

## **COUNCIL TAX REDUCTION SCHEME 2018/19**

### **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 The Council Tax Reduction Scheme must be formally made by the Council no later than 31 January 2018, to take effect from 1 April 2018. 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.
- 1.3 The Council Tax Reduction Scheme fulfils the prescribed requirements for localised schemes.
- 1.4 Approximately 8,800 claimants are receiving Council Tax Reduction. Of these 2,700 are working age (1,000 are working and 88% have children), 1,500 are vulnerable and 4,600 are of pensionable age.
- 1.5 The current Council Tax Reduction Scheme costs approximately £8.2 million. This is split between:

Working Age employed	£ 605,000
Working Age other	£1,466,000
Vulnerable	£1,632,000
Pensioner	£4,546,000

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 proposed changes effective from 1 April 2018.
- 2.2 The recommendations of the Task & Finish Group are to be considered by the Corporate Overview Panel and Cabinet and full Council in December 2017.

### **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 2017/18 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). This currently affects 88 claimants (102 in 16/17), 65 being in a Band E property (74 in 16/17).
  - 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 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.
  - E. The maximum period for backdating a claim is 4 weeks (previously 6 months)
  - F. To remove the family premium for new claims
  - G. 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).
  - H. To use the gross Universal Credit payment as income in the calculation of Council Tax Reduction

### **4. MATTERS TO BE 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 notices and working with those affected. In 2017/18 council tax bills increased, 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 increased slightly from 80.11% to 81.42%. See Appendix 2 for collection figures.

- 4.2 Many of the claimants have also been affected by other welfare reform changes, including the spare room subsidy, the benefit cap, which was 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, including the Local Housing Allowance despite rents increasing, and there are further welfare reforms to come, including the continued roll-out of Universal Credit.

## **5. DISCUSSION ON COUNCIL TAX REDUCITON SCHEME FOR 2018/19**

- 5.1 The group considered the options below:

- A. To maintain the current scheme with no changes
- B. To increase or decrease the minimum contribution of 10%
- C. To disregard in full Bereavement Support Payment in the calculation of Council Tax Reduction
- D. To reduce temporary absence from 13 weeks to 4 and remain entitled to Council Tax Reduction (exemptions will apply)
- E. To remove the Housing Element of Universal Credit within the calculation of Council Tax Reduction

- 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. See Appendix 1.

- 5.3 Option B will save differing amounts depending on the minimum contribution. See Appendix 3. Officers consider there is a "tipping point" where an increase in minimum contributions will result in less council tax being paid. Officers do not know where this tipping point is. Nationally, councils with larger minimum contributions have seen increase in arrears.

- 5.4 Option C is to reflect welfare changes and mirror changes being introduced in Housing Benefit. Bereavement Support Payment replaces Bereavement Payment, Bereavement Allowance and Widows Parents Allowance, which were all previously disregarded in full as income. This benefit is support those who have suffered from bereavement. It is simple and will help with administration of the scheme.

- 5.5 Option D is to mirror Housing Benefit, Universal Credit and pensioner claims for Council Tax Reduction. There are exemptions to this rule, including:
- Absences in connection with the death of a close relative
  - Members of Her Majesty's forces
  - A person who is receiving medically approved care in accommodation other than residential accommodation

- A person, their partner, or dependent child, undergoing medical treatment, medically approved convalescent in accommodation other than residential accommodation
- A person in hospital as a patient
- A person who has left their home through fear of violence

It is simple to administer and will help with the administration of the scheme.

- 5.6 Option E is remove the Housing Element of Universal Credit to ensure the claimant receives the same level of support as if Universal Credit was not in payment. By including the Housing Element, this inflates the claimant's applicable amount and increases their Council Tax Reduction.

## **6. CONSULTATION**

- 6.1 The Council has a duty to consult on any changes to the scheme, and if it is proposed that no changes are made. The Council undertook a consultation exercise over a 6 week period, from 7 August 2017 to 17 September 2017. 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 20 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

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

Option C cost will be minimal

Option D savings will be minimal, if any

Option E savings will be made, increasing as Universal Credit rolls-out.  
Estimate of £15,000pa

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 TBC

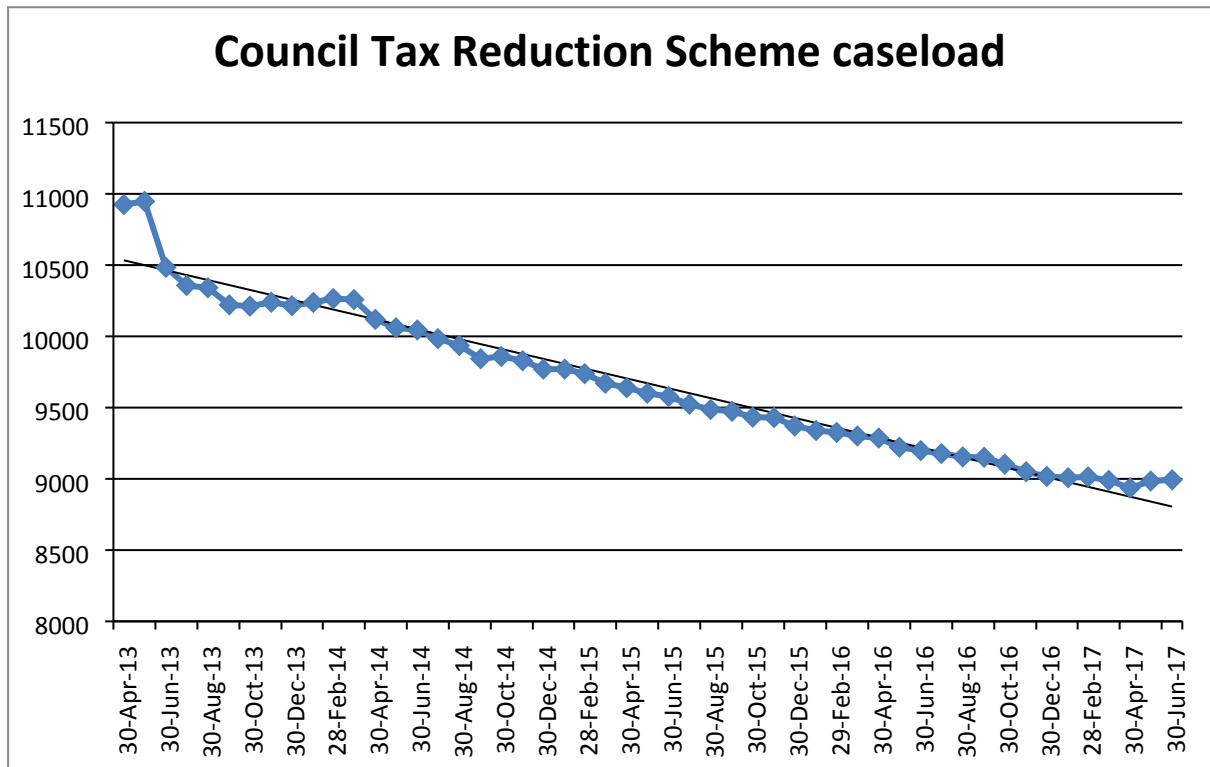
## 9. RECOMMENDATIONS

- 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 and E are all adopted.

<p><b>Further Information:</b></p> <p><b>Lead Officer:</b> Ryan Stevens Service Manager – Housing and Community Tel: 023 8028 5588 E-mail: <a href="mailto:ryan.stevens@nfdc.gov.uk">ryan.stevens@nfdc.gov.uk</a></p> <p><b>Members of Task &amp; Finish Group:</b> Cllrs Michael Harris, Mark Steele, Dan Poole and Alan Penson</p> <p><b>Portfolio Holder:</b> Cllr Jeremy Heron</p>	<p><b>Background Information:</b> Minutes of Task &amp; Finish Group Caseload graph Collection statistics Impact on changing the minimum contribution Impact of Housing element in Universal Credit in calculation Recovery notices comparison National statistics and Hampshire minimum contribution</p>
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## APPENDIX 1

### COUNCIL TAX REDUCTION SCHEME CASELOAD



## APPENDIX 2

### Collection statistics

#### POSITION STATEMENT AS AT 31.3.17

	Nett Amount Due	Total Amount Paid	Outstanding Balance	Collection %
<b>ALL DEBT</b>	£ 108,557,130.06	£ 107,368,450.00	£ 1,188,679.00	98.91%
<b>REDUCTION SCHEMES</b>				
<b>WORKING AGE EMPLOYED</b>	£ 615,602.03	£ 521,129.00	£ 94,472.00	84.65%
<b>WORKING AGE OTHER</b>	£ 420,582.91	£ 322,499.00	£ 98,083.00	76.68%
<b>WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%</b>	£ 1,036,184.94	£ 843,628.00	£ 192,556.00	81.42%
<b>PENSION AGE</b>	£ 844,469.61	£ 832,922.00	£ 11,547.00	98.63%
<b>VULNERABLE</b>	£ 113,179.55	£ 91,452.00	£ 21,727.00	80.80%
<b>PROTECTED ENTITLEMENT (PENSION AGE AND VULNERABLE) - NO MAXIMUM CAP</b>	£ 957,649.16	£ 924,374.00	£ 33,274.00	96.53%
<b>SUMMARY</b>				
<b>ALL REDUCTION SCHEME CASES</b>	£ 1,993,834.10	£ 1,768,003.76	£ 225,830.24	88.67%
<b>ALL NON-REDUCTION SCHEME CASES</b>	£ 106,563,295.96	£ 105,600,446.54	£ 962,849.42	99.10%

**POSITION STATEMENT AS AT 31.3.16**

	Nett Amount Due	Total Amount Paid	Outstanding Balance	Collection %
<b>ALL DEBT</b>	£ 104,110,152.26	£ 102,853,822.56	£ 1,256,329.70	98.79%
<b>REDUCTION SCHEMES</b>				
<b>WORKING AGE EMPLOYED</b>	£ 626,627.23	£ 518,136.94	£ 108,490.29	82.69%
<b>WORKING AGE OTHER</b>	£ 410,860.15	£ 312,983.91	£ 97,876.24	76.18%
<b>WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%</b>	£ 1,037,487.38	£ 831,120.85	£ 206,366.53	80.11%
<b>PROTECTED ENTITLEMENT (VULNERABLE PERSONS AND PERSONS OF PENSION AGE)</b>	£ 1,013,177.62	£ 989,443.09	£ 23,734.53	97.65%
<b>SUMMARY</b>				
<b>ALL REDUCTION SCHEME CASES</b>	£ 2,050,665.00	£ 1,820,563.94	£ 230,101.06	88.78%
<b>ALL NON-REDUCTION SCHEME CASES</b>	£ 102,059,487.26	£ 101,033,258.62	£ 1,026,228.64	98.99%



**POSITION STATEMENT AS AT  
31/03/15**

	<b>Net Amount Due</b>	<b>Total Amount Paid</b>	<b>Outstanding Balance</b>	<b>Collection %</b>
<b>ALL DEBT</b>	£ 102,960,861.09	£ 101,823,540.83	£ 1,137,320.26	98.90%
<b>REDUCTION SCHEMES</b>				
<b>WORKING AGE EMPLOYED</b>	£ 620,793.18	£ 528,097.33	£ 92,695.85	85.07%
<b>WORKING AGE OTHER</b>	£ 432,371.08	£ 342,891.08	£ 89,480.00	79.30%
<b>WORKING AGE CLAIMANT - MAXIMUM REDUCTION CAPPED AT 90%</b>	£ 1,053,164.26	£ 870,988.41	£ 182,175.85	82.70%
<b>PROTECTED ENTITLEMENT (VULNERABLE PERSONS AND PERSONS OF PENSION AGE)</b>	£ 1,087,349.78	£ 1,048,508.52	£ 38,841.26	96.43%
<b>SUMMARY</b>				
<b>ALL REDUCTION SCHEME CASES</b>	£ 2,140,514.04	£ 1,919,496.93	£ 221,017.11	89.67%
<b>ALL NON-REDUCTION SCHEME CASES</b>	£ 100,820,347.05	£ 99,904,043.90	£ 916,303.15	99.09%

## APPENDIX 3

### Increasing the minimum contribution

#### Example 1

Lone parent, working part-time and getting Tax credits. Weekly income is £255.20 and the council tax bill is £1,038.47 (Band C and after SPD).

Amount to pay each month:

Minimum contribution	10%	12.5%	15%	20%
To pay per month	£45.13	£47.26	£49.48	£53.78
Increase from 17/18 pm		+£2.13	+£4.35	+£8.65
Annual increase		4.7%	9.6%	19%

#### Example 2

Single claimant getting Jobseekers Allowance of £73.10pw.

Amount to pay each month:

Minimum contribution	10%	12.5%	15%	20%
To pay per month	£8.65	£9.95	£12.98	£17.31
Increase from 17/18 pm		+£1.30	+£4.33	+£8.66
Annual increase		15%	50%	100%

Potential maximum additional income:

Minimum contribution	10%	12.5%	15%	20%
Savings p.a.	£0.00	£74,000	£148,000	£296,000

NFDC share is 11% of the above amounts.

## APPENDIX 4

### Example 1

Current Council Tax Reduction scheme

Mr Smith, working 30 hours per week, earning £824.18 per month.
Nil entitlement to Council Tax Reduction

Migrate to Universal Credit and including the housing element (HB no longer awarded)

Mr Smith claiming Universal Credit, working 30 hours per week, earning £824.18 per month.
£9.80 per week entitlement to Council Tax Reduction

### Example 2

Current Council Tax Reduction scheme

Mrs Jones, working 20 hours a week earning £850.41 per month and not getting UC and has been getting CTR for 5 years.
<b>Nil</b> entitlement to Council Tax Reduction

Claiming Universal Credit and including the housing element

Mrs Brown, claims UC for the first time, working 20 hours a week earning £850.41 per month.
<b>£7.10</b> per week entitlement to Council Tax Reduction

Only a small number of claimants are currently getting Universal Credit, this will rapidly accelerate next year when Universal Credit is fully rolled-out from May 2018 across the district and further when current Housing Benefit claims migrate to UC. Continuing to include the housing element of Universal Credit inflates the claimants applicable amount and increases their Council Tax Reduction.

Removing the housing element of Universal Credit will ensure the claimant receives the same level of support as if Universal Credit was not in payment.

## APPENDIX 5

<b>2013/14</b>	<b>CTR</b>	<b>Non-CTR</b>
<b>Reminder</b>	6,805	12,729
<b>Summons</b>	1,289	3,572

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

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

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

Since 2014/15, when the minimum contribution increased to 10%, Reminder notices and Summons have reduced.

## APPENDIX 6

### National picture - 2017/18 council tax reduction schemes

Of 326 councils:

- 264 have minimum payment. 45 less than 10%, 60 between 10% and 20%, 140 between 20% and 30% and 19 over 30%.
- 214 have removed Second Adult Rebate
- 98 have a savings cap – most common is £6,000
- 100 have a band cap – the most common is a Band D cap
- As the minimum contribution increases collection rates decrease

Minimum contributions in Hampshire and neighbouring councils

	17/18
Basingstoke	0
East Hants	0
Eastleigh	0
Fareham	20
Gosport	30
Hart	0
Havant	8.5
Isle Of Wight	20
New Forest	10
Portsmouth	20
Rushmoor	10
Southampton	25
Test Valley	0
Winchester	0