

COUNCIL TAX REDUCTION SCHEME 2017/18

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 receive.
- 1.2 The Council Tax Reduction Scheme must be formally made by the Council no later than 31 January 2017, to take effect from 1 April 2017. The Government has constructed rules for a 'default scheme' which will have to be operated by any council that does not agree 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.
- 1.3 The Council Tax Reduction Scheme for New Forest District Council fulfils the prescribed requirements for localised schemes.
- 1.4 Approximately 9,100 claimants are receiving Council Tax Reduction. Of these 2,800 are working age (1,000 are working and most of whom have children), 1,500 are vulnerable and 4,800 are of pensionable age.
- 1.5 The current Council Tax Reduction Scheme costs approximately £8.3 million. This is split between:

Working Age employed	£ 691,000
Working Age other	£1,510,000
Vulnerable	£1,460,500
Pensioner	£4,675,000

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 calculation. 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 A Task & Finish Group met to review the current scheme and proposed changes effective from 1 April 2017.
- 2.2 The recommendations of the Task & Finish Group are to be considered by the Corporate Overview Scrutiny Panel, 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 2016/17 requires all working age claimants (except the vulnerable) to pay a minimum of 10.00% council tax (8.5% in 2013/14). This affects roughly 2,800 claimants. 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). This currently affects 102 claimants, 74 being in a Band E property.
 - 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 no entitlement to Second Adult Rebate.
 - D. The council's Council Tax Reduction Scheme incentivises work by disregarding £25.00 a week of earnings. The government disregards 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.
 - E. The maximum period for backdating a claim is 4 weeks (previously 6 months)
 - F. To remove the family premium for new claims

4. MATTERS CONSIDERED BY TASK & FINISH GROUP

- 4.1 Collecting council tax from those on low income is becoming increasingly more difficult, with significantly more work for officers having to work with those affected. In 2016/17 council tax bills increased for the first time since 2010, meaning council tax payers having to pay more. This is likely to continue in the forthcoming years, with predicted increases of roughly 3% to 4%. 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 decreased from 82.7% in 14/15 to 80.11% in 15/16. As at 31 October 2016, our collection rate is 61.74% compared to 62.94% for the same time in 2015.

- 4.2 Many of the claimants have also been affected by other welfare reforms, including the spare room subsidy, the benefit cap, which is being further reduced from 7 November 2016, as well as an increase in the cost of living. Many working age state benefits are being frozen for the next 3 years, as is the Local Housing Allowance which is used to work out entitlement to Housing Benefit. There are also further welfare reforms to come.
- 4.3 Due to the minimum contribution, welfare changes, system restrictions, and avoiding having amendments for numerous different groups, paying their council tax for some groups of claimants causes financial hardship. This could include, for example, lone parents who are full-time carers for a disabled child. Consideration has been given to administering a financial hardship fund to award to those claimants suffering exceptional financial hardship. This would be financed in full by the council (but see 4.4.). The council could work with applicants, for example by giving budgeting support and advice.
- 4.4 The council is agreeing a Council Tax Reduction scheme to assist those on a low income, whilst trying to be fair, prudent and reflecting welfare reforms. Officers propose to introduce a Prosecution and Penalties policy as an anti-fraud measure and to ensure any Council Tax Reduction is only awarded to those with a genuine entitlement. This policy enables a claimant to be issued with a penalty, which is up to £1,000 and added to their council tax bill, where they have fraudulently claimed a council tax reduction which they are not entitled too. An example could be where the claimant has undeclared capital.

The policy will be administered in conjunction with the council Corporate Fraud Officer.

Any penalties received will be used to assist with funding the Hardship Fund in full.

5. DISCUSSION ON COUNCIL TAX REDUCTION SCHEME FOR 2017/18

- 5.1 The group considered the options below:
- A. To maintain the current scheme with no changes
 - B. To increase the minimum contribution of 10%
 - C. To remove the Work Related Activity Component in the calculation of Council Tax Reduction for new claims
 - D. To limit the number of dependent children within the calculation for Council Tax Reduction to a maximum of 2 for new claims and entitlements.
 - E. To remove entitlement to the Severe Disability Premium where another person is paid Universal Credit (Carer Element) to look after them
 - F. To use the gross Universal Credit payment as income in the calculation of Council Tax Reduction

- G. To award council tax reduction if there is an active Housing Benefit claim or for a period up to 6 months following nil entitlement to Universal Credit, without the need to make a new application.
- H. To have a Hardship Fund to assist those suffering exceptional financial hardship

- 5.2 Option A would not affect current claimants in that their support would not reduce and it's administratively simple.

However, a declining caseload means fewer claimants are in receipt of a Council Tax Reduction.

- 5.3 Option B was discussed at length. Members were provided with statistics to demonstrate the impact on increasing the minimum contribution, as well as comparisons with other local authorities.

Any savings will depend on the minimum contribution amount, and if the amount is collected. Officers consider there is a "tipping point" where an increase in the minimum contribution will result in less or no council tax being paid. This may therefore have an adverse impact on collection and increase administration costs.

- 5.4 Option C is to mirror changes being introduced in Housing Benefit from April 2017, and Universal Credit. It is simple and will help with administration of the scheme.

The Work Related Activity Component is part of how we assess the financial "needs" of any claimant, which is compared to their income. The government is introducing changes from April 2017 affecting new claims for Employment and Support Allowance who will no longer be entitled to the additional Work Related Activity component.

- 5.5 Option D is to mirror changes being introduced in Housing Benefit, Universal Credit and Child Tax Credits from April 2017. With all these state benefits, there will be no additional amounts paid in state benefits where a claimant has a third child after April 2017, unless in specified and limited circumstances. Existing claimants will be protected.

- 5.6 Option E is administrative and is to mirror changes being introduced in Housing Benefit from April 2017

- 5.7 Option F is administrative and is to clarify the amount used in the calculation of Council Tax Reduction.

When a claimant receives Universal Credit, deductions from the award may be made, for example to repay court costs and fines, council tax or utility arrears or loan repayments. To use the amount of Universal Credit after these deductions would mean using a lesser income and therefore entitling the claimant to a higher Council Tax Reduction.

- 5.8 Option G is administrative to enable more efficient use of resources, make claiming easier for claimants, and is to mirror Universal Credit. This will also ensure a Council Tax Reduction is awarded where entitled and claimants do not lose out on entitlement.

- 5.9 Option H would assist those in exceptional financial hardship. See 4.3 for further details.

6. CONSULTATION

- 6.1 The council has a duty to consult on any changes to the scheme. The Council undertook a consultation exercise over a 6 week period. 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 15 responses. Due to the minimal responses it is not possible to draw any real conclusions. However, most responses broadly supported the recommendations.

7. FINANCIAL IMPLICATIONS

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

Option A may incur minimal, or even less cost.

Option B savings will depend on the amount of the contribution and collection rates.

Option C would not save anything but will avoid potentially increasing, albeit minimally, the cost

Option D savings would be minimal but will avoid potentially costs increasing

Option E savings will be minimal

Option F savings will be minimal but will avoid additional future increases to cost

Option G savings will be zero

Option H would be a cost to the council but it is anticipated that the cost is off-set from penalties issued.

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.

8. PORTFOLIO HOLDER COMMENTS

- 8.1

9. RECOMMENDATIONS

- 9.1 It is recommended to Corporate Overview Scrutiny Panel and to the Cabinet that the minimum contribution remains at 10% and that options, C, D, E, F, G and H are all adopted.

Background Information:

Minutes of Task & Finish Group

Caseload Graph

Collection Statistics

Impacts on changing the minimum contribution

Information on local authority schemes in Hampshire

Further Information:

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