

<b>MEETING:</b>	<b>COUNCIL</b>
<b>MEETING DATE:</b>	<b>17 JANUARY 2014</b>
<b>TITLE OF REPORT:</b>	<b>REVISION TO THE CURRENT COUNCIL TAX REDUCTION SCHEME</b>
<b>REPORT BY:</b>	<b>CABINET MEMBER CORPORATE STRATEGY &amp; FINANCE</b>

## **Classification**

Open

## **Key Decision**

This is not an executive decision.

## **Wards Affected**

County-wide

## **Purpose**

To agree amendments to the Council Tax Reduction Scheme as recommended by the Cabinet Member.

*(The recommendations below are subject to a Cabinet Member decision to be taken on 13 January; should any changes to the recommendations result, these will be published as a supplement to this Council Agenda.)*

## **Recommendation(s)**

**THAT:**

- (a) The minimum support rate for those working age applicants who currently receive 91.5% council tax support is reduced to 84% from 1st April 2014. Claimants having a maximum liability of 16% of council tax;**
- (b) Agreement is given to further phased reductions, in support in the following two financial years, 76% from 1<sup>st</sup> April 2015 and 70% from 1<sup>st</sup> April 2016; and**
- (c) Further changes to the scheme are approved which caps the council tax reduction to a level of Band D for working age claimants.**

## Alternative Options

- 1 Continuing with the current scheme. The council would need to identify savings to compensate for the loss of one-off government grant resulting in reductions to council services.

## Reasons for Recommendations

- 2 To compensate for the loss of one-off government grant awarded for ensuring claimants had a maximum liability of 8.5%, and generating additional revenue for the council and its preceptors.

## Key Considerations

- 3 The Welfare Reform Act 2012 abolished the existing national Council Tax Benefit scheme with effect from 1st April 2013. Instead, councils were asked to create and administer a new local Council Tax Reduction Scheme which had to be in place by 1st April 2013.
- 4 The council adopted a new Council Tax Reduction Scheme (CTRS) on 1st April 2013. The aim of the CTRS scheme is to provide financial assistance to council taxpayers who have low incomes. The scheme works within the broad requirements set by government, to:
  - Ensure all council tax payers pay something, whilst providing full protection for pensioners whose council tax support must remain at the same level as their current council tax benefit;
  - Consider the need of vulnerable people;
  - Encourage people to work rather than discourage them to do so.
- 5 In the first year government provided additional funding for the CTRS based on a minimum support rate of at least 91.5%, for those working age applicants who previously would have received 100% council tax benefit, this ensured claimants had a maximum liability of 8.5%. Herefordshire Council adopted this 8.5% maximum liability and also abolished the second adult rebate.
- 6 The scheme can be revised each year, with approval necessary by 31<sup>st</sup> January of the preceding year. To minimise the impact for the loss of the one-off funding from government, a revision to the scheme is proposed. This report provides a proposal to revise the current CTRS scheme and deliver additional revenue through council tax collection to mitigate the impact.
- 7 The working age claimants in receipt of CTR consist of; single parents, single people and couples who could be unemployed, have limited capability for work on the grounds of ill health including disability, or are working but on a low income. The profile of working age claimants is:-
  - Current caseload (as at 01.10.13) = 14,351
    - Total pensioners = 7,103 - unaffected by the CTRS scheme
    - Total working age = 7,248

- 5,000 (approximately) are in receipt of CTR at 91.5%, and therefore, have to pay 8.5% of their council tax liability. These claimants have an income which is at a level that entitles them to maximum reduction.
- 2,248 of these claimants have an income which is at a level that means they only qualify for partial reduction.

Note - 53% of the total working age claimants have dependent children.

- 8 The consultation questionnaire was explained in a letter to all working age claimants confirming how they would be affected and where they could respond. The consultation questionnaire was also published online on Herefordshire Council's website together with the consultation documents, and publicised alongside the council's budget consultation.
- 9 In total 108 questionnaires were returned, 106 from individuals and two from organisations. Of those that answered, 59 confirmed they were in receipt of CTR and a further nine had previously been in receipt
- 10 The table below sets out options on the proposed changes to the CTRS, increasing the maximum liability available to the claimant, delivering savings to Herefordshire Council and its preceptors. This has been modelled on the existing working age benefit caseload.

Council Tax Reduction Scheme proposed changes	£'000 – Increased revenue due to increasing the contribution levels		
	16%	24 %	30%
Full benefit to Herefordshire Council, and its preceptors, including police, fire service and parish councils	471	974	1,351
Saving to Herefordshire Council (HC) (Approximately 83%)	390	808	1,121
<b>Reduced HC benefit including a 25% bad debt provision</b>	<b>292</b>	<b>606</b>	<b>841</b>

NB: Scenarios that explain the financial implications to claimants based on reducing the maximum liability are shown at Appendix 2.

- 11 The full savings will be beneficial to the council and its preceptors, including parish and town councils, West Mercia Police and Hereford & Worcester Fire and Rescue Service. Approximately 83% of the council tax bill is due to Herefordshire Council.
- 12 The scale of bad debt is relatively small in 2013, but with increasing contributions brings the likelihood of probable bad debt, thus a 25% reduction for bad debt has been assumed.
- 13 The above options are recommended to be implemented over a three year period to limit the full impact in 2014/15. There is a further restriction that could be made to the CTRS that could generate additional income:
- 14 Restrictions to Band D

- Up until April 2004, council tax benefit was restricted to the level of a Band E property. This meant that whilst claimants in higher banded properties could claim help with their council tax, their maximum award could not exceed the level of a Band E property. This was abolished as it was deemed unfair mainly to pensioners who in general terms, were more likely to live in larger properties.
- Whilst the Prescribed Requirements legislation prevents the introduction of a similar restriction that affects pensioners, applying a restriction to a Band D property for working age claimants produces savings as detailed below.

	<b>£'000 – Increased revenue due to restricting to a Band D level</b>		
	<b>16%</b>	<b>24 %</b>	<b>30%</b>
HC and all preceptors	85	78	72
<b>Savings to Herefordshire Council (Estimated at 83%)</b>	<b>70</b>	<b>64</b>	<b>59</b>

Note – the above changes have to be collected, and it should be assumed that there may be a bad debt element to account for.

- 15 Other local authorities are considering adjustments to the current scheme and have commenced consultation.
- 16 Local benchmarking information is set out at Appendix 4.

## Community Impact

- 17 The Corporate Plan agreed by Council in November 2012 has two broad priorities; supporting the development of a successful economy and improving quality of life for the people of Herefordshire. The council remains committed to ensuring public services are prioritised to meet the needs of the most vulnerable. However, the proposals in this report will have an impact on some residents, but there continues to be regard to support for the elderly and vulnerable, with access to support such as Discretionary Reduction Funding.
- 18 The decisions in this report links to key elements of the council's Corporate Plan and demonstrate the effective management of resources to help secure a balanced budget.

## Equality and Human Rights

- 19 A full Equality Impact Assessment (EIA) was carried out on the initial scheme and has been reviewed in the light of the revised proposals. A welfare reform event has taken place to discuss the impact on welfare reform and the EIA was presented.
- 20 The consultation has concluded and the findings collated into this report. The final EIA is provided at Appendix 3. Access to the Council Tax Discretionary Reduction funding is available to those facing hardship when paying their council tax.

- 21 The CTRS provides essential help towards the council tax liability for all claimants on a low income. By continuing to assess entitlement on a mean tested basis, similar to the national approach to means tested benefits, the scheme is equitable albeit that the level of support overall may be reduced to working age claimants based on the proposals set out in the report.
- 22 Access to the Council Tax Discretionary Reduction funding is available to those facing hardship when paying their council tax. The policy sets out that support is available when:
- The taxpayer is facing exceptional and temporary hardship and they do not have access to other funds/assets that could be used to meet their council tax liability;
  - Any reduction made in accordance with this policy is intended as short term assistance rather than a way of reducing council tax liability on a long term basis;
  - The applicant's eligibility to council tax reduction and all other statutory reductions has been determined;
  - There are unusual and unforeseen circumstances which prevent the property from being occupied and this situation cannot be rectified within a reasonable period of time, for example because of flooding;
  - The applicant has taken reasonable steps to resolve their situation prior to making their application;
  - The applicant can demonstrate that their current circumstances are unlikely to improve in the following six months.

## Financial Implications

- 23 The changes will generate an additional £362k in 2014/15, increasing to £670k in 2015/16 and £900k in 2016/17. The One off-government grant lost in 14/15 is £259k together with other reductions in the overall level of government grant. The additional potential revenue is summarised overleaf:

Council Tax Reduction Scheme proposed changes – Summary	£'000 – Increased revenue due to increasing the contribution levels		
	16%	24 %	30%
Additional council tax collected through increasing the maximum liability payable	292	606	841
Limiting the claim for council tax reduction to the value of a Band D property	70	64	59
<b>Total</b>	<b>362</b>	<b>670</b>	<b>900</b>

## Legal Implications

---

Further information on the subject of this report is available from Peter Robinson, Chief Finance Officer on Tel (01432) 383519

- 24 The Welfare Reform Act 2012 and Local Government Finance Act 2012 require the Council to implement a Local Council Tax Reduction Scheme (CTRS) and this was implemented by the Council for 2013/2014. Any subsequent amendments to the CTRS Scheme have to be approved by Full Council.
- 25 As the revisions are to be made to a localised scheme, the council must take account of views from the consultation in its decision-making and that consultation should conform to the “Gunning principles” as established in the case of R v London Borough of Brent ex parte Gunning (1985):
- a) The consultation must be at a time when proposals are still at a formative stage.
  - b) The proposer must give sufficient reasons for any proposal to permit of intelligent consideration and response. Those consulted should be aware of the criteria that will be applied when considering proposals and which factors will be considered decisive or of substantial importance.
  - c) Adequate time must be given for consideration and response.
  - d) The product of consultation must be conscientiously taken into account in finalising any proposals.
- 26 The council is required to as far as possible to protect vulnerable groups when implementing its CTRS. The position with regard to pensioners is as stated in paragraph 5. With regard to other groups the relevant legislation makes no explicit provision, although guidance indicates that the council should pay due regard to its public sector equality duty under the Equality Act 2010 and its duty to reduce and mitigate the effects of child poverty under the Child Poverty Act 2010. The contents of the Equality Impact Assessment and paragraphs 17 to 20 are noted.

## **Risk Management**

- 27 The scale of the changes is likely to have a significant impact on workloads and ICT systems, not least because of the short timescales for the annual billing cycle for 2014/15.

## **Consultees**

- 28 Consultation ran from 28th October until 9th December 2013 to seek the views of residents and interested organisations on the proposed changes.
- 29 The consultation questionnaire was published online on Herefordshire Council's website together with the consultation documents and publicised alongside the Council's budget consultation. In addition, approximately 7,000 letters were sent to current applicants who are likely to be affected by any changes to the scheme informing them of the consultation, directing them to the website and giving them a contact number to ring if they would prefer a paper version of the consultation documents to be sent to them.
- 30 A welfare reform event was also held at the Town Hall on 26th November 2013, where stakeholders such as social landlords, voluntary and welfare organisations were invited and informed of the proposed changes and encouraged to contribute to the consultation.
- 31 In total 108 questionnaires were returned, 106 from individuals and two from

---

Further information on the subject of this report is available from  
Peter Robinson, Chief Finance Officer on Tel (01432) 383519

organisations. Last year there were 207 responses to the proposed changes.

- 32 A summary of the responses to the two questions are listed below and full detail are provided at Appendix 1.

<b>Question</b>	<b>Agree/ Strongly agree</b>	<b>Disagree/ Strongly disagree</b>	<b>Neither agree or disagree</b>
1. All working age will have to pay more than 8.5% of their council tax charge	18	81	8
2. Capping council tax reduction to smaller properties (Band D)	23	67	16

- 33 76% of those that responded to question, one disagreed to a reduction in the discount and 75% also confirmed that if there was a rise in contribution, 16% should be the level of charge.
- 34 Of those that answered, 59 confirmed they were in receipt of CTR and a further nine had previously been in receipt.
- 35 Noting there are over 7,000 claimants with access to CTR, but less than 2% have provided a response to the consultation, this is attached as Appendix 1.
- 36 The major preceptors (police and fire service) were consulted on revisions to the scheme and were in favour of the proposed changes.

## **Appendices**

Appendix 1 – CTRS consultation report

Appendix 2 – Examples of the impact of the changes to the scheme

Appendix 3 – Equality impact assessment

Appendix 4 – Summary of local benchmarking

## **Background Papers**

30. None