



DECISION MAKER:	CABINET MEMBER CORPORATE STRATEGY AND FINANCE
DECISION DATE:	3 DECEMBER 2014
TITLE OF REPORT:	REVISION TO THE CURRENT COUNCIL TAX REDUCTION SCHEME
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is a Key Decision because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the County, and;

It is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function to which the decision relates.

NOTICE has been served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Wards Affected

County-wide

Purpose

To agree and recommend revisions to the current schemes, following consultation.

Recommendation

THAT the following revision to the current Council Tax Reduction scheme be recommended to Council for approval:

- (a) The Council Tax Reduction Scheme, is revised so that the maximum support rate, for those working age applicants who currently receive 84% council tax support, is reduced to 76% from 1 April 2015.**

Alternative Options

- 1 Make no changes to the council tax reduction scheme (CTR), retain the maximum subsidy at 84%. The council would need to identify alternative savings of £158k pa.
- 2 Reduce the maximum subsidy to 80% the point at which the budget target is reached. The initial target was a reduction to 76%, collection has improved and the subsidy is still significant. Remaining with the target helps the council achieve its overall budget target
- 3 Alternatively a number of local authorities have put in place other restrictions which are summarised below. These could be used in addition or instead of a liability reduction in the CTR calculation:
 - **Taper Adjustment** - which alters the current CTR calculation element that focuses on weekly excess income (current 20% we could increase to 25%)
 - **Band C Restriction** - amend our scheme from a Band D restriction to any claimant who lives in a property above Band C having their CTR based on a maximum level of Band C
 - **£5 Minimum CTR Award** - if the claimant qualified for less than £5 per week they would not receive any CTR
 - **Reduce the Capital Limit** - currently the capital limit for CTR is £16k below which CTR can be given, this could be reduced to £8k and those above would not receive any entitlement
- 4 The other restrictions are complex and require a significant amount of analysis to fully understand the implications. There would also need to be full consultation with clear explanation of the consequences. All of which are not possible within this years timelines, but they could be options to consider if further changes to the scheme are to be made in 2016-17.

Reasons for Recommendations

- 5 To agree a reduction to the level of subsidy provided through the CTR scheme. The proposal will increase the scheme by £369k per annum which will achieve the savings target of £308k and allow additional funding of £211k that can be used to deliver services to the public.

Key Considerations

Options for 2015-16

- 6 Appendix 1 provides a background summary that provides context about the scheme and the collection statistics to date.
 - a) The council through its Medium Term Financial Strategy (MTFS) has anticipated phased reductions in CTR support, moving to 76% in 2015-16. This proposal was originally expected to deliver £308k savings.
 - b) The table below sets out the level of CTR collected against the target since the scheme commenced. For 2015-16 the level of subsidy will reduce to 76% thus increasing the maximum liability payable by the claimant. This has been modelled on the existing working age benefit caseload.

Actual and Projected Income	Payable by claimant - £'000			Scheme Total
	8% 2013-14 Scheme	16% 2014-15 Budget	24% 2015-16 Proposal	
	Budget target in MTFS	330	292	308
Collected through the scheme each year	400	372	369	1,141
Surplus	70	80	61	
Cumulative surplus delivered against the plan	70	150	211	

- c) To deliver the budget target of £308k a subsidy level of 80% is needed. If the subsidy target of 76% is implemented it will achieve the budget target and additional funding of £211k that can be used to deliver services to the public.
- d) The table shows the benefit attributable to the council, but the full savings will also be beneficial to 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.
- e) Appendix 3 provides a table to show the amount of council tax claimants would have to pay, depending on their council tax band their house is valued at.
- 7 The corporate plan 2013/15 agreed by Council has two broad priorities; supporting the development of a successful economy, and improving quality of life for the people of Herefordshire.
- 8 The lowest earners in Herefordshire, approximately 5,000 claimants, currently pay 16% of their total council tax bill, with a further 2,034 claimants having financial circumstances that means they pay less. This report supports a reduction in the discount awarded for some council tax payers in receipt of welfare benefits. Pensioners will continue to receive additional discounts and the vulnerable will continue to have access to welfare support to mitigate these changes.
- 9 The decisions in this report link to key elements of the council's corporate plan and demonstrate the effective management of resources to help secure a balanced budget.
- 10 Other local authorities are considering adjustments to the current scheme and have commenced consultation. Benchmarking information is set out at Appendix 2.

Equality and Human Rights

- 11 A full Equality Impact Assessment (EIA) was carried out on the initial and subsequent revisions to the scheme and has been reviewed in the light of the revised proposals; the latest version is attached at Appendix 4.
- 12 The budget consultation has considered a question that asks should there be a change to the level of subsidy, reducing support to 76%. Further analysis is provided within the Consultee section.
- 13 The proposals set out in this report will have an impact on working age benefit claimants. In addition, there is likely to be an increase in the level of non-payment and

requests for debt advice.

- 14 Access to the Council Tax Discretionary Reduction Funding is available to those facing hardship when paying their council tax. In 2014-15 the council has awarded two claims. 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

- 15 The proposal will deliver an additional £369k per annum which will achieve the savings target of £308k and allow additional funding of £211k that can be used to deliver services to the public.

Legal Implications

- 16 The Council Tax Reduction Scheme is locally determined by each billing authority under section 13A and Schedule 1A of the Local Government Finance Act 1992.
- 17 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 no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect. If any revision has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit.
- 18 A statutory procedure is provided for under Paragraph 3 of Schedule 1A which a billing authority must follow when revising its scheme:
- "3(1) Before making a scheme, the authority must (in the following order) –
- (a) consult any major precepting authority which has power to issue a precept to it,
 - (b) publish a draft scheme in such manner as it thinks fit, and
 - (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme

- 19 As well as complying with the statutory consultation scheme the process must also be fair. There are four basic requirements namely -
- (i) be undertaken when proposals are at a formative stage;
 - (ii) include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response;
 - (iii) give consultees sufficient time to make a response; and
 - (iv) be conscientiously taken into account when the ultimate decision is taken.

Risk Management

- 20 The scale of the changes is likely to have a significant impact on workloads and ICT systems, as in previous years we have mitigated the impact by planning ahead and communicating with the software supplier and realigning work priorities to ensure we achieve the deadlines within the existing resources.
- 21 Over 30% of our current summons relate to CTR claimants. There is a risk that the claimants may not pay their council tax and move further into debt because of summons charges. This may eventually affect the collection statistics and result in reduced income figures as well as placing the households concerned into further financial hardship. This is further explained at Appendix A.
- 22 It has been suggested that there could be a correlation between the CTR claimants and the service users who access the council's care services. In particular children's services, whereby severe financial hardship could push families into situations that require greater support and cost the council through other budgets. An exercise is underway to understand this suggestion and the magnitude.

Consultees

- 23 In 2013-14 consultation ran from 28 October until 9 December 2013 to seek the views of residents and interested organisations on the proposed changes. 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 claimants 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.
- 24 There were 108 responses, 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.
- 25 A summary of the responses to the two questions set out in the consultation in 2013-14 are listed below.

Question	Agree/ Strongly agree	Disagree/ Strongly disagree	Neither agree or disagree
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 (B and D)	23	67	16

- 26 Noting there were over 7,000 claimants with access to CTR who were consulted, but less than 2% have provided a response to the consultation.
- 27 The general conclusion was that of the 76% 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 a similar conclusion is expected this year.
- 28 As part of the 2015-16 budget consultation, which was undertaken between 22 July 2014 and 10 October 2014 a question was asked about whether to keep the scheme unchanged or reduce the CTR subsidy to 76%. The budget consultation was published online on Herefordshire Council's website.
- 29 The budget consultation had 253 responses to all questions posed. 127 of the responses commented on the CTR scheme and all of those felt the CTR subsidy should be reduced to 76%.
- 30 Direct consultation with our claimants has also commenced and will conclude on the 10 December 2014. Interim results will be published on 25 November with an update on the 3 December 2014.
- 31 A short questionnaire has been published online on Herefordshire Council's website together with the consultation documents. In addition, approximately 5,000 letters have been sent to claimants 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.
- 32 Other key stakeholders such as welfare groups have been contacted, and encouraged to contribute to the consultation.

Appendices

- Appendix 1 CTR Background Information to provide context
- Appendix 2 Other Local Authority CTR Scheme Changes planned for 2015-16.
- Appendix 3 Examples to Show Potential Amounts Payable by CTR Claimants
- Appendix 4 Equality Impact Assessment

Background Papers

None identified.