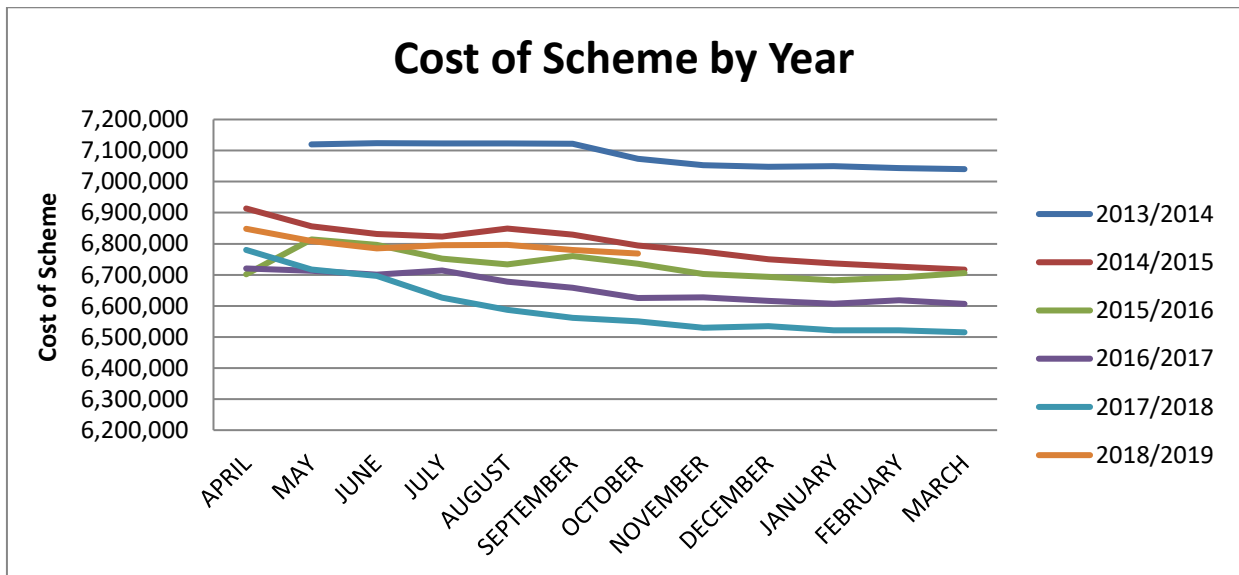
8. RELEVANT CONSIDERATIONS

Standard Percentage Reduction

- 8.1 The Scheme is now administered as a Council Tax Discount, no different to a Single Occupancy Discount or other Discount or Exemption. Consequently, there is no direct monetary value but it does have the affect of reducing the Council Tax Base. Any increase in the amount of Council Tax Reduction awarded, through a reduction in the standard percentage reduction will reduce the Tax Base meaning that the Council Tax levied by each Precepting Authority will yield less income.
- 8.2 A reduction in the standard percentage reduction will not benefit all CTRS customers as those of Pension Age and those in receipt of a Disability Premium are protected and receive the same amount of CTRS had Council Tax Benefit remained.
- 8.3 Financial modelling of the CTRS has shown that without a continued steady decrease in caseload, any reduction in the standard percentage reduction would put considerable pressure on the Tax Base with a potential risk that the Collection Fund could show a deficit at the end of the 2019/2020 financial year.
- 8.4 The financial modelling has also shown that a decrease in the standard percentage reduction to 20% will benefit those not already protected within the Scheme by a very modest amount ranging from an average of £0.79 per week for those in work to an average of £1.05 per week for those not in work.

- 8.5 Whilst the benefit to CTRS customers would be very modest, a change to 20% in the standard percentage reduction would have a significant effect on the Tax Base and could reduce the amount of Council Tax raised by this Council by £44K for the Police & Crime Commissioner for Hertfordshire by £34K and most notably for the County Council by £261K.
- 8.6 Chart 3 below shows that whereas the monetary level of awards has reduced year-on-year, the level is expected to increase in 2018/2019 and would increase again in 2019/2020 given the expected increase in Council Tax levels and without a reduction in the caseload.

Chart 3



- 8.7 If the Council was minded to reduce the standard percentage reduction at this time, it would be difficult to then increase it again later should conditions dictate that this would be necessary to limit Council Tax increases and ensure that the Collection Fund did not go into deficit.
- 8.8 For these reasons, it is not considered prudent to recommend any reduction in the standard percentage reduction at this time.

Amount to be distributed to Parish, Town & Community Councils

- 8.6 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.

- 8.7 There is no longer separately identifiable funding within the Council's financial settlement from the Government as the Scheme is now funded by reductions in the Council Tax Base. To continue to compensate Parish, Town & Community Councils for the reductions in their Council Tax Base the principle has now been established that the amount of money distributed by the Council will reduce in line with its own reduction in Government support.
- 8.8 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. The level of Revenue Support Grant received by the Council in 2018/19 was zero, and this is expected to be zero in 2019/20. 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 is expected that it will decrease in 2019/20.
- 8.9 Over the life time of the Scheme, this amount distributed to Parish, Town & Community Councils has diminished in value. Awards for 2019/2020 will vary from £11,405 for Royston Town Council to £40 for Bygrave Parish Council. Of the 35 Local Councils, only 10 will receive more than £1,000.
- 8.10 Members have expressed a view at previous Cabinet meetings that this payment should be reviewed. This has been pre-empted by giving the Parish, Town & Community Councils a full year's notice of the Council's intention to review this.
- 8.11 The proposal therefore is to review this next year having given the Parish, Town & Community Councils due notice. It should be noted that the Government does expect Councils to continue to make these payments available to Local Councils. See 10.2 below.

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 value of awards is expected to increase by £253,600 based on the position at the end of October 2018. This will be reflected in the Council Tax Base that will be presented to the Council Tax Setting Committee at its meeting on 10 January 2019. As explained in paragraph 7.6 the impact of any change in the Council Tax Base is in proportion to the value of the Council Tax raised, so the greatest impact is on the County Council.
- 10.2 There is no statutory requirement for the Billing Authorities to provide funding to Parish, Town and Community Councils, but it may choose to do so and the Ministry of Housing, Communities and Local Government has made its position clear that it expects Billing Authorities to do so. In 2018/2019 this Council passed on £38,885. The current proposal of funding to Parish, Town and Community Councils in 2019/2020 is £38,885, based on there being no change in Revenue Support Grant.
- 10.3 Cabinet at its meeting on 25 September 2018 expressed the view that this amount should remain the same for 2019/2020 and that it should be reviewed for 2020/2021..

11. RISK IMPLICATIONS

- 11.1 Because the Council is required to implement a demand led Scheme there is a financial risk should the number of claimants increase significantly. Whilst the number of claimants is not increasing, the decrease in numbers has slowed down considerably meaning that there is likely to be a reduction in the Council Tax Base. The amount of Council Tax recovered in the year is monitored by the Overview and Scrutiny Committee on an exception basis. The position on the Collection Fund is also included in the revenue monitoring reports that are presented to the Finance, Audit and Risk Committee and Cabinet.
- 11.2 A further potential risk is the effect that the introduction of Universal Credit Full Service will have on the number of claimants and collection rates. This will be monitored over the next year in preparation for consideration of the CTRS in 2019 for 2020/2021.

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 Council in January 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