

CABINET

26 SEPTEMBER 2017

PART 1 – PUBLIC DOCUMENT

AGENDA ITEM No.

11

TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME 2018/2019

REPORT OF THE HEAD OF REVENUES, BENEFITS & INFORMATION TECHNOLOGY
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 has operated during its first four and a half years.
- 1.2 To consider whether any changes should be made to the Council Tax Reduction Scheme (CTRS) for year six (2018/2019), 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 substantive changes to the CTRS for 2018/2019.
- 2.3 That Cabinet is minded to recommend to the Council at its Meeting on 18 January 2018 that changes be made to the CTRS to implement the following to ensure the consistency of the Scheme with other welfare benefit changes:
 - 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 CTRSand that the Head of Revenues, Benefit & IT should carry out the necessary public consultation
- 2.4 That the Executive Member for Finance & IT is consulted on the content of the consultation questionnaire.
- 2.5 That Cabinet notes that the level of Scheme funding to be allocated to the Parish, Town and Community Councils will be the same as 2017/2018.
- 2.6 That Cabinet considers at its meeting on 19 December 2017 whether there is scope to increase the value of awards, taking into consideration any knowledge at the time on likely Council Tax increases for 2018/2019.

3. REASONS FOR RECOMMENDATIONS

- 3.1 To decide on whether any changes are proposed to the CTRS for 2018/2019 and enable the required consultation to be carried out.

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 2018/2019 and is seeking the views of Cabinet on this. Consultation with the Major and Local Precepting Authorities and the public will be required, prior to Cabinet considering its final recommendations to Council in December 2017, taking into consideration the outcome of the 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 28 July 2017.

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 2017/2018 is the fifth year of the scheme, which is now fully embedded.

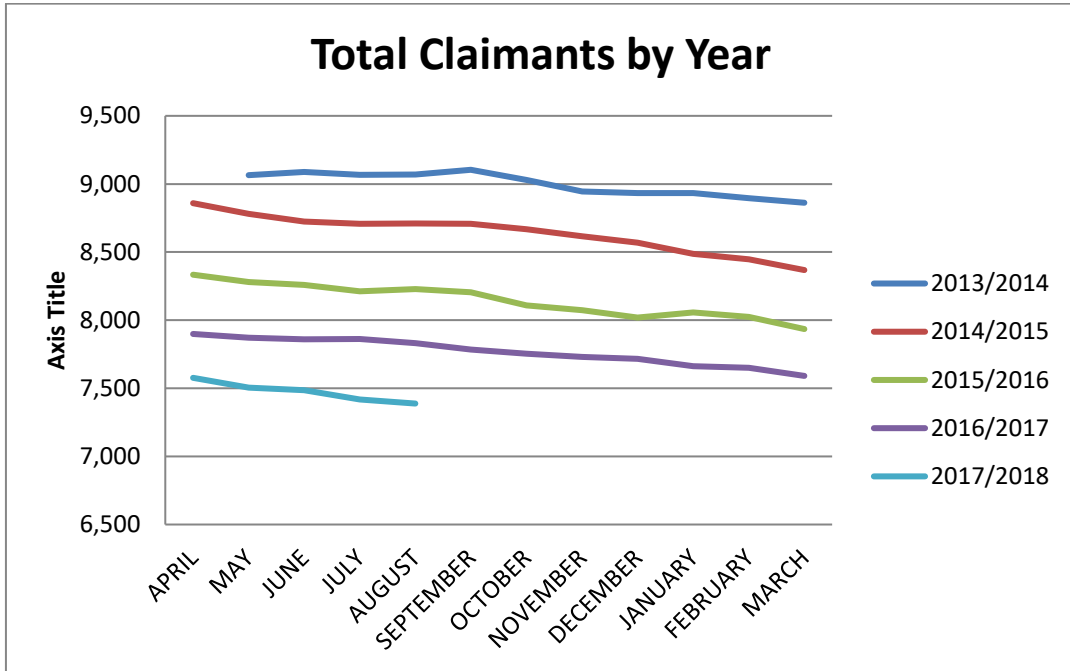
- 7.4 The Council's Scheme is based on the old Council Tax Benefit Scheme and is therefore means-tested with a standard percentage reduction being made to the final award. This reduction was 33.13% for the first two years of the Scheme and has been reduced to 25% for the subsequent three years.

- 7.5 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.

- 7.6 The Scheme continues to cost less than anticipated due in the main to the steady reduction in the number of claimants. This has meant that the Scheme continues 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 2017/2018 of 4.99%. 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. Despite this, with projected expenditure of £6.59M the Scheme is expected to remain in surplus by over £660,000, which means that the Collection Fund will be better off by that amount.

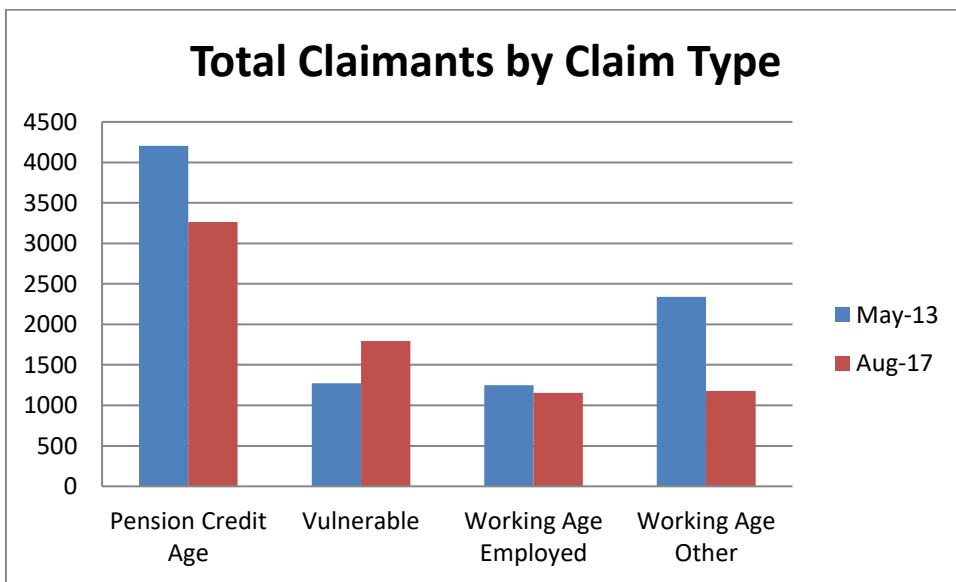
7.7 Chart 1 below shows how claimant numbers have steadily reduced since the Scheme was introduced.

Chart 1



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 2017. Members will see there has been a significant reduction in the number of Pension Credit Age claimants (942 less or 22.41%) and Working Age claimants not working (1162 less or 49.64%). The number of Working Age claimants in work has remained fairly constant (96 less or 7.69%), however the number of Vulnerable claimants, i.e. those in receipt of a Disability Premium has increased significantly (523 more or 41.15%).

Chart 2



8. RELEVANT CONSIDERATIONS

Changes to Housing Benefit and should these be reflected in the CTRS?

- 8.1 The Government is implementing two minor changes to Housing Benefit, which it would seem reasonable to replicate within the Council's CTRS.

Disregard of Capital & Income Payments of Bereavement Support Payments

- 8.2 The Government has changed the way in which it supports working age widows and widowers following bereavement.
- 8.3 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.
- 8.4 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.
- 8.5 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.
- 8.6 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.

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

- 8.7 Following the terrible events at the Manchester Arena and Grenfell Tower earlier this year, funds have been set up to assist the victims of these incidents.
- 8.8 These funds are administered by the London Emergencies Trust and the We Love Manchester Emergency Fund.
- 8.9 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.
- 8.10 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.
- 8.11 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.

Other Considerations

- 8.12 In addition to the changes to Housing Benefit considered above, this report also needs to consider 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

- 8.13 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%

- 8.14 For the first two years of the Scheme, the 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 three years, predominantly due to the overall reduction in caseload.
- 8.15 It was hoped to reduce this percentage even further for last year, however there was a significant risk that if the caseload did not continue to decrease, the Scheme could be overspent due to the increase of 4.99% in the County Council's Council Tax and 1.9% for the District. That risk still applies.
- 8.16 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 2017 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 2018/2019.
- 8.17 Cabinet should note that there is always a risk that any reduction in the 25% value may have to be reversed in subsequent years should there be a further rise in Council Tax or increase in the caseload.

Amount to be distributed to Parish, Town & Community Councils

- 8.18 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.

- 8.19 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.
- 8.20 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 2018/19 from Business Rates Baseline and Revenue Support Grant. The level of Revenue Support Grant received by the Council in 2017/18 was zero, and this will continue to be zero in 2018/19. As a result the amount to be distributed to Parish, Town & Community Councils should be maintained at £38,885 (i.e. the same amount as in 2017/18). 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 £1.986 million in 2017/18 to £1.265 million in 2018/19 (a 36% reduction).

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.
- 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 The changes proposed for 2018/2019 are of a minor nature and therefore a restricted consultation exercise would be satisfactory in this instance to comply with the requirement that any changes be consulted on.
- 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 The projected underspend on the Scheme may give the Council scope to reduce the 25% reduction applied to non-protected claims and a final decision on this can be taken later in the year, when there is a more definite expectation on the cost of the Scheme and the implications of the 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 The intention would be to report to Cabinet in December on the expenditure on the Scheme at that time with a recommendation on the % reduction to be applied for 2018/2019. Cabinet can then make its final recommendation to the Council in January.
- 10.4 There is no statutory requirement for the council to provide funding to Parish, Town and Community Councils, but it may choose to do so. In 2017/2018 this Council passed on £38,885. The current estimated cost of funding to Parish, Town and Community Councils in 2018/19 is £38,885, based on there being no change in Revenue Support Grant.

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 The indications so far for this current year is that the Scheme is under budget, which does provide a contingency in the unlikely event of an increase in claims later in the year.
- 11.3 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.
- 11.4 At this stage of the process for determining the scheme for 2018/2019, the main risk is that the Council decides to make changes to the Scheme and does not follow the correct consultation process and therefore leaves itself open to challenge. This is why the Council needs to consider whether it wishes to make any fundamental changes to the scheme for 2018/2019 at this early stage.

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.

- 12.3 By mirroring the changes proposed to Housing Benefit in its CTRS relating to Bereavement Support Payments and payments from the London Emergencies Trust and the We Love Manchester Emergency Fund, the Council is protecting working age claimants from possible further reductions in the Council Tax Support they receive.

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 DWP Circular HB A6/2017 relating to Bereavement Support Payments.
- 17.2 DWP Circular HB A8/2017 relating to payments from the London Emergencies Trust & the We Love Manchester Emergency Fund.