

**CORPORATE AFFAIRS AND LOCAL ECONOMY OVERVIEW AND SCRUTINY PANEL –
18 NOVEMBER 2021**

COUNCIL TAX REDUCTION SCHEME 2022/23

1. RECOMMENDATION

- 1.1 That the Corporate Affairs and Local Economy Overview and Scrutiny Panel recommends to Cabinet that option A, B, C and D as detailed in Section 6 are adopted from 1 April 2022.
- 1.2 That a Task and Finish Group review a Banded scheme during 2022, along with the vulnerable category with any proposals for change to take effect from 1 April 2023.

2. INTRODUCTION

- 2.1 Members will recall that local authorities are responsible for setting up their own local Council Tax Reduction Scheme to support those of working age on low income with paying their council tax. The Government stipulated that there must be no change to the level of support that pensioners receive and there are no plans to localise the scheme for this group. Currently, there are currently no plans to include Council Tax Reduction within Universal Credit.
- 2.2 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.
- 2.3 The Council Tax Reduction Scheme fulfils the prescribed requirements for localised schemes.
- 2.4 There are currently 8,234 claimants receiving Council Tax Reduction. Of these 4,334 are working age and 3,900 are of pensionable age. See Appendix 1 for caseload trend.
- 2.5 The current Council Tax Reduction Scheme costs approximately £9.2 million. This is split between:

Working Age	£4,524,959
Pensioner	£4,682,496

The cost is shared between all precepting authorities.

- 2.6 The amount of Council Tax Reduction awarded affects the tax base of each organisation and is not identified within the overall formula grant allocation.

3. REVIEW PROCESS

- 3.1 The Task & Finish Group met to review the current scheme and proposed changes effective from 1 April 2022.
- 3.2 The recommendations of the Task & Finish Group are to be considered by the Corporate Overview Scrutiny Panel, the Cabinet and full Council in December 2021.

4. THE CURRENT LOCAL COUNCIL TAX REDUCTION SCHEME

- 4.1 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.
- 4.2 The council's Council Tax Reduction Scheme for 2021/22 requires all working age claimants (except the vulnerable) to pay a minimum of 10% council tax.
- 4.3 The council's Council Tax Reduction Scheme also includes:
- Council Tax Reductions are capped at band D (so that claimants living in higher banded properties receive any reduction based on band D).
 - A savings limit of £6,000, so that claimants with more than £6,000 in savings are not entitled to any reduction.
 - The council's Council Tax Reduction Scheme incentivises work by disregarding £25.00 a week of earnings. For comparison purposes, 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.

5. MATTERS CONSIDERED BY TASK & FINISH GROUP

- 5.1 Collecting council tax from those on low income is difficult, with significantly more work for officers. Administration has also increased, notably in working with those affected. In 2021/22 council tax bills increased by an average of 5%, meaning council tax payers having to pay more. This is likely to continue in the forthcoming years.
- 5.2 The Council Tax in-year collection rate for those in receipt of Council Tax Reduction, who are not a pensioner or vulnerable, has reduced slightly from 80.20% to 79.72% and overall in year collection rate for those in receipt of Council Tax Reduction increased from 89.83% to 91.95%. See Appendix 2 for collection figures.
- 5.3 Many of the claimants have also been affected by other welfare reform changes, including Universal Credit, as well as an increase in the cost of living, in particular fuel and food inflation which adversely affects low income households, and that the impact of the pandemic is still being felt.

6. DISCUSSION ON COUNCIL TAX REDUCTION SCHEME FOR 2022/23

- 6.1 The group considered reviewing various aspects of the current scheme. This included:
- the 10% minimum contribution
 - the Band D cap
- 6.2 The Group discussed these aspects and agreed to maintain these aspects of the scheme and not to propose any changes.
- 6.3 The Group also discussed a Banded scheme and recommended a fundamental full review of this be undertaken in 2022.

6.4 The Group discussed four proposed changes, primarily to utilise automation to ease administration for both the Council and the claimant. The proposed changes are summarised as follows:

	Description	No of claims affected	Financial impact
A	To extend the backdating period of 3 months to 6 months	Minimal	Minimal
B	To treat a Universal Credit notification as a claim for Council Tax Reduction	All new claims from 1 April	Minimal
C	To reduce the number of Non-dependent deductions to 2	200	£40,000
D	To align Child Care Costs with Universal Credit	67	Minimal

6.5 The Group discussed the reasons and impact of the proposed changes:

A. To extend the backdate period from 3 to 6 months

Where a claimant has delayed in making their claim and there is continuous “good cause” their claim can be backdated for a period of up to 3 months. The Group discussed extending this time period to provide additional support to vulnerable claimants who, in exceptional circumstances, delayed making their claim, and who otherwise would have to pay their council tax for the period. Although the number of claims who will benefit from this will be minimal, it will provide much needed additional financial support.

The Group agreed to consult on extending the backdate period to 6 months.

B. To treat a Universal Credit notification as a new claim

Currently we receive notifications from the Department for Work and Pensions when a claimant is awarded Universal Credit. To encourage a claim for Council Tax Reduction an email is sent to the claimant with a link to our eform. On receiving the completed eform all details are manually inputted into our Benefits system. This proposal will utilise Universal Credit data and automate the process, so that information is imported directly into the Benefits system, reducing administration and improving take-up of Council Tax Reduction as claimants will not need to make a full new claim.

The Group agreed to consult on treating the Universal Credit notification as a new claim for Council Tax Reduction.

C. To reduce the number of Non-dependent deductions categories to 2

Non-dependents are adults living with the claimant, and, depending on their income, an amount is deducted from the claimants weekly Council Tax Reduction. There are currently 5 levels of Non-dependent deductions, ranging from £0 to £12.45 per week. The Group discussed reducing the number of deductions to 2, 1 for those in work (currently £4.05), and 1 for those out of work (currently no deduction). The purpose of this is to reduce administration, as any changes to earnings will not affect entitlement,

overpayments, and to support claimants who have to pay the amount deducted and have to report changes, which they may not be aware of.

The Group agreed to consult on reducing the number of Non-dependent deductions to 2.

D. To align Child Care Costs disregards with Universal Credit

Where a claimant is working more than 16 hours and pays child care costs, these costs are disregarded from the claimants earnings, up to specified thresholds of either £175, for one child, or £300 per week for more than one child.

We currently get notified of any changes to child care costs from Department for Work and Pensions where a claimant is receiving Universal Credit. However, Universal Credit use a lower amount of child care disregard, which is 85% of the amounts disregarded in Council Tax Reduction. As the disregard amounts differ, manual calculations and adjustments to claims are required each month as Universal Credit awards fluctuate each month. The Group discussed the impact on existing claimants, as some will be worse off, predominantly minimally by a reduction in entitlement of less than £1 a week, however some claimants will lose up to £5 per week. The Group wanted to protect this group so that the change will only apply to new claims from 1 April 2022.

The Group agreed to consult on aligning Child Care Cost disregards with Universal Credit for Council Tax Reduction new claims.

- 6.6 The Group were made aware of the Exceptional Hardship Payment scheme which is available to support any claimant in financial hardship with paying their Council Tax due to a shortfall in their Council Tax Reduction.
- 6.7 After considering these options the Group decided to consult on the above proposed changes.

7. CONSULTATION

- 7.1 The Council has a duty to consult on any changes to the scheme. The Council undertook a consultation exercise over a 6 week period, from 30 August 2021 to 10 October 2021, advertising on the council's website, Facebook page and on decision notices, as well as contacting partner organisations, including Citizens Advice New Forest.
- 7.2 The Council only received 32 responses, all strongly agreeing or agreeing with the options. However, due to the minimal response it is not possible to determine any conclusions.
- 7.3 After considering the consultation responses, the Group recommended proposals A to D as changes to the Council Tax Reduction scheme from 1 April 2022. The Group also discussed including a review of the vulnerable category in 2022, in particular family carers.

8. FINANCIAL IMPLICATIONS

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

Option A – the cost of this will be minimal. Any cost may be offset by the administration involved in collecting any council tax arrears.

Option B – this will provide savings in administration

Option C – the cost will be approximately £40,000 but there will be savings in administration

Option D – as this will only affect new claims there will be no impact on existing claims. However, there will be reduced administration costs.

8.2 Therefore, the overall impact of these changes will be minimal. The implications to New Forest District Council will be even smaller as the council retains approximately 10% of the total council tax collected.

9. CRIME & DISORDER IMPLICATIONS / ENVIRONMENTAL IMPLICATIONS / DATA PROTECTION IMPLICATIONS

9.1 There are none

10. EQUALITY & DIVERSITY IMPLICATIONS

10.1 Our Council Tax Reduction scheme continues to support those on a low income.

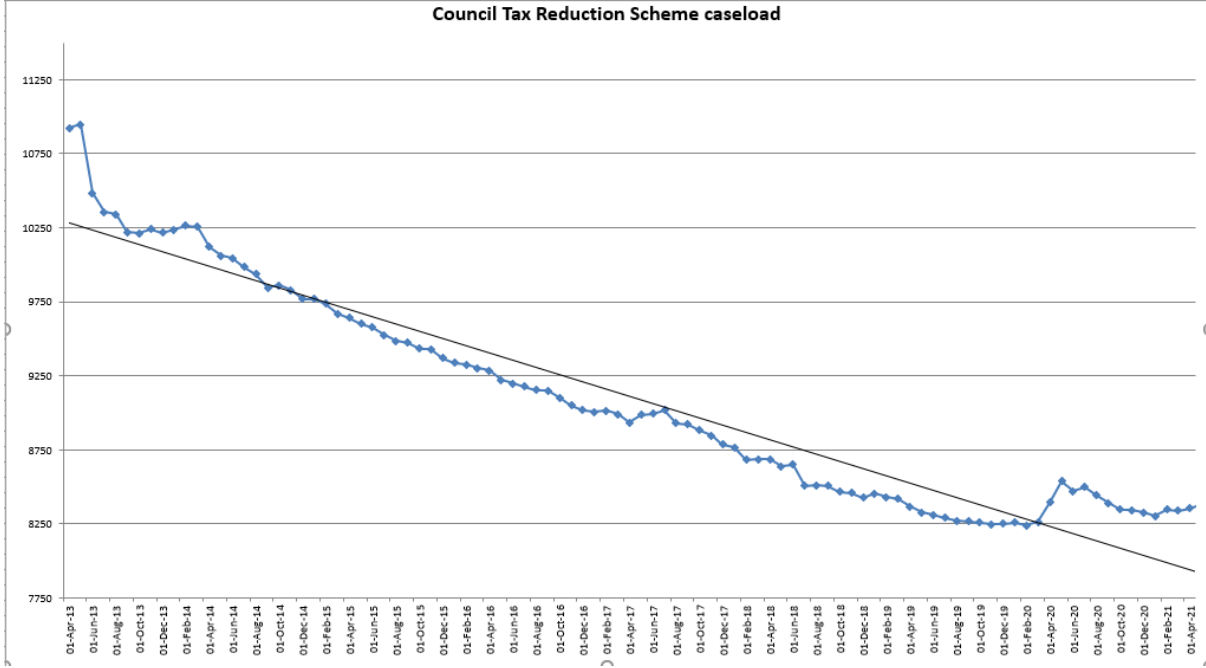
For further Information Contact:

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Background Papers:

Minutes of Task & Finish Group

Council Tax Reduction Caseload



Council Tax collection statistics

POSITION STATEMENT AS AT 31.3.21

	Nett Amount Due	Total Amount Paid	Outstanding Balance	Collection %
ALL DEBT	£132,030,091.36	129,740,871	2,289,220.78	98.27%
REDUCTION SCHEMES				
WORKING AGE EMPLOYED	384,156.08	314,896.70	69,259.38	81.97%
WORKING AGE OTHER	353,026.39	272,756.89	80,269.50	77.26%
WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%	£737,182.47	587,653.59	149,528.88	79.72%
PENSION AGE	£810,082.70	826,354.22	-16,271.52	102.01%
VULNERABLE	£106,658.25	106,794.85	-136.60	100.13%
PROTECTED ENTITLEMENT (PENSION AGE AND VULNERABLE) - NO MAXIMUM CAP	£916,740.95	933,149.07	£-16,408.12	101.79%
SUMMARY				
ALL REDUCTION SCHEME CASES	£1,653,923.42	£1,520,802.66	£133,120.76	91.95%
ALL NON-REDUCTION SCHEME CASES	£130,376,167.94	£128,220,067.92	£2,156,100.02	98.35%

**POSITION STATEMENT AS AT
31.3.20**

	Nett Amount Due	Total Amount Paid	Outstanding Balance	Collection %
ALL DEBT	£127,413,803.62	125,684,949	£ ,728,854.91	98.64%
REDUCTION SCHEMES				
WORKING AGE EMPLOYED	£ 615,136.30	502,194.35	112,941.95	81.64%
WORKING AGE OTHER	£ 569,894.59	448,173.22	121,721.37	78.64%
WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%	£1,185,030.89	£950,367.57	£234,663.32	80.20%
PENSION AGE	£841,892.88	£863,971.27	-£22,078.39	102.62%
VULNERABLE	£133,132.20	£126,114.88	£7,017.32	94.73%
PROTECTED ENTITLEMENT (PENSION AGE AND VULNERABLE) - NO MAXIMUM CAP	£ 975,025.08	£990,086.15	-£15,061.07	101.54%
SUMMARY				
ALL REDUCTION SCHEME CASES	£2,160,055.97	£1,940,453.72	£219,602.25	89.83%
ALL NON-REDUCTION SCHEME CASES	£125,253,747.65	£123,744,494.99	£1,509,252.66	98.80%