

<b>Meeting:</b>	<b>Council</b>
<b>Meeting date:</b>	<b>Friday 12 February 2021</b>
<b>Title of report:</b>	<b>2021/22 council tax reduction scheme</b>
<b>Report by:</b>	<b>Leader of the council</b>

## **Classification**

Open

## **Decision type**

Budget and policy framework

## **Wards affected**

(All Wards);

## **Purpose**

To approve the 2021/22 local council tax reduction scheme (CTR).

Council tax charges can be reduced where the bill payer meets certain set criteria contained in the council tax reduction scheme (CTR). The current scheme was initially approved by Council on 18 December 2015, amendments to the scheme are recommended to commence from 1 April 2021 to increase the discount support available.

It is a legal requirement to annually review the council's council tax reduction scheme and the decision to approve the scheme is reserved to full Council.

## **Recommendation(s)**

**That:**

- (a) The council tax reduction scheme for 2021/22, with increased discounts compared to the existing scheme, be approved.**

## Alternative options

1. The local council tax reduction scheme could remain as it is and not be amended. This is not recommended as it is considered appropriate to increase discounts available in response to the impact of the national pandemic, Covid 19. Any changes to the current scheme not proposed in this report require statutory public consultation to be undertaken ahead of proposing scheme changes so are not recommended.

## Key considerations

2. Council tax charges can be reduced where the bill payer meets certain set criteria contained in the council tax reduction scheme (CTR). CTR is available to working age and pensioner claimants. The pensioner CTR scheme is set nationally. The working age CTR scheme is set locally by this council. More than 11,000 bill payers in Herefordshire are in receipt of CTR, with over 6,000 of claims from the working age.
3. The existing local CTR scheme was approved by Council in December 2015 and was applied in 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21. It is considered appropriate to amend this scheme to provide increased discounts in 2021/22.
4. The existing CTR scheme for working age claimants in Herefordshire provides a discount varying between 80% and 84% on the amount of council tax payable. This discount is currently restricted to a band C equivalent rate. Pensioner cases receive 100% CTR (unless their income breaches the threshold) and it is proposed that the working age scheme is amended to also provide 100% discount (unless their income breaches the threshold) irrespective of council tax band the property falls into. This will mean there will be no council tax band restriction and no liability reduction. The draft scheme is attached at appendix A.
5. During 2020/21 the working age CTR caseload increased. This reflects a national picture and demonstrates the local impact of Covid-19 on the working age. 5,375 claimants were expected and currently total 6,300, this is forecast to increase again as the Coronavirus Job Retention Scheme ends. This means that council tax income in 2020/21 is forecast to decrease by £0.8m due to the additional discounts awarded. This deficit (after applying the applicable spreading regime) is reflected in the 2021/22 budget setting papers presented elsewhere on today's agenda. Expectations are that caseloads will recover in a couple of years' time.
6. In response to the pandemic central government recognised the impact of council tax liabilities on low earners and established a new hardship scheme during 2020/21. This provided a one off hardship award of £150 to all working age CTR claimants. This £1.1m grant to Herefordshire has been spent in full.
7. The current CTR caseload and discount (using the average weekly award) is shown below:-

Caseload type	Number of claims	Amount of discount under current scheme £000	Amount of discount under proposed scheme (post 4.99% maximum increase) £000
Pensioner age	5,200	6,193	6,502

Working age	6,300	5,547	7,724
<b>Totals</b>	<b>11,500</b>	<b>11,740</b>	<b>14,226</b>

8. To move the working age scheme to increased discounts will cost approximately £1,900k more in new lost council tax revenue. It is, however, likely that charges raised would not be settled quickly and could in fact become outstanding debt against those that are charged. To increase the discount to 100% will reduce any debt recovery action if the recommended scheme amendments were not approved.
9. Central government recognises the impact that the increased CTR caseloads is having on councils and have announced two financial support measures in addition to the hardship scheme mentioned above. These are:-
  - I. Local council tax support grant - the government has indicated that it is providing this to broadly meet the additional costs associated with increases in council tax reduction awarded in 2021/22. The funding will be un-ringfenced. MHCLG are proposing to distribute the £670m of grant funding based on working-age caseloads in each billing authority's area, using data from quarter 1 and quarter 2 of 2020/21. The funding allocations have not been published, estimations are that Herefordshire will receive £1,100k.
  - II. Local tax income guarantee for 2020/21 - the government has also announced, as part of a consultative policy paper, the details of its proposed scheme for compensating for irrecoverable local taxation losses. For council tax, the formula will be 75% of the difference, if positive, between the Council tax requirement for 2020/21 less the total of their billing authorities' relevant amounts. This will exclude any adjustments made for write-offs or provisions for bad debts, therefore it appears that councils will effectively only be compensated for increases in local council tax reduction.
10. In addition to the above measures the provisional settlement allocated one off monies of new homes bonus (£1,791k) and a new lower tier services grant (£250k). The lower tier services grant was allocated to ensure that no council had a total Core Spending Power in 2021/22 less than in 2020/21.

## Community impact

11. In addition to the council tax reduction scheme the council has agreed to provide 100% council tax discount to foster parents from 1<sup>st</sup> April 2021. To do this and to increase the council tax reduction available to low earners to 100% with no band restriction would have a positive impact on the community by minimising the debt burden on those that struggle to pay their council tax charge.

## Environmental Impact

12. Herefordshire Council provides and purchases a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors we share a strong commitment to improving our environmental sustainability,

achieving carbon neutrality and to protect and enhance Herefordshire's outstanding natural environment.

13. Whilst this is a decision on increasing an existing discount scheme so will have minimal environmental impacts, consideration has been made to minimise waste and resource use in line with the Council's Environmental Policy. For example all council tax payers are encouraged to manage their account online to minimise paper and postage use.

## **Equality duty**

14. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:

A public authority must, in the exercise of its functions, have due regard to the need to -

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
  - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
15. The Equality Act 2010 established a positive obligation on local authorities to promote equality and to reduce discrimination in relation to any of the nine 'protected characteristics' (age; disability; gender reassignment; pregnancy and maternity; marriage and civil partnership; race; religion or belief; sex; and sexual orientation). In particular, the council must have 'due regard' to the public sector equality duty when taking any decisions on service changes. The proposed increase discount will have a positive impact on those residents not currently receiving 100% council tax discount.

## **Resource implications**

16. By increasing the discount award to 100% council tax income losses will increase by approximately £1,900k. For 2021/22 it is proposed that one off funding is utilised to fund this improved discount. The one off monies will be £800k from new home bonus and a forecast £1,100k from the local council tax support grant as announced in the draft local government financial settlement.

## **Legal implications**

17. The CTR scheme is locally determined by each billing authority under Section 13A and Schedule 1A of the Local Government Finance Act 1992.
18. For each financial year each billing authority must consider whether to revise its scheme or to replace it with another scheme and this must take place in the financial year preceding that for which the revision or replacement scheme is to have effect.
19. A statutory procedure is provided for under Paragraph 3 of Schedule 1A which a billing authority must follow when revising its scheme. Consultation with the public was included with the budget consultation process that took place during November and December 2020.

## **Risk management**

20. By increasing the discount the risk that claimants may not pay their council tax charge and move further into debt if summons charges are levied is removed. The costs and time associated with collecting overdue debts in relation to CTR charges is also reduced.

## **Consultees**

21. Local consultation with parish and town councils, businesses and organisations was completed in November, 17 events were held with 96 participants. Over 70% of responses wanted to support households in financial difficulty.
22. An online public consultation was open from 18 December 2020 and closed on 10 January 2021 in the form of a Residents Survey and Organisation Survey. The results of this survey, shared as appendices to the budget setting report elsewhere on today's agenda, include 41% willing in principal to pay more Council Tax if the increase was used to help households on low incomes. It is recognised that additional clarity over the scheme would have been useful to help people determine their response to this question.

## **Appendices**

Appendix A Proposed 2021/22 council tax reduction scheme

## **Background papers**

None identified