

**Report considered by Cabinet on 17 December 2019**

**TITLE OF REPORT: COUNCIL TAX REDUCTION SCHEME (CTRS) 2020/2021**

REPORT OF THE SERVICE DIRECTOR – CUSTOMERS

EXECUTIVE MEMBER: COUNCILLOR IAN ALBERT

COUNCIL PRIORITY: BUILD THRIVING & RESILIENT COMMUNITIES

**1. EXECUTIVE SUMMARY**

1.1 To provide Cabinet with an update on how the Scheme is operating in its seventh year and to recommend two minor changes be made to the Scheme for 2020/2021.

**2. RECOMMENDATIONS**

2.1 That Cabinet notes the CTRS position relating to this and previous financial years

2.2 That Cabinet recommends to Council the following proposed changes to the CTRS for 2020/2021:

A) That a de minimis amount of £2.50 per week be introduced for reductions in entitlement, with no de minimis amount for increases in entitlement

B) That any payments made under the Windrush Compensation Scheme be disregarded for the purposes of CTRS

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 2019/2020 (£38,885)

2.4 That Cabinet notes 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

**3. REASONS FOR RECOMMENDATIONS**

3.1 To ensure that the Council complies with the requirement to ensure that a Scheme is in place by 11 March 2020.

**4. ALTERNATIVE OPTIONS CONSIDERED**

4.1 Since the inception of the Scheme in 2013, the intention has been to keep this as aligned as possible to Housing Benefit Regulations because of the synergy between the two schemes. This is the intention behind recommendation 2.2 (B) and achieves that alignment.

4.2 The intention behind recommendation 2.2 (A) is for ease of processing and to avoid customers being sent multiple bills for very small changes in entitlement

4.3 Cabinet considered these proposals at its meeting on 24 September 2019 and agreed that these recommendations should be subjected to public consultation.

## **5. CONSULTATION WITH RELEVANT MEMBERS AND EXTERNAL ORGANISATIONS**

- 5.1 Following the decision taken by Cabinet on 24 September 2019, the Council has carried out public consultation via its web site and directly to members of the Citizens Panel. There has been a significantly better response than previous consultations carried out on changes to CTRS with 546 responses received. The results can be summarised as:

| <b>Recommendation</b> | <b>In favour</b> | <b>Not in favour</b> |
|-----------------------|------------------|----------------------|
| Recommendation (A)    | 92.8%            | 7.2%                 |
| Recommendation (B)    | 86.2%            | 13.8%                |

- 5.2 In addition, the Council is required to consult with Hertfordshire County Council and the Police & Crime Commissioner for Hertfordshire. This has been done, however no response has been received at the time of preparing this report.

## **6. FORWARD PLAN**

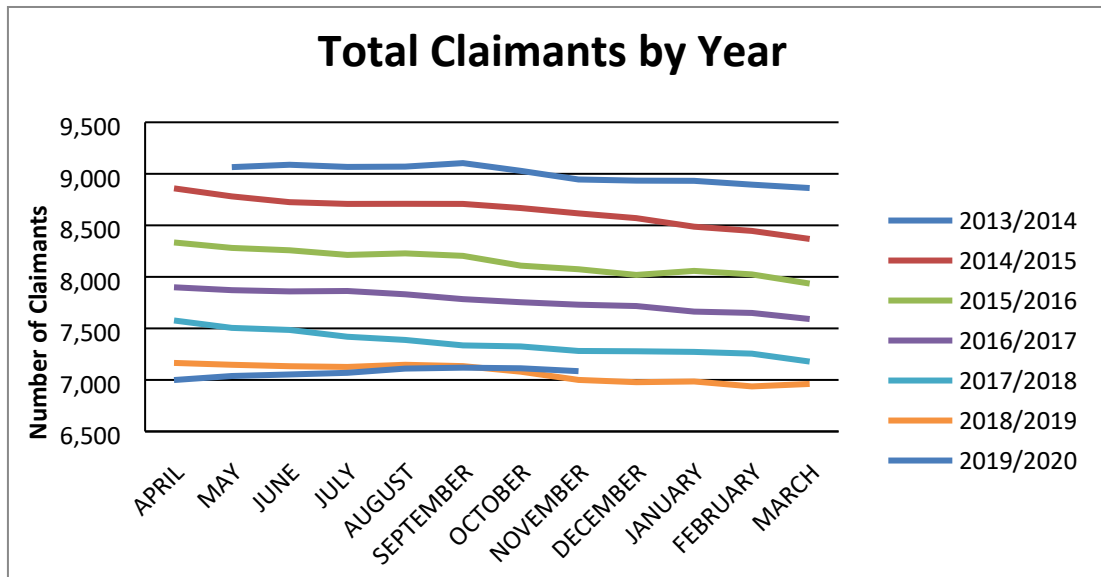
- 6.1 This report contains a recommendation on a key decision that was first notified to the public in the Forward Plan on the 6 September 2019.

## **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 2020/2021 will be the eighth 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 five 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 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. The numbers reduced in the latter part of the year but so far in 2019/2020, the numbers have actually slightly increased. The steady reduction in numbers meant that the Scheme continued to cost about the same amount each year even though Council Tax levels increased. With claimant numbers now not reducing as steadily as in the earlier years of the Scheme, 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. Further, maximum expected increases in Council Tax for 2020/2021, reduces the scope available to make the Scheme more generous.

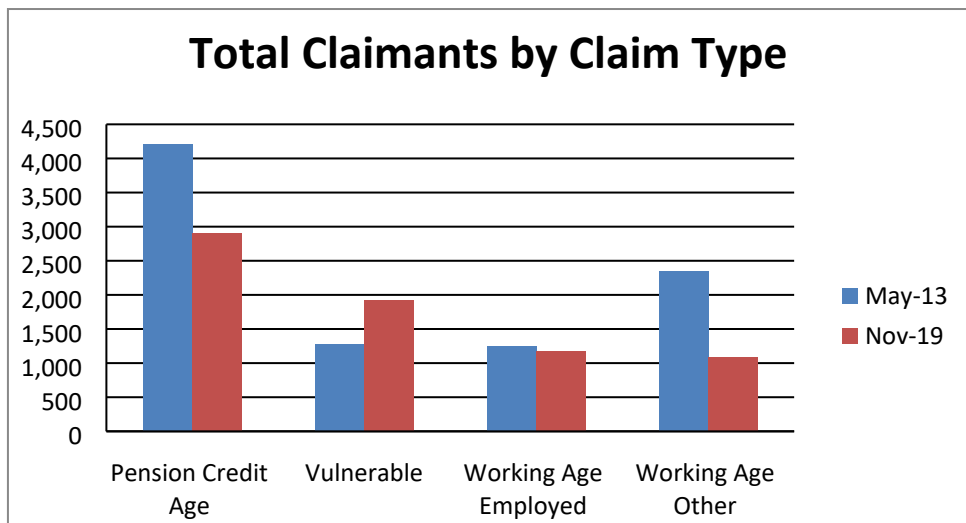
7.6 Chart 1 below shows how claimant numbers have steadily reduced since the Scheme was introduced, until this current year.

**Chart 1**



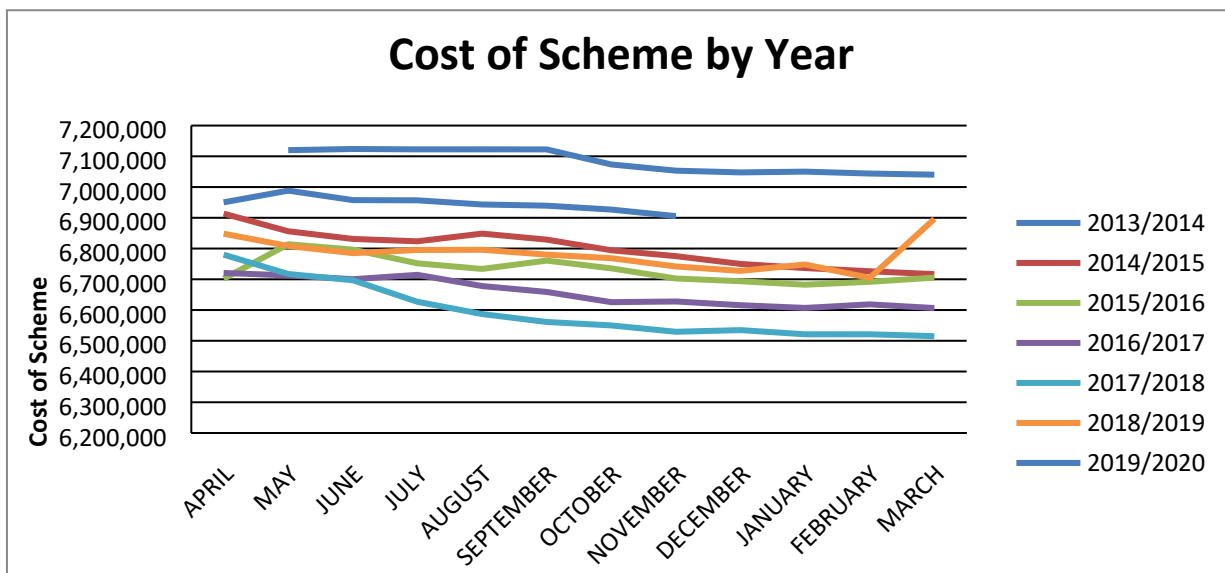
7.7 Chart 2 below shows the difference in number of customers by claimant type from May 2013 (the earliest data we have) to October 2019. Members will see there has been a significant reduction in the number of Pension Credit Age customers (1,297 less or 30.85%) and Working Age customers not working (1,260 less or 53.82%). The number of Working Age customers in work has remained fairly constant (69 less or 5.52%), however the number of Vulnerable claimants, i.e. those in receipt of a Disability Premium has increased significantly (646 more or 50.83%).

**Chart 2**



7.8 Chart 3 below shows the monetary value of the Scheme year-on-year and it is significant that after five years of steady reductions, in 2018/2019 and this year, the values have increased considerably, reflecting the fact that the number of claimants is no longer steadily reducing.

**Chart 3**



**8. RELEVANT CONSIDERATIONS**

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

- 8.1 The Government has implemented one change to the Housing Benefit Regulations, which Cabinet supported for wider consultation with a view to including it in the Council's CTRS. This is the requirement to disregard any payments made to recipients under the Windrush Compensation Scheme. The effect of this is that any payments made under this scheme will be ignored for Housing Benefit purposes and if adopted by the Council, also for CTRS purposes.
- 8.2 As shown in 5.1 above, this proposal received overwhelming support in the public consultation.

**Other Considerations**

- 8.3 The introduction of Verification of Earnings & Pensions (VEP), previously Right Time Information (RTI) has resulted in an unforeseen consequence for those in receipt of CTRS, who have fluctuating incomes.
- 8.4 Through VEP, the Council is notified by DWP (via HMRC) whenever there is a change in income or other change which may effect the entitlement of a claimant. Notifications are also being received, which trigger a recalculation when changes are made to Universal Credit, which do not change the overall entitlement to CTRS. Many of these changes are very small and in fact the vast majority are £0.00 as a change is triggered for example at the start or end of a repayment of an advance or the start or end of a deduction, for example to clear Council Tax arrears, which does not effect the entitlement to CTRS.

- 8.5 These changes result in bills being produced and instalments being reset, so that in theory, and also in practice, a customer may go throughout an entire year without paying anything and they will never be caught up in the recovery cycles, if they have a change every month resulting in a recalculation and their instalments being reset.
- 8.6 In the period 1 April 2019 to 31 October 2019, recalculations were carried out for the following amounts:

| <b>No of Claims</b> | <b>Value of change of entitlement</b> |
|---------------------|---------------------------------------|
| 888                 | £0.00                                 |
| 21                  | Between £0.01 and £0.49               |
| 10                  | Between £0.50 and £2.49               |
| 28                  | Between £2.50 and £9.99               |

- 8.7 Officers recommended to Cabinet that the deminimis level be set at £2.50 for reductions in entitlement and that it be kept under review. £2.50 per week is considered high enough to eliminate a significant number of small changes in entitlement and also not too high to exempt too many customers from having any recalculations at all. For example, £2.50 per week is £130.00 per year, so theoretically any customer with an entitlement of £130.00 per year or less may not have a recalculation during the year, so long as the entitlement stays below £130.00. At the beginning of this financial year we had 91 customers with an annual entitlement of less than £130.00.
- 8.8 It is recommended that there be no deminimis amount applied for increases in entitlement.
- 8.9 The numbers identified in 8.6 above will increase significantly as more customers migrate to Universal Credit.
- 8.10 Also as shown at 5.1 above, this proposal received overwhelming support.

#### **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 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.
- 8.13 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).

- 8.14 2019/2020 is the final year of a four year settlement, which was announced in February 2016 and allowed Councils to be able to forward plan for those four years. The four year settlement confirmed that this Council would not receive any RSG from 2018/2019 and also announced an additional tariff on Business Rates (known as negative RSG) for 2019/2020, which would have further reduced Council funding by around £1M.
- 8.15 The Government reviewed the position regarding the negative RSG and this was not imposed in this current year and consequently, the Council confirmed that the amount to be distributed to Parish, Town & Community Councils should remain at £38,885 and that this should be reviewed for 2020/2021.
- 8.16 The Government has confirmed that there will be a one year settlement for 2020/2021 and a wider ranging review carried out during 2020/2021 for implementation from 2021/2022. It has been confirmed that the additional tariff on Business Rates will not be applied in 2020/2021.
- 8.17 The Council could decide to remove this Grant, however Members should be aware that the Government has strongly suggested that they would not expect Councils to do so. In view of the Government's intention not to impose the additional tariff on Business Rates in 2020/2021 it would seem equitable to continue with the payments to Parish, Town & Community Councils in 2020/2021 and review this again next year depending on what financial settlement is approved by the Government.

#### **Wider ranging review of the CTRS**

- 8.18 2020/2021 will be the eighth year of the Scheme, which has remained mainly unchanged throughout that time. The Scheme is still based on means testing as this is considered to be the fairest way of administering the Scheme.
- 8.19 Whilst the Council continues to administer a substantial number of Housing Benefit claims, there is little to be gained in terms of administrative costs in changing the Scheme, as the same processes have to be performed as those needed to calculate Housing Benefit. However, many Councils are moving towards different types of Schemes in anticipation of the expected drop in Housing Benefit caseloads, which will escalate when the managed migration of the caseload takes place, some time between 2020 and 2024 on current projections, although these have slipped several times already.
- 8.20 Ideally, the Scheme needs to be simple to administer and for customers to understand, fair and be cost effective. Unfortunately, it is difficult to achieve all three of these objectives, as any two will usually disqualify the third.
- 8.21 Nevertheless, a lot of work is being carried out to test a number of different options, which will be reported to Cabinet in 2020, to allow plenty of time for consultation before implementation in April 2021.

#### **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. Only minor changes have been made in subsequent years, with the resulting restricted consultation. This position remains the same with the proposals for 2020/2021, however this time the consultation with the public has consist of advertising on the Council's web site and using the Citizens Panel resulting in a significantly higher response rate than previous consultations.
- 9.5 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 There will be financial implications in respect of the Collection Fund for the implementation of a deminimis rule, which are difficult to quantify. However as the vast majority of changes result in no change in entitlement, this is not considered to be significant and should be easily absorbed within the 1% allowance for non-collection.
- 10.2 Whilst not directly a subject of this report, far more significant is the effect on the Council Tax Base should all the Major Precepting Authorities increase their Council Tax Precepts by the maximum allowed before a local referendum is triggered.
- 10.3 Based on the caseload at the end of July 2019, Council Tax increases of £5.00 for the District Council and 1.99% for County Council and the Hertfordshire Police & Crime Commissioner will incur additional awards of CTRS of around £139,500 and reduce the Council Tax Base by around 77.
- 10.4 The figures could increase if more scope is given to the Police & Crime Commissioner to increase its precept and any further provision is made to increase Council Taxes to help fund Adult Social Care.
- 10.5 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 2019/2020 this Council passed on £38,885. The current proposed cost of funding to Parish, Town and Community Councils in 2020/2021 remains at £38,885.

## **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 trend in the number of claimants is no longer decreasing, the increase in numbers is gradual and could just as easily reverse again. 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.

## **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, and consulting on the minor changes implemented since, 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 Results of Public Consultation