

EAST HERTS COUNCIL

CORPORATE BUSINESS SCRUTINY COMMITTEE – 25 NOVEMBER 2014

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THE EXECUTIVE – 2 DECEMBER 2014

COUNCIL – 17 DECEMBER 2014

REPORT BY DIRECTOR OF FINANCE AND SUPPORT SERVICES

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 2015.
- To present financial and equality impacts of the recommended CTS scheme for East Herts residents.

**RECOMMENDATIONS FOR CORPORATE BUSINESS SCRUTINY COMMITTEE: That**

**(A)** Corporate Business Scrutiny Committee consider the forecasted financial implications arising from the recommended scheme for the Council Tax reduction scheme (CTS) with effect from 1 April 2015 and the risks and assumptions attached to these; and

**(B)** The Executive be advised of any recommendations.

**RECOMMENDATIONS FOR EXECUTIVE: That**

**(A)** Executive consider the forecasted financial implications arising from the recommended scheme for the Council Tax reduction scheme (CTS) with effect from 1 April 2015 and the risks and assumptions attached to these; and

**(B)** That Executive consider the CTS Scheme detailed within this report

and Council be advised of recommendations.

**RECOMMENDATIONS FOR COUNCIL: That**

**(A)** Council approve the forecasted financial implications arising from the recommended scheme for the Council Tax reduction scheme (CTS) with effect from 1 April 2015 and the risks and assumptions attached to these; and

**(B)** Council approve the proposed CTS Scheme.

1.0 Background

1.1 The Government made provision within the Local Government Finance Bill to replace the former 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). The schemes are valid for one year and must be approved by Council before the end of January immediately prior to the financial year in which it is to take effect.

2.0 Report

2.1 The CTS scheme reduces the tax base and therefore the Council Tax collectable. This impacts EHC and its preceptors. To compensate Council's for the lost Council Tax revenue, government provides funding, but only at 90% of the cost of the former CTB expenditure, through the overall funding mechanism for the Council.

2.3 The Council and its preceptors have to bear the 10% shortfall, or devise a CTS scheme that delivers a 10% saving. The CTS scheme continues to be demand led, but with a fixed income from government. All risks of increasing caseloads and costs 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. In 13/14 a separately identifiable grant was awarded to East Herts to mitigate the impact on Parish's and East Herts passed this on in full. At the Executive on 5<sup>th</sup> November 2013, the Leader asked officers to write to all Parish's to indicate that they would receive funding at 50% of the level of the

13/14 funding in 14/15, but nothing in future years. This position has not subsequently changed.

- 2.5 The Council Tax for a band D property in East Herts is made up as follows, with the addition of individual Parish precepts:

<b>Authority</b>	<b>2014/15 Council Tax</b>	<b>(%)</b>
<b>Hertfordshire County Council</b>	£1,118.83	78.56
<b>East Herts Council</b>	£157.54	11.06
<b>Police and Crime Commissioner for Hertfordshire</b>	£147.82	10.38
<b>Total</b>	<b>£1,424.19</b>	<b>100.00</b>

- 2.8 LA's have a duty to run a local CTS scheme within their area that must contain the following:

- a) Pensioner claimants are protected from changes 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 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), and if making changes to a scheme, 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.
- 2.15 Any revision to a scheme must be made by the Council by the 31st January, immediately prior to the financial year in which it is to take effect and will require consultation with those affected. Additionally, consideration must be given to providing transitional protection where the support is to be reduced or removed.
- 3.0 Consultation
- 3.1 Consultation with major preceptors has been on the basis of the same scheme as was in operation for 2014/15. This is essentially the same as the old CTB scheme, but assessing entitlement for working age customers on 91.5% of their liability instead of 100%.
- 3.2 Details of the consultation are included in **Essential Reference Paper 'B'**.

#### 4.0 The Proposed Scheme

- 4.1 The formal scheme document for East Herts is attached in **Essential Reference Paper 'C'**. This is the 14/15 version and as such is a final draft for 15/16, 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.
- 4.2 As the Section 13a scheme document referred to above is technical in nature, officers have created an 'easy read' guide to the scheme which is available to staff and the public via our website. The new guide is currently in draft for the same reasons identified above.
- 4.3 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.
- 4.4 The manner in which this is achieved in relation to the DCLG Policy Statement of Intent is set out below.
- 4.4.1 **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.
- 4.4.2 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.

**4.4.3 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, or such other amount to align the CTS scheme to the allowances within the Housing Benefit scheme.

**4.4.4 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.

**4.4.5 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.

4.4.6 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.

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

4.4.8 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.

4.4.9 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.

4.4.10 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).

4.4.11 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.

4.4.12 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.

4.4.13 The proposed scheme will impact on approximately 3500 existing working age claimants.

4.4.14 The schemes equalities impact assessment has been reviewed and in summary, the main issues and conclusions reached through the review assessment were as follows:

- a) The proposed CTS Scheme will, like the scheme introduced for 14/15 have a negative impact on everyone receiving Council Tax Support, who is not of pensionable age, compared to the Council Tax Benefit scheme. Everyone who is affected will have a reduction in the financial help they received towards their Council Tax bills, when compared to the former Council Tax Benefit scheme. The 15/16 scheme will not reduce this further.
- b) This reduction applied a change in the rules of entitlement to financial support, which requires 8.5% of any Council Tax bill to be paid irrespective of the claimant's personal circumstances or ability to pay. This does not apply to pensioners, who are unaffected by the proposed scheme. The 15/16 proposed scheme retains this position.
- c) An assessment of the impact on claimants with protected characteristics shows that 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, 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% indicated by the cut in government funding.

## 5.0 Financial Implications

- 5.1 The 14/15 CTS scheme was estimated to cost £6 601,697, which converted to 4442 band D equivalent properties. At the time of writing expenditure is £6,103,571 equating to 4104 band D equivalents.
- 5.2 For 14/15 a 1% increase in spend on CTS was estimated based on changes in caseload, but this has not materialised. It is not considered likely to increase in 15/16 either.
- 5.3 The medium term financial plan (MTFP) agreed in September 2014, assumes a 1% increase in the tax base for 2015/16 over the 2014/15 base of 55469. This requires the tax base to grow to 56023.
- 5.3 The actual tax base which will be recommended for 15/16 will be 56425.45 after reductions for the proposed CTS scheme. This additional growth is attributable to a number of factors including new builds and changes in the levels of discounts granted. The assumptions used therefore mean that the scheme would still be affordable in its current form.

**6.1 Proposed Council Tax Support Scheme** – The proposed CTS scheme for 2015/16 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 the previous Council Tax Benefit scheme.

6.2 In recognition of the fact that the additional Council Tax liability is more difficult to collect, a collection rate of 98.65% has been assumed. This is the same as that used for 2014/15.

6.3 The Council will need to determine whether to revise its CTS scheme for 2016/17 based upon experience during 2015/16, including any changes in caseload and collection rates. The impact of the early years of the scheme in will also be available to inform decisions at that time.

## 7.0 Operational Implementation

7.1 Customers have struggled to adapt to the change in schemes from April 2013. Those who were previously in receipt of 100% Benefit have had to adjust to making regular payments of Council Tax. Other customers have experienced increases in their Council tax liability.

7.2 This has had a significant impact on resources in the service. In proposing that the scheme remains the same for 15/16, it will enable customers to bed in the new arrangements, rather than having to adapt to further changes.

7.2 It will also reduce pressure and risk levels for training, and software changes.

7.3 The intension is, in time to move away from a means tested benefit towards a discount scheme. This would make administration more efficient and far less complex and time consuming for the customer. Officers are keen to explore developments nationally in this area and will keep members informed of any developments. In the

mean time minimising changes to the existing scheme is the most efficient alternative.

## 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)

Contact Member: Councillor Michael Tindale – Executive Member for Finance. [michael.tindale@eastherts.gov.uk](mailto:michael.tindale@eastherts.gov.uk)

Contact Officer: Adele Taylor – Director of Finance and Support Services, Extn: 1401.  
[adele.taylor@eastherts.gov.uk](mailto:adele.taylor@eastherts.gov.uk)

Report Author: Su Tarran – Head of Revenues and Benefits Shared Service, Extn: 2075.  
[su.tarran@eastherts.gov.uk](mailto:su.tarran@eastherts.gov.uk)