

EAST HERTS COUNCIL

EXECUTIVE – 8 JANUARY 2013

REPORT BY EXECUTIVE MEMBER FOR FINANCE

COUNCIL TAX REDUCTION SCHEME

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- To propose arrangements which will enable the Council to implement a local Council Tax Support scheme (CTS), from April 2013.
- To consider findings and outcomes of the consultation arrangements for the proposed local CTS scheme .
- To present financial and equality impacts of the recommended CTS scheme for East Herts residents.

**RECOMMENDATIONS FOR DECISION: that.**

(A)	the Executive approve the forecasted financial implications arising from the recommended scheme for the Council Tax Reduction Scheme (CTS) with effect from 1 April 2013 and the risks and assumptions attached to these; and
(B)	Council be recommended to approve the CTS Scheme as proposed within this report.

1.0 Background

1.1 The Government made provision within the Local Government Finance Bill to replace the current national Council Tax Benefit (CTB) scheme from 1st April 2013 with localised schemes for Council Tax Reduction Schemes (CTS) devised by individual local authorities (LA's).

## 2.0 Report

- 2.1 The current CTB scheme does not have any direct financial impact on the Council. It is a demand led benefit, which the government fully funds through subsidy in respect of the benefit the Council has awarded. In contrast, the new CTS will be a Council Tax discount-based scheme (similar to single person discounts).
- 2.2 The impact of the scheme will reduce the taxbase and therefore the Council Tax collectable. This impacts EHC and its preceptors. To compensate Council's for the lost Council Tax revenue, government will provide a grant, but only at 90% of the cost of current CTB expenditure.
- 2.3 The Council and its preceptors will have to bear the 10% shortfall, or devise a CTS scheme that delivers a 10% saving. The new CTS scheme will continue to be demand led, but with a fixed grant from government. All risks of increasing caseloads will in future have to be borne by EHC and its preceptors.
- 2.4 In November 2012, The DCLG confirmed that Parishes would not be excluded from the changes in funding arrangements achieved through reducing the tax base. However their intention is that the billing authority (East Herts) will mitigate this loss of income by directly funding each Parish. Indicative grant of £250k has been notified to EHC and Parishes have received a letter on relative shares on 12 December 2012.
- 2.5 Responsibility within central Government for CTS has passed from the Department of Work and Pensions (DWP) (responsible for the existing national scheme) to the Department for Communities and Local Government (DCLG)
- 2.6 Under the current CTB scheme Claimants do not receive their benefit in cash, instead their Council Tax bill is credited with the benefit, so many (those in receipt of 100% benefit) do not pay any element of their Council Tax at present. Under the new CTS scheme many individuals will be required to pay for the first time.
- 2.7 The Council Tax for a band D property in East Herts is made up as follows, with the addition of individual Parish precepts:

Authority	2012/13	( <b>%</b> )
	<b>Council Tax</b>	
Hertfordshire County Council	£1,118.83	78.50
East Herts Council	£159.13	11.10
Hertfordshire Police Authority	£147.82	10.40
<b>Total</b>	<b>£1,425.78</b>	<b>100.00</b>

- 2.8 The table above shows that over 78% of the impact will be on Hertfordshire County Council (HCC). In contrast, East Herts Council (EHC) as the billing authority are responsible for designing, approving and taking all decisions on the new CTS scheme (after due consultation), even though it will only bear around 11% of the consequences.
- 2.9 LA's have a duty to run a local CTS scheme within their area that must contain the following:
- a) Pensioner claimants will be protected from changes to their existing CTB award through the provision of a statutory scheme. The protection for pensioner claimants will result in the 10% financial saving falling disproportionately on working-age claimants unless it can be met through other arrangements.
  - b) Schemes must support work incentives. The DCLG Policy Statement of Intent does not give a recommended approach to be taken, but indicates the scheme should not contain features which creates dis-incentives to find employment. The proposed East Herts scheme complies with this statement.
  - c) LAs must ensure that appropriate consideration has been given to support for other vulnerable groups, including those which may require protection under other statutory provisions including the Child Poverty Act 2010, the Disabled Persons Act 1986 and the Equality Act 2010, amongst others.
- 2.10 The DCLG has issued Policy Statements that address a range of issues including the following:

- a) Vulnerable People and Key Local Authority Duties;
  - b) Taking work incentives into account;
  - c) Information Sharing and Powers to Tackle Fraud.
- 2.11 The Local Government Finance Bill stated that a Billing Authority must have regard to any guidance issued by the Secretary of State. The recommended scheme has sought to address these requirements and is outlined within this report.
- 2.12 Under the Local Government Finance Bill, the Council must, in the following order, consult with major precepting authorities (i.e. Hertfordshire County Council and Hertfordshire Police Authority), publish a draft scheme in such manner as it thinks fit, and consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 2.13 The decision to agree the scheme is reserved for Full Council and cannot be delegated.
- 2.14 Once a local CTS scheme has been agreed by the Council, it cannot be revised for at least one financial year. A Billing Authority (EHC) must however consider whether to revise or replace its scheme with another one on an annual basis. In practice, this would require any proposals to amend the scheme to be drafted in the summer months to enable consultation and decision making processes to be concluded in time for Council Tax annual billing preparations.
- 2.15 Any revision to a scheme must be made by the Council by the 31st January, immediately proceeding the financial year in which it is to take effect and will require consultation with those affected. Additionally, in future, consideration must be given to providing transitional protection where the support is to be reduced or removed.
- 2.16 Existing CTB claimants on 31st March 2013, including those that have applied for Benefit but not yet had their entitlement determined, will not need to reapply for CTS, as their application will be treated as though it were made for Council Tax Support. This was outlined within the DCLG's Policy Statement of Intent dated 17th May 2012.

### 3.0 Consultation

3.1 Consultation was based on a simple scheme, essentially the same as the current CTB scheme, but assessing entitlement for working age customers on 90% of a their liability instead of 100%.

3.2 Details of the consultation and the findings are included in **Essential Reference Paper B.**

### 4.0 Developments

4.1 On the 16th October ministers announced that £100m in new funding had been allocated to 'encourage best practice' among local authorities designing individual CTS schemes. Baroness Hanham confirmed on 16th October that councils could apply for the one year transitional grant from February 2013 - with funding to be paid out before April, when localised CTS take effect.

4.2 In order to be eligible for the funding, Council's need to design local CTS schemes that cap local tax liabilities for working age claimants previously on full benefit at 8.5% of their bills. In addition Council's must ensure taper rates would not increase above 25% and provide protection for claimants returning to work.

4.3 The allocation of transitional funding for EHC and its preceptors, if we design a scheme that meets the criteria would be as follows:

<b>East Herts District Council</b>	£24 600
<b>Hertfordshire County Council</b>	£125 400
<b>Hertfordshire Police Authority</b>	£16 500
<b>Total</b>	<b>£166 500</b>

4.4 Applications for the transitional funding can only be made after the deadline for adopting the new CTS schemes, and the application process is promised to be light touch. The Council will need to provide a written indication that its scheme is compliant with the criteria set out by the Government, signed by the Section 151 officer. The remaining financial implications within this report

assume that the Council's proposed scheme would be eligible for the transitional funding.

## 5.0 The Proposed Scheme

- 5.1 The availability of the grant from Government has enabled the proposed scheme to be amended to reduce liability by only 8.5% instead of the original proposal to reduce liability by 10%, prior to the calculation of the CTS.
- 5.2 Corporate Business Scrutiny, at their meeting on 27 November 2012, proposed "that a number of options should be considered by the Executive to further reduce the cut in liability at the same cost to the Council as the 10% proposal achieved before the grant was made available."
- 5.3 The saving to East Herts in accepting the grant, and reducing the cut to 8.5% is £15,600. It should be noted that other than the grant the figures in the table below are estimated. Any change in the proposal from 8.5% would have an impact on Herts County Council, the Police and the Parishes.
- 5.4 A 1% increase in spend on CTS would increase the cost by £70,000, of which East Herts would be liable for £7700. Therefore the £15,600 provides an element of provision against changes in demand.
- 5.5 Any savings on the scheme are partially funding the cost of protecting pensioners .
- 5.6 It should be noted that any alternative scheme to further protect vulnerable residents would cost £20k per 0.5% change in liability.
- 5.7 Any changes in the proposed scheme (8.5% cut in liability) has a knock on impact in the way parishes compensation funding is calculated, and indicative taxbases have been shared with parishes to assist with their own budget setting processes for 2013-14

Original proposal	East Herts	County	Police	Totals
£700k cut	£105k	£525k	£70k	£700k
Savings from 10% liability cut	-£60k	-£300k	-£40k	£400k
To be funded elsewhere	£45k	£225k	£30k	£300k

Impact of Government grant	East Herts	County	Police	Totals
£700k cut	£105k	£525k	£70k	£700k
Savings from 8.5% liability cut	-£51k	-£255k	-£34k	£340k
Transitional Government grant	-£24.6k	-£125.4k	£16.5k	£166.5k
To be funded elsewhere	£29.4k	£144.6k	£19.5k	£193.5k

*Other than the grant figures the above are estimates based on an assumed level of spend.*

- 5.8 The formal scheme document for East Herts is attached in **Essential Reference Paper ‘C’**. The version submitted to the Executive remains a final draft as officers are still awaiting final amendments from the Government which are not available at the time of submission. The final version will be included with the Council report in January.
- 5.9 As the Section 13a scheme document referred to above is technical in nature, officers have created an ‘easy read’ guide (see **Essential Reference Paper ‘D’**) to the scheme which will be made available to staff and the public via our website. The guide is currently in draft for the same reasons identified above.
- 5.10 The CTS scheme complies with the Government’s key principles of protecting Pensioner claimants from changes in their existing CTB

award, supports work incentives, and was drafted with regard to appropriate consideration to vulnerable groups.

5.11 The manner in which this is achieved in relation to the DCLG policy Statement of Intent is set out below.

5.11.1 Armed Forces Covenant –

The Covenant sets out the relationship between the Nation, the State and the Armed Forces and recognises that the whole nation has a moral obligation to members of the Armed Forces and their families, and it establishes how they should expect to be treated. It exists to redress the disadvantages that the Armed Forces community faces in comparison to other citizens, and to recognise sacrifices made. In some cases this will require special consideration, especially for those who have given the most such as the injured and the bereaved. In consideration of the above the recommended scheme reaffirms that in addition to war widow's, war widower's and war disablement pensions, guaranteed income payments (including survivor's guaranteed income payments under the Armed Forces Compensation Scheme) be disregarded in full for working age claimants thus ensuring that receipt of these incomes does not impact upon their Council Tax Support entitlement.

5.11.2 It is also important to note that under Government regulations for pensionable age claimants, which will apply to all LAs, only £10 per week can be disregarded from the receipt of the above pensions. EHC currently exercises its discretion within the current legislation whereby these pensions are disregarded in full, and proposes to continue this under the new arrangements.

5.11.3 Child Poverty Act 2010 - The principles enshrined within the recommended CTS Scheme support the objectives of reducing and mitigating the effects of child poverty through the following means:

- a) Child Benefit shall be completely disregarded as a claimant's income thus ensuring that their entitlement to CTS is unaffected by the receipt of this income.
- b) Premiums and allowances shall be used to determine a claimant's basic living needs, with amounts being determined for each child and young person resident in the claimant's household.



- c) The provision of disregards for child care costs will be applied within the scheme, up to a maximum prescribed level of £175 per week for one child and £300 for two or more children.

5.11.4 Incentivising Work - The provision of extended payments for the first four weeks after a claimant commences work, will be applied where they meet certain prescribed requirements through the recommended scheme.

5.11.5 Equalities Implications - The Equality Act 2010 S149 sets out the public sector equality duty which requires the Council, when exercising its functions (including those as an employer) to have 'due regard' to the need to eliminate discrimination (both direct and indirect discrimination), harassment and victimization and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who share a 'protected characteristic' and those who do not share that protected characteristic.

5.11.6 A 'protected characteristic' is defined in the Act as:

- a) age;
- b) disability;
- c) gender reassignment;
- d) pregnancy and maternity;
- e) race; (including ethnic or national origins, colour or nationality)
- f) religion or belief;
- g) gender;
- h) sexual orientation;
- i) marital status.

5.11.7 Marriage and civil partnership are also a protected characteristic for the purposes of the duty to eliminate discrimination.

5.11.8 Due regard must also be given to the need to take steps to meet the needs of such persons where those needs are different from persons who do not have that characteristic, and encourage those who have a protected characteristic to participate in public life. The steps involved in meeting the needs of disabled persons include steps to take account of the persons' disabilities. Complying with the duty may involve treating some people better than others, as far as that is allowed by the discrimination law.

5.11.9 Due regard to the need to eliminate discrimination, advance equality, and foster good relations must form an integral part of the decision making process. The Council must consider the effect that implementing a particular policy will have in relation to equality before making a decision.

5.11.10 There is no prescribed manner in which the equality duty must be exercised. However, the Council must have an adequate evidence base for its decision making. This can be achieved by gathering details and statistics on who use the facilities. A careful consideration of this assessment is one of the key ways in which the Council can show “due regard” to the relevant matters. Where it is apparent from the analysis of the information that the proposals would have an adverse effect on equality then adjustments should be made to avoid that effect (mitigation).

5.11.11 The duty on public authorities is to bring important objectives relating to discrimination into consideration when carrying out its functions. “Due regard” means the regard that is appropriate in all the particular circumstances in which the authority is carrying out its functions.

5.11.12 At the same time, the council must also pay regard to any countervailing factors, which it is proper and reasonable for them to consider. Budgetary pressures faced by the Council form part of the analysis shown in the equality impact assessment.

5.11.13 The proposed scheme will impact on approximately 3600 existing working age claimants.

5.11.14 An equalities impact assessment has been undertaken and is attached at **Essential Reference Paper ‘E’** to this report. In summary, the main issues and conclusions reached through the assessment were as follows :

- a) The proposed CTS Scheme will have a negative impact on everyone receiving Council Tax Benefit, who is not of pensionable age. Everyone who is affected will have a reduction in the financial help they receive towards their Council Tax bills.

- b) This reduction is applied by a change in the rules of entitlement to financial support, which requires 8.5% of any Council Tax bill to be paid (consultation proposed 10%), irrespective of the claimant's personal circumstances or ability to pay. This does not apply to pensioners, who are unaffected by the proposed scheme
- c) An assessment of the impact on claimants with protected characteristics shows that there is no discrimination in terms of sexual orientation, gender reassignment or specific age groups.
- d) With reference to race, gender, religion and belief, marital status and pregnancy and maternity, the Council does not hold sufficient information about claimants with these characteristics, in order to make a thorough assessment of the impact on them of the proposed scheme.
- e) Claimants who are disabled, are carers, are pregnant or have children aged under five, have obvious restrictions on their ability to work and increase their income. The proposed scheme does not address these claimants' different levels of ability to pay an increase in their Council Tax Bill. As a result, the requirement on these groups to pay 8.5% of their Council Tax, before CTS is awarded, is likely to have a disproportionate negative impact on them.
- f) The Council recognises it's duty to consider the need to remove or minimise the disproportionate disadvantage certain groups of claimants with protected characteristics will experience, as a result of the proposed scheme. However, given the financial pressure placed on the Council by central Government cuts in the funding available to pay CTS, and the wider government funding reductions for local government there is no acceptable alternative option but to reduce the support to working age claimants.
- g) However, following consultation, attempts have been made to reduce the impact on claimants by requiring them to pay the first 8.5% of their net Council Tax liability, rather than the 10% proposed during the consultation..

## 6.0 Financial Implications

6.1 Proposed Council Tax Support Scheme – The final proposed CTS scheme design as informed by the results of consultation and from the results of the equalities impact assessment can be summarised as follows:

- a) That the CTS scheme for all working age claimants will be based on 91.5% of their council tax liability.;
- b) All local discretions currently in place will continue e.g. war pension disregards;
- c) All other aspects of the new Council Tax Support scheme to mirror current Council Tax Benefit scheme.

### – Scheme Design

	Scheme Proposals Consulted On	Scheme Proposals Recommended
1. Working age claimants to pay first 8.5% of Council Tax liability	10%	8.5%
2. Protection of pensioners	Yes	Yes
3. Protection for recipients of war pensions	Yes	Yes

6.2 In recognition of the fact that the additional Council Tax liability may be more difficult to collect , a collection rate of **75.5%** for this specific element has been used. The impact on the overall collection rate of 98.75 for 2012-13 is to reduce this to 98.65% for 2013-14. This cannot be predicted with more precise certainty at this stage, due to the uncertainty of future claimant behaviour.

6.3 The Council will need to determine whether to revise its CTS scheme for 2014/15 based upon experience during 2013/14, including any changes in caseload and collection rates..

## 7 Operational Implementation

- 7.1 Potential resource requirements arising from increased workloads and actions to mitigate customer demand arising from welfare changes, overall are being developed with the Revenues and Benefits Partnership. This change is only one of a number of welfare reforms that will impact on our residents during 13/14 and beyond that we need to be prepared to support our residents in understanding.
- 7.2 Work is underway in the areas of software, communications and resource planning in preparation of the changes. This will include training and liaison with our colleagues across the council and its partners.
- 7.3 Full Council and Scrutiny - The LGF Act 2012 prescribes that the decision to make a CTS Scheme must be made by Full Council by 31st January 2013. It is proposed that this report seeks approval to submit the Council's proposed CTS scheme to Full Council for a decision on the 30<sup>th</sup> January 2013.

### Background Papers

The Local Government Finance Bill 2012

<http://services.parliament.uk/bills/2012-13/localgovernmentfinance/documents.html>

The Local Government Finance Act 2012

<http://www.legislation.gov.uk/ukpga/2012/17/contents/enacted>

Statutory Instrument 2012 / 2885

<http://www.legislation.gov.uk/uksi/2012/2885/contents/made>

DCLG Statement of Intent

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6090/2176498.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6090/2176498.pdf)

DCGL Policy document - Vulnerable People and Key Local Authority Duties

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6074/2148567.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6074/2148567.pdf)

DCLG Policy Document – Taking work incentives into account

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6075/2148501.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6075/2148501.pdf)

Policy Document – Information Sharing and Powers to Tackle Fraud

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6090/2176498.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6090/2176498.pdf)

Child Poverty Act 2010

[http://www.legislation.gov.uk/ukpga/2010/9/pdfs/ukpga\\_20100009\\_en.pdf](http://www.legislation.gov.uk/ukpga/2010/9/pdfs/ukpga_20100009_en.pdf)

Disabled Persons Act 1986

[http://www.legislation.gov.uk/ukpga/1986/33/pdfs/ukpga\\_19860033\\_en.pdf](http://www.legislation.gov.uk/ukpga/1986/33/pdfs/ukpga_19860033_en.pdf)

Chronically Sick and Disabled Persons Act 1970

[http://www.legislation.gov.uk/ukpga/1970/44/pdfs/ukpga\\_19700044\\_en.pdf](http://www.legislation.gov.uk/ukpga/1970/44/pdfs/ukpga_19700044_en.pdf)

Equality Act 2010, section 149

<http://www.legislation.gov.uk/ukpga/2010/15/section/149>

Armed Forces Covenant

[http://www.mod.uk/NR/rdonlyres/4E9E2014-5CE6-43F2-AE28-B6C5FA90B68F/0/Armed\\_Forces\\_Covenant.pdf](http://www.mod.uk/NR/rdonlyres/4E9E2014-5CE6-43F2-AE28-B6C5FA90B68F/0/Armed_Forces_Covenant.pdf)

National Assistance Act 1948

[http://www.legislation.gov.uk/ukpga/1948/29/pdfs/ukpga\\_19480029\\_en.pdf](http://www.legislation.gov.uk/ukpga/1948/29/pdfs/ukpga_19480029_en.pdf)

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