

COUNCIL TAX REDUCTION SCHEME 2019/20

1. INTRODUCTION

- 1.1 Members will recall that local authorities are responsible for setting their own local Council Tax Reduction Scheme for those of working age on low income. The Government stipulated that there must be no change to the level of help that pensioners receive and there are no plans to localise the scheme for this group. There are also no plans to include Council Tax Reduction within Universal Credit.
- 1.2 The Council Tax Reduction Scheme must be formally made by the Council no later than 11 March in any year, to take effect from 1 April 2019. The Government has constructed rules for a 'default scheme' which will have to be operated by any council that does not make a local scheme. This replicates the former rules for council tax benefit. It is contained in schedule 1 of The Council Tax (Default Schemes) (England) Regulations 2012.
- 1.3 Our Council Tax Reduction Scheme fulfils the prescribed requirements for localised schemes.
- 1.4 Approximately 8,500 claimants are receiving Council Tax Reduction. Of these 2,600 are working age (900 are working), 1,600 are vulnerable and 4,300 are of pensionable age.
- 1.5 The current Council Tax Reduction Scheme costs approximately £8.55 million. This is split between:

Working Age employed	£ 611,000
Working Age other	£1,555,000
Vulnerable	£1,746,000
Pensioner	£4,638,000

The cost is shared between New Forest District Council, Hampshire County Council, Hampshire Police and Hampshire Fire and Rescue.

- 1.6 When the Council Tax Reduction Scheme was introduced, approximately 90% of the cost was reimbursed by the government within the formula grant process. The balance of the cost was shared by the council and the Precepting bodies as part of the tax base collection. Changes to the amount of Council Tax Reduction awarded now affects the tax base of each organisation and is no longer identified within the overall formula grant allocation.

2. REVIEW PROCESS

- 2.1 The Task & Finish Group met to review the current scheme and propose changes effective from 1 April 2019.
- 2.2 The recommendations of the Task & Finish Group are to be considered by the Corporate Overview Panel, the Cabinet and full Council.

3. THE CURRENT LOCAL COUNCIL TAX REDUCTION SCHEME

- 3.1 The council's Council Tax Reduction Scheme protects the vulnerable. A person is vulnerable if they (or a partner) are in receipt of Disability Living Allowance, Personal Independence Payments or Severe Disablement Allowance.
- 3.2 The council's Council Tax Reduction Scheme for 2018/19 requires all working age claimants (except the vulnerable) to pay a minimum of 10% council tax.
- 3.3 The council's Council Tax Reduction Scheme also includes:
 - A. Council tax reductions are capped at band D (so that claimants living in higher banded properties receive any reduction based on band D). This currently affects 84 claimants.
 - B. A savings limit of £6,000, so that claimants on low income with more than £6,000 in savings are not entitled to any reduction.
 - C. The council's Council Tax Reduction Scheme incentivises work by disregarding £25.00 a week of earnings across all claimant groups. The government disregards in Housing Benefit are £25.00 for a lone parent, £20.00 for a disabled claimant, £10.00 for a couple and £5.00 for a single claimant.
 - D. The maximum period for backdating a claim is 4 weeks (previously 6 months).
 - E. To limit the number of dependent children within the calculation for Council Tax Reduction to a maximum of 2 for new claims and entitlements (some exemptions apply).
 - F. To use the gross Universal Credit payment as income in the calculation of Council Tax Reduction

4. MATTERS CONSIDERED BY TASK & FINISH GROUP

- 4.1 Collecting council tax from those on low income is difficult, with significantly more work for officers. Administration has also increased, notably in recovery and working with those affected. In 2018/19 council tax bills increased, meaning council tax payers having to pay more. This is likely to continue in the forthcoming years. It is not anticipated that wages will increase at the same rate, which affects roughly one-third of working age claimants.

The collection rate for those in receipt of Council Tax Reduction, who are not a pensioner or vulnerable, has increased from 81.42% to 83.27% and overall collection rate for those in receipt of Council Tax Reduction increased from 88.67% to 91.12% (see Appendix 2).

- 4.2 Many of the claimants have also been affected by other welfare reform changes, including the spare room subsidy, the benefit cap, as well as an increase in the cost of living. Many working age state benefits are being frozen for the next 2 years, including the Local Housing Allowance despite

rents increasing, and there are further welfare reforms, including the continued roll-out of Universal Credit.

5. DISCUSSION ON COUNCIL TAX REDUCITON SCHEME FOR 2019/20

5.1 The group considered options relating to various aspects of the current scheme. This included:

- A. No changes to the scheme. This would not affect claimants as their support would not reduce. A declining caseload may result in reduced costs (see Appendix 1).
- B. The minimum contribution – This is currently 10% (except the vulnerable). Officers advised that collection rate is 83.27% and that those paying the 10% have become accustomed to this level of payment. Any increase could cause financial hardship and officers consider there is a “tipping point” where an increase in minimum contributions will result in less council tax being paid and increased administration. Officers do not know where this tipping point is. In considering 4.1 and 4.2 the Group considered that the minimum contribution should remain at 10%
- C. Child Care Costs – The Group discussed whether child care costs should be disregarded using the same amounts as Universal Credit which is 85% of existing amounts. This would only apply to new claims, due to system constraints, who would be worse off than existing claims. Many new Council Tax Reduction claims will have an existing Housing Benefit claim, therefore if the child care disregard was to change there would have to be two separate calculations which increases administration. The Group agreed to keep existing disregard amounts and to review this once Universal Credit is fully rolled-out.
- D. Earnings disregards – To incentivise work £25.00 per week is disregarded from earnings. The Group considered that the £25.00 per week should remain.
- E. Minimum change – The Group discussed a de minimis rule for small changes to entitlement. Due to income fluctuations, entitlement to Council Tax Reduction may change, even by as little as 10p per week. Approximately, 30% of changes to entitlement are under £1.00 per week. This requires a new calculation, the printing and issuing of a decision notice, changes to council tax instalments and a revised council tax notice. The Group considered a threshold of £1.00 whereby any change in weekly entitlement, both positive and negative, will not affect entitlement.
- F. Backdating period – The Group reviewed the backdating period of 1 month and considered the one month period should remain.

5.2 Therefore, after considering these options, the Group decided to consult on option A and E.

6. CONSULTATION

6.1 The council has a duty to consult on any changes to the scheme, even if it is proposed that no changes are made. The Council undertook a consultation exercise over a 6 week period, from 30 July 2018 to 9 September 2018. The

consultation was advertised on the council's website, Facebook page, Twitter and on correspondence sent to recipients of a Council Tax Reduction. The major preceptors and Citizens Advice were also contacted.

- 6.2 The council only received 8 responses. Due to the minimal responses it is not possible to draw any real conclusions. However, most responses supported the recommendations.

7. FINANCIAL IMPLICATIONS

- 7.1 The financial implications of each of the options were discussed.

Option A may incur minimal, or less costs as caseload reduces. Savings to New Forest District Council will be even smaller as the council retains approximately 11% of the total council tax collected.

Option E savings will generate some savings, estimated to be circa £10,000, due to reduced administration, printing and posting.

Therefore, the overall impact of these changes will be minimal.

8. PORTFOLIO HOLDER COMMENTS

- 8.1 Having reviewed the scheme there would appear little evidence that any fundamental change is required however we continue to align savings and income caps/limits with other benefits to ensure a level of consistency. When reviewing the scheme, we are very mindful that it impacts on some of the lowest income families within our district.

9. CORPORATE OVERVIEW AND SCRUTINY PANEL'S COMMENTS

- 9.1 The Panel supported the recommendation below.

10. RECOMMENDATIONS:

- (a) That, in so far as it is empowered to do so by law, the Cabinet agrees that the Local Council Tax Reduction Scheme with effect from 1 April 2019 be amended as set out in Option E in paragraph 5.1 above to introduce a de minimis rule to disregard changes of less than £1 per week ; and
- (b) That it be a recommendation to Council that, in so far as it is empowered to do so by law, the Council agrees that the Local Council Tax Reduction Scheme with effect from 1 April 2019 be amended as set out in Option E in paragraph 5.1 above to introduce a de minimis rule to disregard changes of less than £1 per week.

Background Information:

Minutes of Task & Finish Group
Caseload graph
Collection statistics
Recovery notices comparison

Further Information:

Members of Task & Finish Group: Cllrs Alan Penson, Miss A Sevier, DN Tungate, Mrs CV Ward

Portfolio Holder: Cllr Jeremy Heron

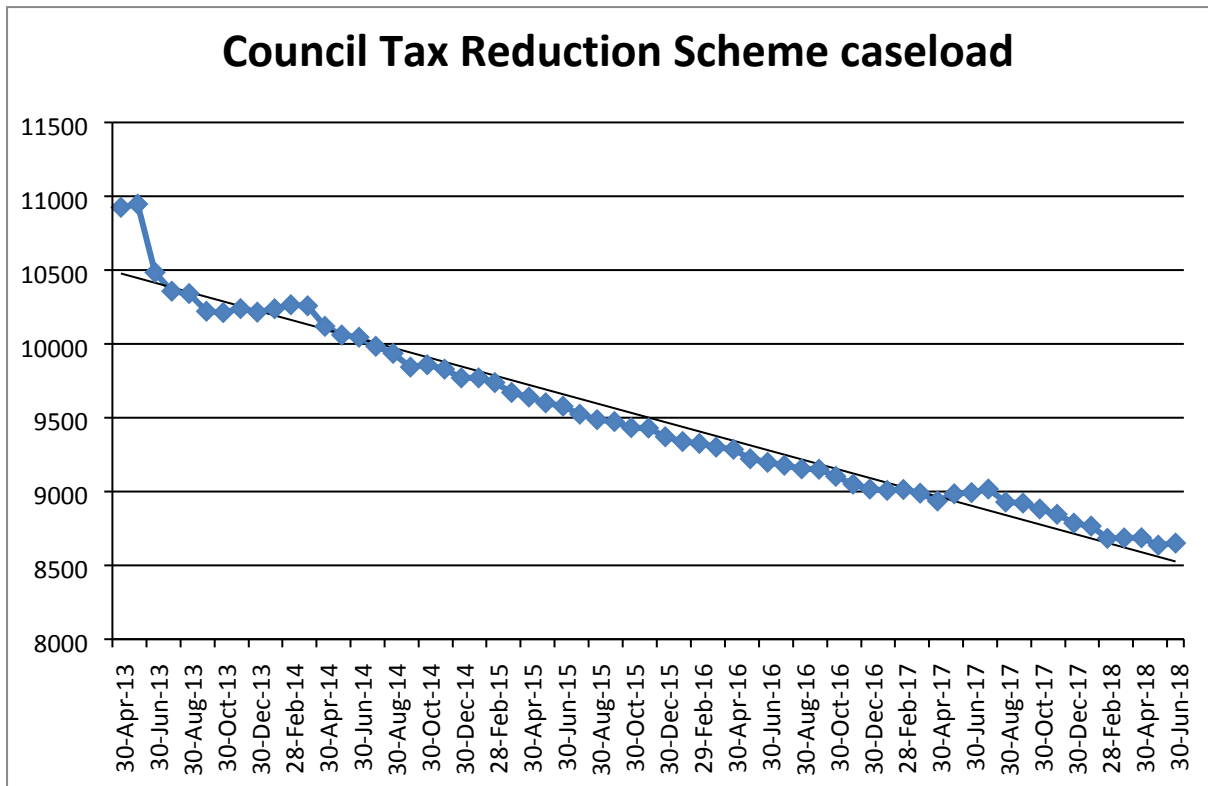
Lead Officer:

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Appendix 1

Council Tax Reduction Scheme caseload



Appendix 2 – Collection statistics

POSITION STATEMENT AS AT 31.3.18

	Nett Amount Due	Total Amount Paid	Outstanding Balance	Collection %
ALL DEBT	£ 114,222,565.18	112,841,976	£ 1,380,589.58	98.79%
REDUCTION SCHEMES				
WORKING AGE EMPLOYED	£ 655,399.00	£ 556,583.01	£ 98,815.99	84.92%
WORKING AGE OTHER	£ 441,574.45	£ 356,823.97	£ 84,750.48	80.81%
WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%	£ 1,096,973.45	£ 913,406.98	£ 183,566.47	83.27%

POSITION STATEMENT AS AT 31.3.17

	Nett Amount Due	Total Amount Paid	Outstanding Balance	Collection %
ALL DEBT	£ 108,557,130.06	£ 107,368,450.00	£ 1,188,679.00	98.91%
REDUCTION SCHEMES				
WORKING AGE EMPLOYED	£ 615,602.03	£ 521,129.00	£ 94,472.00	84.65%
WORKING AGE OTHER	£ 420,582.91	£ 322,499.00	£ 98,083.00	76.68%
WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%	£ 1,036,184.94	£ 843,628.00	£ 192,556.00	81.42%

Appendix 3 – Council Tax Recovery Notices

2013/14	Taxpayers in receipt of CTR	Taxpayers not in receipt of CTR
Reminder	6,805	12,729
Summons	1,289	3,572

2014/15	CTR	Non-CTR
Reminder	6,871	12,727
Summons	1,344	3,828

2015/16	CTR	Non-CTR
Reminder	5,607	13,117
Summons	1,103	3,477

2016/17	CTR	Non-CTR
Reminder	5,485	13,250
Summons	1,082	3,321

2017/18	CTR	Non-CTR
Reminder	5,175	13,141
Summons	888	3,360