

ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

<p>Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i></p>	<p>People This priority focuses on enhancing the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</p>
<p>Consultation and Equality Impact:</p>	<p>The consultation period of 05 September to 30 October (i.e. 8 weeks) was shorter than the 12 weeks recommended in the Government's Code of Practice on consultation. However, the DCLG advised that authorities should consider the length of consultation depending upon the impact of the proposals and their ability, for example, to complete the consultation exercise within budgetary timetables.</p> <p>Additionally, it was indicated within the DCLG Policy Statement of Intent dated 17th May 2012, that if a shortened period was to be applied the reasons for this should be given.</p> <p>To this extent, the Council agreed a shortened period in order to allow sufficient time to evaluate the responses received and to meet the Council's budget setting timetable. The timescale also reflected the need to provide sufficient opportunity to receive and test software, and prepare for annual billing and year end arrangements. Full details of the consultation and analysis of results is included in the ERP B to this report.</p> <p>In compliance with the Council's consultation obligations, a range of approaches were used to obtain views and comments for the proposals of the Council's local CTS scheme as set out below:</p> <p>a) All consultation documentation including an on-line questionnaire was available on the Council's website</p>

- b) Letters outlining the consultation arrangements were sent by post to all Working Age Claimants to inform them of the nature of the consultation and requesting their feedback.
- c) A specific email address was provided and included on consultation documentation to deal with any requests for information or to log supplementary comments. All correspondence has been logged and has served to inform this report;
- d) Paper copies of the documentation were distributed upon request.
- e) Alternative formats of consultation documentation were available on request;
- f) The consultation was publicised in the link Magazine delivered to every household in the district.

The LGF Bill stated that the Council must consult with the County Council and Police Authority, which are precepting bodies, when preparing a CTS scheme and that thereafter, the Council must publish a draft CTS scheme and then consult with other such persons who are likely to have an interest in the operation of such a scheme. Thereafter, the Council (i.e. Full Council) has to make the CTS scheme by 31 January 2013 and publish that scheme, failing which a default scheme will be imposed on the Council.

County and the Police confirmed that they were satisfied with discussions which informed the drafting of the proposed scheme for public consultation.

Public Sector Equality Duty - The public sector equality duty, as set out in section 149 of the 2010 Equality Act, requires the Council, when exercising its functions, to have "due regard" to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act, and to advance equality of opportunity and foster good relations between those who

	<p>have a “protected characteristic” and those who do not share that protected characteristic.</p> <p>The detailed Equality Impact Assessment for the proposed CTS Scheme is set out in ERP E to this report</p>
<p>Legal:</p>	<p>The Local Government Finance (LGF) Act came into force on 31st October 2012.</p> <p>DCLG has published Policy Statements regarding a range of issues in relation to the LGF Bill, so that local authorities could prepare draft CTS schemes and consult on them, before the LGF Bill became law.</p> <p>Details as to what was set out in the LGF Bill in relation to local authorities setting up Council Tax Support / Reduction schemes are set out below.</p> <p>Requirements of Council Tax Support scheme - The prescribed content of a CTS scheme was set out in section 9 of the Local Government Finance Bill and in clause 1 of Schedule 4 which inserts Schedule 1A to the Local Government Finance Act 1992 (“LGFA 1992”) and clause 2 of that proposed Schedule 1A. Under these provisions, a CTS scheme must state the following:</p> <ol style="list-style-type: none"> (1) A scheme must state the classes of persons who are to be entitled to a reduction under the scheme; (2) A scheme must set out the reduction to which persons in each class are to be entitled (and different reductions may be set out for different classes); (3) A scheme must state the procedure by which a person may apply for a reduction under a scheme; (4) A scheme must state the procedure by which a person can make an appeal under section 16 of the LGF Act 1992 against any decision of the authority which affects (a) the person’s entitled to a reduction under the scheme, or (b) the amount of any reduction to which the person is entitled; (5) A scheme must state the procedure by which a person can apply to the authority for a reduction under section 13A(1)(b) of the LGF Act 1992.

As for stating the classes of people who are to be entitled to a reduction under a scheme, classes may be determined by reference to the following:

- (1) The income of any person liable to pay council tax on the authority in respect of a dwelling;
- (2) The capital of any such person;
- (3) The income and capital of any other person who is a resident of the dwelling;
- (4) The number of dependants of any person within paragraph (2) or (3) above;
- (5) Whether the person has made an application for the reduction.

As for stating the reduction to which persons in each class are to be entitled and if different reductions are set out for different classes, a reduction may include the following detail:

- (a) A discount calculated as a percentage of the amount which would be payable apart from the scheme;
- (b) A discount of an amount set out in the scheme or to be calculated in accordance with the scheme;
- (c) Expressed as an amount of council tax to be paid (lower than the amount which would be payable apart from the scheme) which is set out in the scheme or is to be calculated in accordance with it; or
- (d) The whole amount of Council Tax (so that the amount payable is nil).

The LGF Act states that for each financial year, Councils must consider whether to revise its CTS scheme or replace it with another scheme and that such decisions need to be made by 31st January in the financial year preceding that for which the revision or replacement scheme is to take effect. If the Council does not make a CTS scheme by 31st January 2013, a default scheme will be imposed on the Council which will be effective from April 2013, the effect of which has been set out above in this report. Regulations on the working of the default scheme have been published..

Financial:

A consultation paper on technical funding arrangements, with indicative allocations, was issued by DCLG on 17th May 2012. The consultation exercise for this ended on 12th July 2012 and the final allocation is anticipated in December.

It should be noted that the Council will share the financial risk associated with the new arrangements with its precepting authority's i.e. Hertfordshire County Council, Hertfordshire Police Authority and the Parishes. This is because CTS will be treated as a Council Tax discount, thus reducing the Council Tax base, rather than a rebate coming off a much higher tax base as is the current position. Thus, where demand for CTS increases (or decreases) compared to the forecast, the surplus or deficit arising on the collection fund will be shared between EHC, the County Council, and Police Authority at the end of the year.

The CTB caseload has grown by 2.5% in the 12 month period ending 31st March 2012 and accordingly so has expenditure. Current forecasts for 2012/13 indicate growth of approximately 1%. Changes in the general economic climate during 2012/13 and beyond, will also impact upon the overall caseload trend. It is also worth noting that the Government, as a result of the latest Comprehensive Spending Review, is currently assuming that CTB expenditure would be falling in 2013/14, whilst officer's hold a contrary view, based on current trends, that it will be rising.

If the future CTS caseload increases beyond current predictions, the increased cost will be shared with the County Council and the Police Authority, on the basis shown in **para 2.7** above.

It is also important to note that whilst Council Tax increases clearly generate more revenue for the Council, they also produce a proportionate increase in CTS expenditure.

The Government has provided set-up funding of **£84,000**

	<p>for East Herts with a further £27,000 being provided to the County Council in its capacity as a major precepting authority. Software costs will account for a significant proportion of these funds. The Government is currently evaluating administrative funding as a new burden.</p> <p>Other financial implications may arise from applications made under existing powers contained within Section 13A of the Local Government Finance Act 1992. In general terms, these permit a Billing Authority to grant a discount where a person is liable to pay Council Tax in respect of a dwelling and to reduce the amount they have to pay to such extent as it thinks fit. This power includes a provision to reduce the amount payable to nil and can be exercised in relation to particular cases,(i.e Hardship) or by determining a class of case in which liability is to be reduced to an extent provided by the determination.</p> <p>This provision has not been widely used in the past, but as a consequence of the changes to Council Tax Benefit, the cessation of Discretionary Housing Payments and the wider welfare reforms, is anticipated to lead to an increase in the number and hence value of such requests. Any discount that may be granted under this provision will need to be met from the General Fund although this provision has been assumed within the overall collection rates modelled.</p>
Human Resource:	None
Risk Management:	<p>Risks and assumptions of the recommended scheme</p> <p>The following risks and assumptions have been identified:</p> <p>a) Scheme Deficit Forecasts - The level of deficit cannot be determined with accuracy, as the Government will not be issuing final funding allocations until the end of the year.</p> <p>b) Caseload Forecasts - Actual future caseload and expenditure growth cannot be determined with precise accuracy although estimates based on the profiles of</p>

current expenditure and caseload has been applied to the financial modelling.

c) **Collection Rate Forecasts** - The actual Council Tax collection rate for the claimants affected by the changes cannot be predicted with accuracy as many have not been required to pay Council Tax previously, and are also on low incomes

d) **Increased Administration Costs** - The impact of the recommended scheme on costs of Council Tax collection have not been included within the deficit modelling as they are subject to agreement with Revenues & Benefits Partnership. These discussions will be finalised once a decision on the final scheme has been made by the Council.

e) **Collection Fund** - Diminution of anticipated Council Tax receipts could result in a Collection Fund deficit position at the end of a financial year, particularly as precept payments at present have to be paid to the County Council and Police Authority at an agreed monthly rate, irrespective of Council Tax sums collected.

f) **Bad Debt Provision** - A potential risk arising from the recommended changes is a drop in Council Tax collection rates and hence an increase in bad debt provision. Reductions to budgeted collection rates also affect the level at which the Council Tax base set, this in turn is used to determine the Band D Council Tax level.

g) **Failure to Agree Scheme** - If the Council is unable to agree its CTS scheme before 31st January 2013, the "default" scheme will have to be applied, with the effect that the level of financial savings required to meet the funding gap will not be achieved. This would require the shortfall to be found either by making savings elsewhere or increasing the level of Council Tax. Budget planning for 2013/14 will be at an advanced stage at this point and there will be limited time to implement plans that would enable full year savings to be achieved from other initiatives.

	<p>h) Discretionary Discounts - The use of Section 13A discounts under the Local Government Finance Act 1992 may increase as a consequence of the recommended changes and the wider welfare reforms and will need to be met by the General Fund.</p>
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