

COUNCIL TAX REDUCTION SCHEME 2016/17

1. INTRODUCTION

- 1.1 Members will recall that the national scheme for Council Tax Benefit (which provided financial help for those on low income) was abolished on 31 March 2013. Instead, local authorities are responsible for setting up 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 already receive.
- 1.2 This report recommends a revised Council Tax Reduction Scheme from 1 April 2016
- 1.3 The Council Tax Reduction Scheme must be formally made by the Council no later than 31 January 2016, to take effect from 1 April 2016. 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 benefits. It is contained in schedule 1 of The Council Tax (Default Schemes) (England) Regulations 2012.
- 1.4 The Council Tax Reduction Scheme as proposed for New Forest District Council uses the 'default scheme' subject to some modifications. It fulfils the prescribed requirements for localised schemes.
- 1.5 Approximately 10,400 claimants are receiving Council Tax Reduction. Of these 3,500 are working age, 1,500 are vulnerable and 5,400 are of pensionable age.
- 1.6 The current Council Tax Reduction Scheme costs approximately £8.2 million. The cost is shared between New Forest District Council, Hampshire County Council, Hampshire Police and Hampshire Fire and Rescue.
- 1.7 The Council Tax Reduction Scheme is funded in part by government. This is included in the council's grant, although details of the specific amount is not specified.

2. REVIEW PROCESS

- 2.1 A Task & Finish Group met to review the proposed changes effective from 1 April 2016.
- 2.2 The recommendations of the Task & Finish Group are to be considered by the Corporate Overview Panel in November 2015 and Cabinet and Council in December 2015.

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 2015/16 requires all working age claimants (except the vulnerable) to pay a minimum of 10.0% council tax (8.5% in 2013/14). Previously some of these claimants would have received full council tax benefit and paid no council tax. These changes were agreed by a Task and Finish group, Corporate Overview Panel and Council.
- 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).
 - B. The savings limit is now £6,000 (previously £16,000), so that claimants on low income with more than £6,000 in savings are not entitled to any reduction.
 - C. There is also no entitlement to Second Adult Rebate.
 - D. The council's Council Tax Reduction Scheme incentivises work by disregarding £25 a week of earnings.

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 an increase in recovery notices.
- 4.2 Many of the claimants have also been affected by other welfare reform changes, including the spare room subsidy, the benefit cap, up-rating of state benefits being minimal, as well as an increase in the cost of living. Many working age state benefits are being frozen in future years and there are further welfare reforms to come.

5. DISCUSSION ON COUNCIL TAX REDUCTION SCHEME FOR 2015/16

- 5.1 The group considered four options below:
- A. To maintain the current scheme with no changes
 - B. To remove the family premium for new claims
 - C. To reduce the backdating period from 6 months to 4 weeks
 - D. To increase the minimum contribution of 10%
- 5.2 Option A would not affect current claimants in that their support would not reduce and it's administratively simple.

This option may incur additional costs depending on changes to Tax Credits. Since the Task and Finish group met, the proposed changes, i.e. a reduction in Tax Credit entitlement, have been blocked by the House of Lords and we await confirmation of the changes.

This additional cost may be off-set by other changes, such as an increase in earnings due to the living wage being introduced and a declining caseload meaning fewer claimants are in receipt of a Council Tax Reduction.

- 5.3 Option B is to mirror changes being introduced in Housing Benefit from April 2016, and ultimately Universal Credit. It is simple and will help with administration of the scheme.

The Family Premium is part of how we assess the financial “needs” of any claimant, which is compared to their income. The Family Premium is normally given when a claimant has one or more dependent children. The change does not affect those claimants on Income Support, income based Jobseekers Allowance or income related Employment and Support Allowance.

This option is subject to external computer system software being upgraded.

- 5.4 Option C is to mirror changes being introduced in Housing Benefit from April 2016, and ultimately Universal Credit. It is simple and will help with administration of the scheme.

Claims for Council Tax Reductions may be backdated where the claimant shows good cause for the delay in making their claim.

During 2014/15 only a small number of claims had backdated which exceeded 4 weeks.

- 5.5 Option D was discussed at length. Members were provided with statistics highlighting lower collection rates of council tax for those currently having to pay a minimum of 10%. Collection rates for this group are 83% compared with an overall collection rate of 98.9%. The council has worked hard with this group in educating to making payments.

Members were mindful of the information provided by officers showing the difficulties of collecting council tax from those on low income with the current minimum contribution of 10%. Any increase will have a huge impact on the claimant’s finances, many of whom are currently struggling financially, and examples were given. Also, any increase of 1% in the minimum contribution equates to a 10% increase in the amount to pay. For example, increasing the minimum contribution from 10% to 15% is a 50% increase in the amount to pay for a claimant on a low income.

Many claimants currently pay the 10% minimum contribution. Any increase may mean claimants do not pay any council tax, therefore having an adverse impact on collection and increasing administration.

6. CONSULTATION

- 6.1 The Council undertook a consultation exercise as required. This was advertised on the council’s website, Facebook page, on Twitter and on correspondence sent to recipients of a Council Tax Reduction. The major preceptors and Citizens Advice Bureau were also contacted.
- 6.2 Despite this, the Council only received 13 responses. Due to the minimal response it is not possible to draw on any real conclusions. However, most responses supported the recommendation not to increase the minimum contribution.

7. FINANCIAL IMPLICATIONS

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

Option A depends on the forthcoming government announcements on changes to Tax Credits. However, with other factors being considered this may incur minimal, or no additional cost.

Option B would save an estimated £30,000.

Option C would save an estimated £6,000.

Option D savings would depend on the amount of the contribution and collection rates.

Therefore, the overall impact of these changes will be minimal. Savings to New Forest District Council will be even smaller as the council retains approximately 11% of the total council tax collected.

7.2 There may be a charge for potential software changes, estimated to be in the region of £1000 to £2000 and the cost will be contained within existing budgets

8. PORTFOLIO HOLDER COMMENTS

8.1 Given the financial climate that we live in it is more important than ever that we are fair to all our residents. I believe that the proposals outlined in this report maintain that all important balance.

9. CORPORATE OVERVIEW AND SCRUTINY PANEL'S COMMENTS

9.1 The Panel supported the Task and Finish Working Group's recommendations that Options B and C, set out in paragraph 5.1 of the report, should be adopted, subject to necessary system upgrades being carried out. The Panel also supported the recommendation that there should be a review of the Council Tax Reduction Scheme in the summer of 2016 to take account of further welfare reforms being implemented from April 2016.

10. RECOMMENDATIONS

10.1 That subject to systems being upgraded, Options B and C of paragraph 5.1 of the report be adopted; and

101.2 That a review of the Council Tax Reduction Scheme be carried out in the summer of 2016.

Further Information:

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