



Report for:	Cabinet
Date of meeting:	12 November 2019
Part:	1
If Part II, reason:	

Title of report:	COUNCIL TAX SUPPORT SCHEME 2020/21
Contact:	Graeme Elliot, Portfolio Holder for Finance & Resources Author/Responsible Officer Nigel Howcutt, Assistant Director (Finance & Resources) Chris Baker, Group Manager (Revenues, Benefits & Fraud)
Purpose of report:	To consider whether to revise or replace the existing Council Tax Support scheme for the 2020/21 billing year, and if so, to approve options for consultation. To note the requirement to consider revision or replacement of the Council Tax Support scheme for 2020/21.
Recommendations	That Cabinet recommends to Council not to revise or replace the current Council Tax Support scheme for 2020/21.
Corporate Objectives:	Effective management of the Council's finances supports the Council's vision and all five of its corporate objectives.
Implications: 'Value For Money Implications'	<u>Financial</u> There are no direct financial implications arising if Cabinet agree with the recommendations made by this report, as the assumptions in the MTFS about council tax income are based on the continuation of the current scheme. The potential impacts of other choices are explained in the body of this report.
Risk Implications	If revision or replacement of the scheme is recommended, the Local Government Finance Act 1992 (LGFA) specifies the consultative steps which must be taken. If changes are made

	<p>without the required process being followed, there is a risk of the scheme being challenged by Judicial Review.</p> <p>There are also financial risks in relation to the impact of applications for support exceeding the anticipated level of payments within the financial year. This is being addressed by ongoing monitoring of the amount of support as part of the collection fund monitoring process.</p>
Community Impact Assessment	<p>An Equality Impact Assessment (EIA) was undertaken on the 2013 Council Tax Support scheme. There have been no changes since that date which have required an update to that assessment. If revision or replacement of the scheme is being considered, then an updated Community Impact Assessment will be developed in order to form part of the consultation process.</p>
Health And Safety Implications	<p>There are no health and safety implications arising from this report.</p>
Monitoring Officer/S.151 Officer Comments	<p>Monitoring Officer:</p> <p>No comments to add to the report.</p> <p>Deputy S.151 Officer</p> <p>Deputy S151 officer report, comments included in the body of the report.</p>
Consultees:	
Background papers:	
Glossary of acronyms and any other abbreviations used in this report:	<p>CTB – Council Tax Benefit CTS - Council Tax Support DBC - Dacorum Borough Council MHCLG – Ministry for Housing, Communities and Local Government EIA – Equalities Impact Assessment HB – Housing Benefit LGFA – Local Government Finance Act 1992 MTFS – Medium term financial strategy SFA – Settlement funding assessment UC - Universal Credit</p>

Background

1. In April 2013, the national Council Tax Benefit (CTB) scheme was abolished and replaced by a requirement for each local authority to devise a localised Council Tax Support (CTS) scheme to help people on low incomes pay their Council Tax. Within certain parameters (including reduced government funding) each authority had to devise their own scheme based on local priorities for working age customers. Pensioners are protected from any changes because central government continues to set national rules covering the level of support for them.
2. The Local Government Finance Act 1982 includes a requirement that every year each council must consider whether to revise or replace its CTS scheme for the following year. If it chooses to do this it must carry out a consultation on the proposed changes following rules set out in the LGFA. In summary this requires an initial consultation with the major preceptors (Herts County Council and the Herts Police & Crime Commissioner), followed by a public consultation with local taxpayers. Caselaw requires that this consultation also includes wider budgetary information (for example the option to reduce other service provision in order for the CTS scheme to be more generous).
3. Government funding for CTS is included within the overall Settlement Funding Assessment (SFA), but the amount provided has not been specified since 2013. The Government has stated that the funding level for CTS has not reduced since then, although the overall SFA has been reducing year on year.

Dacorum Borough Council's (DBC's) current CTS scheme

4. DBC's current scheme was agreed by Council in January 2012 following the required consultation, and has been approved for continuation in each subsequent year. It was developed based on the principles that:
 - a. Everyone of working age should pay something towards their Council Tax (except for the most vulnerable)
 - b. The scheme should provide protection for the most vulnerable in the community
5. As a result, the DBC scheme has two main parts:
 - a. Vulnerable: where the taxpayer is disabled, has a child under 5, or receives a war widow's or war disablement pension, CTS is assessed on 100% of their Council Tax liability
 - b. Other: all other working age taxpayers have their CTS assessed on 75% of their Council Tax liability. This means that they are expected to be paying at least 25% of their Council Tax.

Once a customer has been allocated to one of these groups, their entitlement to CTS is means tested.

6. We are now in the seventh year of the CTS scheme. During this time DBC has chosen not to revise or replace the original scheme. The only changes made have been minor, for example uprating the means testing calculation factors so that they remain aligned with those used in Housing Benefit (HB).

Timetable

7. The consultation required for any proposed revision or replacement of the scheme means that it cannot be considered within the rest of the normal budget setting process.
8. CTS acts in the same way as other discounts to reduce the council tax base, and so details of the scheme for the forthcoming year need to be known during December/January in order for the tax base to be set.
9. Replacement of the scheme would involve the introduction of a fundamentally different way of assessing the level of CTS awarded to a taxpayer. This may be something which would enable administrative savings to be made in the future, when most working age housing costs are being met by Universal Credit (UC) rather than HB. However, at present the majority of working age taxpayers receiving CTS also receive HB, and so it is more efficient to calculate both awards in a similar way.
10. Revision of the existing scheme would leave the basis of the scheme the same, but with changes to significant elements, for example an expansion or restriction of the groups protected due to vulnerability, or a change to the minimum payment level from 25%.

Cost of current scheme

11. The assumptions about future income from council tax in the Medium Term Financial Strategy (MTFS) are based on the CTS scheme continuing in its current form.

Options for change

12. Changes to the CTS scheme will have an effect on the council tax base. A more generous scheme will reduce the base, and a less generous one will increase it. However, it is worth noting that although an increased tax base will lead to a higher level of collectible council tax, this will not necessarily mean increased income for the Council, as the tax itself still needs to be collected.
13. Current data shows that the collection level from CTS recipients is significantly lower than the overall rate, which is probably linked to the fact that they are on low incomes. It is therefore not clear how much of any additional council tax liability would be collected, nor what additional resources may be required to maintain collection levels.
14. Some options for revision to the scheme are shown in the table below. A change in tax base of 0.1% is roughly equivalent to £10k in collectible council tax for DBC.

Summary of option	Projected change to tax base
Revert to match rules of old CTB (i.e. no minimum payment)	-0.6%
Reduce minimum payment to 20%	-0.1%
Increase minimum payment to 40%	+0.3%

15. If any of these (or other revisions to the scheme) are considered, then the Council must carry out a formal consultation exercise in line with the LGFA. This requires us to consult with all taxpayers, whether or not they receive CTS, as they will all be affected by any changes. The consultation which took place in 2012 prior to the introduction of the current scheme cost approximately £15k.

Impact of Universal Credit rollout

16. Since December 2018, most working age residents must claim UC for help with housing costs rather than Housing Benefit. However, this remains a gradual impact, and currently only around a fifth of households receiving CTS are also in receipt of UC.
17. This means that continuing to mirror the way in which HB is calculated remains the most straightforward process for working out CTS.
18. Some authorities where the UC rollout was completed earlier than for Dacorum have had some success with different ways of working out CTS for those getting UC, but their previous CTS schemes were often significantly different to Dacorum's scheme. Officers have been monitoring the impact of those schemes, but do not consider that there is yet sufficient information available about them to make effective recommendations to change the Dacorum scheme for 2020/21.

Recommendation

19. Evidence of the current long-term collection rates and notional cost of the CTS scheme suggests that the original scheme design is still working well, and so this report recommends that the scheme is neither revised nor replaced for 2020/21. The scheme will be kept under review and will continue to be reported annually for member approval.