

COUNCIL
17 January 2019

PUBLIC DOCUMENT

TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2019/2020
REPORT OF: SERVICE DIRECTOR - CUSTOMERS
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 2019/2020.

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 2019/2020.
- 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 2019/2020. This remains the same as 2018/2019.
- 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 Since the implementation of the CTRS in 2013/2014, it has been the intention to, as far as possible keep the scheme aligned with any changes to the Housing Benefit Regulations. There have been no significant changes to the Housing Benefit Regulations in the last year, which require any changes to the CTRS.

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 2019/2020, the Council is required to consult with the public.
- 5.2 As no changes to the scheme are proposed for 2019/2020, there has been no need for any consultation.

6. FORWARD PLAN

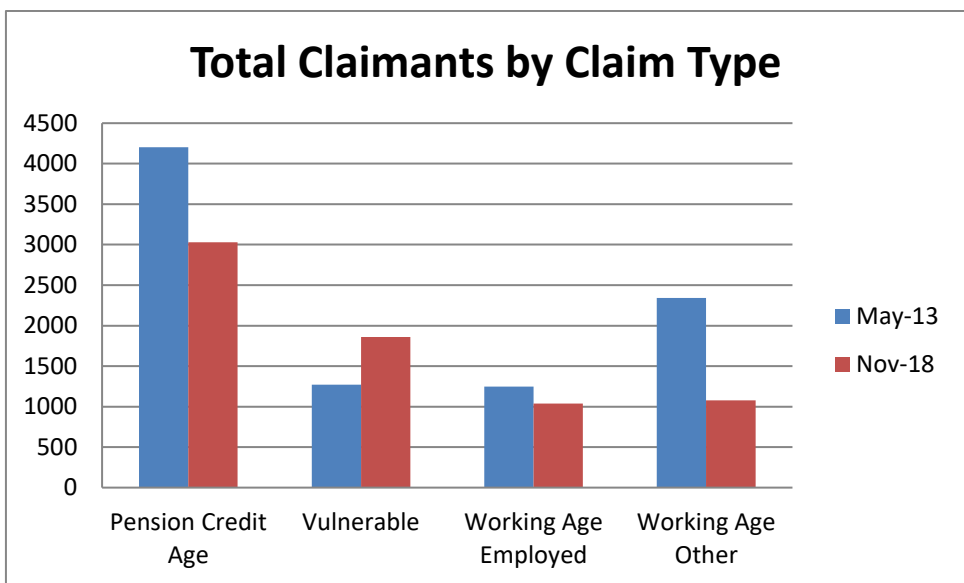
- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 25 July 2018.

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

7.8 Chart 2 below shows the difference in number of customers by claimant type from May 2013 (the earliest data we have) to November 2018. Members will see there has been a significant reduction in the number of Pension Credit Age customers (1,174 less or 27.9%) and Working Age customers not working (1,265 less or 54.0%). The number of Working Age customers in work has remained fairly constant (213 less or 17.0%), however the number of Vulnerable claimants, i.e. those in receipt of a Disability Premium has increased significantly (587 more or 46.2%).

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 72 or 2.32%; Working Age claimants not working by 21 or 1.99%; Working Age customers in work have reduced by 99 or 8.43% and the number of Vulnerable customers has increased by 27 or 1.47%.

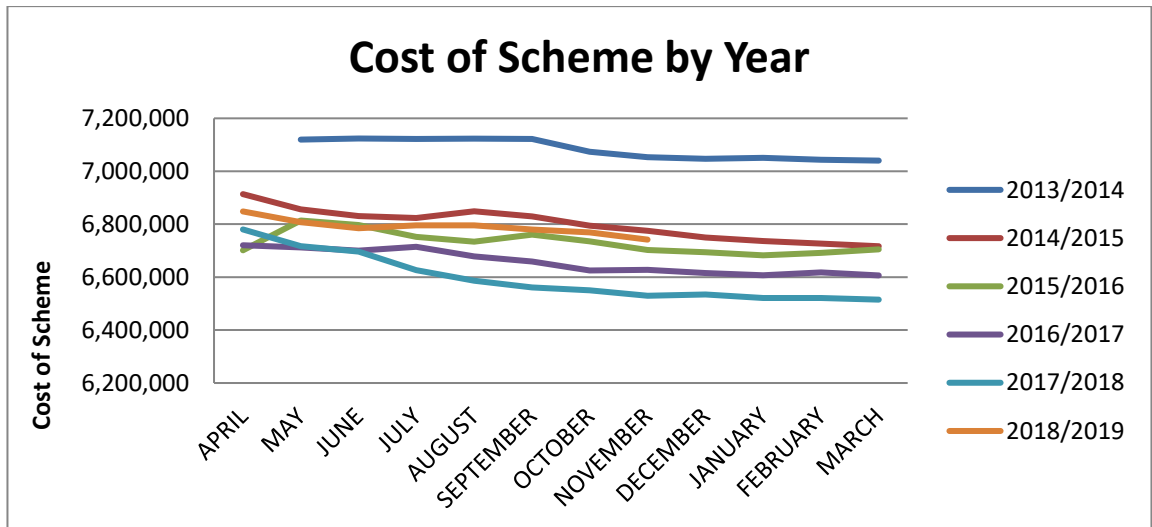
8. RELEVANT CONSIDERATIONS

8.1 Cabinet has considered the implications for the seventh year of the Scheme at two meetings on 26 September 2018 and 18 December 2018.

8.2 Since the Scheme was implemented in 2013, it has been the intention to mirror as far as possible, any changes made to the Housing Benefit Regulations. As there have been no relevant changes in the last year, it was recommended to Cabinet that there should be no changes to the CTRS for 2019/2020.

- 8.3 Cabinet did ask that a review be carried out on the effect of reducing the Standard Percentage Reduction (this is the amount by which awards are reduced for working age customers, who are not in receipt of any disability premium).
- 8.4 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.
- 8.5 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.
- 8.6 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.
- 8.7 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.
- 8.8 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.
- 8.9 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 continuing reduction in the caseload.

Chart 3



- 8.10 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.
- 8.11 For these reasons, it was not considered prudent to recommend to Cabinet any reduction in the standard percentage reduction at this time. The scheme recommended by Cabinet to Council therefore maintains the Standard Percentage Reduction at 25%.
- 8.12 At its meeting on 25 September 2018, Cabinet also raised questions about the amount to be distributed to Parish, Town & Community Councils.
- 8.13 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.

- 8.14 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.
- 8.15 The provisional settlement for 2019/20 was announced on 13th December 2018. This proposed the Business Rates Baseline and Revenue Support Grant that the Council will receive in 2019/20, and whilst it is subject to final consultation this is what is used in budget planning. The level of Revenue Support Grant (RSG) received by the Council in 2018/19 was zero, and will be maintained at zero in 2019/20 (i.e. a negative RSG will not be applied). 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 will decrease in 2019/20.
- 8.16 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.
- 8.17 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.
- 8.18 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 10.5 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 have been made to the Scheme in year two onwards and restricted consultation exercises have been carried out inviting members of the public to comment on the Council's web site.

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

9.6 Members should note that changes to the Scheme cannot be made later in this financial year due to the need to consult before any changes can be implemented.

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%.

10.4 The value of awards is expected to increase by £226,771 based on the position at the end of November 2018. This was reflected in the Council Tax Base that was 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.

- 10.5 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.
- 10.6 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 The ability for Major Precepting Authorities to increase their Council Taxes by up to 3% (or £24.00 in the case of the Police & Crime Commissioner) in 2019/20 without the need for a referendum will put pressure on the Scheme unless the caseload continues to reduce.
- 11.3 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.
- 11.4 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 the decision by Council to ensure this remains the case.

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 Appendix 1 – Council Tax Reduction Scheme 2019/2020

16. CONTACT OFFICERS

- 16.1 Howard Crompton: Service Director - Customers
howard.crompton@north-herts.gov.uk; ext. 4247

Ian Couper: Service Director - Resources
ian.couper@north-herts.gov.uk; ext. 4243

Jeanette Thompson: Service Director – Legal & Community
jeanette.thompson@north-herts.gov.uk; ext. 4370

Reuben Ayavoo: Senior Policy Officer
reuben.ayavoo@north-herts.gov.uk; ext. 4212

Kerry Shorrocks: Corporate Human Resources Manager
kerry.shorrocks@north-herts.gov.uk; ext. 4224

Rachel Cooper: Controls, Risk & Performance Manager
rachel.cooper@north-herts.gov.uk; ext. 4606

17. BACKGROUND PAPERS

17.1 Report to Cabinet Meeting on 26 September 2018

17.2 Report to Cabinet Meeting on 18 December 2018