**POLICY AND RESOURCES COMMITTEE - 12 June 2017**

**PART I - DELEGATED**

**5. Local Council Tax Reduction Scheme (LCTR) – Review**

1. **Introduction**
   1. In April 2013, as part of the National Welfare Reform, the Government changed the way financial support for council tax was managed. This meant the national council tax benefit system, which helped people with a low income meet their council tax obligations, was replaced by new Local Council Tax Reduction Schemes managed by Local Authorities.
   2. Three Rivers District Council’s current scheme replicates the previous Council Tax Benefit scheme with the following amendments:

* A limitation on the amount payable based on the band of the property;
* Changes to capital levels;
* The removal of Second Adult Rebate; and
* Increases in Non-Dependant deductions
  1. The current scheme does not appear to have impacted council tax collection rates which have consistently attained target.

1. **Background**

2.1 It was agreed to undertake a full review of the current LCTR scheme during 2017, provide options for consideration and if agreed to adopt a new scheme carry out the necessary consultation.

* 1. Any new scheme adopted by Three Rivers District Council must be agreed by Full Council before 31 January 2018 for introduction in April 2018.
  2. Some of the key considerations that would be taken into account during the review are:
* **Pensioners of pension credit qualifying age are fully protected**. This principle in effect means there is no discretion in relation to people over pension age and entitlement rules for this group are set nationally.
* **Vulnerable groups should be protected as far as possible**. There is no definition given to local authorities regarding which groups should be counted as ‘vulnerable’ so this is determined locally.
* **Work incentives should not be undermined**. Local schemes should be designed to support work incentives and, in particular, avoid disincentives to move into work.
  1. Only 42 out of 326 authorities have decided to maintain support at 100% for working age applicants, the level previously available under Council Tax Benefit. The changes most commonly adopted by Councils are:
* Requiring a minimum payment;
* Removing Second Adult Reduction (as per Three Rivers District Council)
* Setting a minimum award level;
* Changes the excess income taper;
* Reducing the overall Capital Limits (as per Three Rivers District Council);
* Limiting the amount of the reduction by Band; and
* Changing Non-Dependant Deductions (as per Three Rivers District Council).
  1. The table below illustrates the estimated caseload for both working age and pension age recipients in 2017/18

|  |  |  |
| --- | --- | --- |
| Working age | Pension Age | Total |
| 2510 | 1839 | 4349 |

* 1. The estimated cost of the scheme for working age applicants in 2017/18 as at 15 May 2017 is £3,904,287.68.
  2. The average weekly entitlement to council tax reduction for a working age recipient is £19.76.
  3. The table below illustrates how every £1 of council tax is apportioned between Hertfordshire County Council, Three Rivers District Council and the Police and Crime Commission.

|  |  |  |  |
| --- | --- | --- | --- |
| Hertfordshire District Council | Three Rivers District Council | Police and Crime Commission | Parish |
| 77p | 10p | 10p | 3p |

* 1. It is clear from the apportioning of council tax collection that the County Council would financially benefit the most from any reduction in CTR expenditure.

1. **Decision options**
   1. A number of options were selected for further development and modelling:

* Introduce a ‘fixed assessment period’ and continue with the current schemes to allow for multiple changes
* Aligning the current scheme with changes to mirror housing benefit from 2018/19
  + 1. Removal of family premium
    2. Reduction of backdating to 1 month
    3. Freezing applicable amounts
    4. Withdrawal of council tax reduction where a person leaves the UK for 1 month or more
    5. Limiting the number of dependants’ additions
    6. Removal of the Employment and Support Allowance Work-Related Activity Component
    7. Disregard of Post-Graduate Master’s Degree Loan and Special Support Loans
    8. The full disregard of Bereavement Payments from April 2017
* Continue with current scheme but introduce a minimum income floor
  1. The table below illustrates potential reduction in expenditure where it has been quantified.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Option | Hertfordshire County Council | Three Rivers District Council | Police and Crime Commission | Parish |
| Remove Family Premium | 83,234 | 10,809 | 10,809 | 3,243 |
| Limit Dependants | 93,073 | 12,088 | 12,088 | 3,626 |
| Minimum Floor Income | 47,423 | 6,159 | 6,159 | 1,848 |

* 1. Full details of impact to current recipients, where identified, are contained in the Appendix.
  2. Should any of the options be selected, we must consult with both the public and major precepting authorities in accordance with the legislation.
  3. A full equalities impact assessment will be undertaken on any option selected the result of which will be included in the final report following any consultation.

1. **Options available**
   1. Members can make any of the following decisions:

* To maintain the current scheme and not make any changes; or
* To consult on any of the options contained in the appendix; or
* To consult on all the options contained in the appendix but identify the preferred option

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**Background Papers**

Appendix 1 - Option modelling report