

Local Council Tax Reduction Scheme 2017/18

- 1. Each billing authority in England must make a Council Tax Reduction Scheme no later than 31st January of the financial year to which that scheme relates.**
- 2. It is proposed that the 2017-18 scheme is again adjusted to take account of the government changes made to housing benefit.**
3. This is because housing benefit and council tax benefit were broadly on all fours prior to 1st April 2013. The purpose of the uprating the figures being to maintain consistency with the situation that would have applied had council tax benefit not been abolished.
4. Council Tax Benefit was abolished with effect from 1 April 2013 and replaced by local Council Tax Reduction Schemes (CTRS). The Council commenced consultation on a draft scheme in September 2012 and an Equality and Safety Impact Assessment was prepared. The Council adopted the draft scheme which was based on the Government Default Scheme (i.e. substantially the same as Council Tax Benefit) but with a 25% reduction in the support given (termed a 25% baseline reduction).

5. Background

6. Prescribed Scheme; (pensioners)

7. In March 2013 the national system of council tax benefit (CTB) ended.
8. From 1 April 2013, responsibility for council tax support was transferred from the national CTB scheme to local council tax reduction (CTR) schemes, where each billing authority has discretion over its own scheme for working age claimants.
9. The Secretary of State made regulations which prescribe matters which must be included in local council tax reduction schemes. In particular these prescribed regulations make provisions in respect of pensioners.
10. At the same time the shift was accompanied by a 10% cut in government funding for the schemes.

11. Default Scheme; (working age)

12. The Local Government Finance Act 2012 (Schedule 4) required the Secretary of State to prescribe by regulations a "default scheme". The default scheme is to take effect, in respect of dwellings situated in the area of a billing authority, if the authority fails to make its own scheme on or before 31st January 2013.
13. SCC adopted the default scheme as did many other councils in 2013 for its working age CTR scheme.

14. Annual Uprating

15. For 2013 the prescribed scheme for pensioners and the default scheme for working age persons mirrored the matters contained within council tax benefit for determining the classes of person entitled to support and matters relevant to determining eligibility, calculation and the amount of reduction.
16. For 2014, The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (no.2) Regulations 2014 made provisions to amend certain figures which are used in calculating entitlements and the amount of the reduction for pensioners. The purpose of the uprating the figures being to maintain consistency with the situation that would have applied had council tax benefit not been abolished.

17. Each year this instrument aligns the allowances, premiums and deductions with the statutory increased amounts made in the Autumn Statement. The policy is to make amendments to the above Prescribed Requirement Regulations in line with amendments made to housing benefit. This is because housing benefit and council tax benefit were broadly on all fours prior to 1st April 2013.
18. However the 'default scheme' was only ever meant to be applied for one year, and the DCLG have been clear that they will not be uprating the default scheme each year. Therefore the SCC scheme for working age persons states that each year the authority will have regard to any comparable amounts determined by the DWP for the purposes of calculating entitlement to Housing Benefit. Essentially maintaining consistency with the situation had council tax benefit not been abolished.

19. 2015 Government changes to welfare

20. The Chancellor of the Exchequer, announced several welfare measures as part the Summer Budget on 8th July 2015. Of most significance were the planned changes to the assessment of Housing Benefit (HB) which would normally be included in our local Council Tax Reduction scheme (CTR).
21. Some of the changes announced in July 2015 apply to claims from the 1st April 2017.

22. Changes which commence on the 1st April 2017

23. From April 2017, child allowances will no longer be applied for the third and subsequent children born after 6 April 2017 in claims for child tax credit, HB and UC. Also applies to families claiming UC for the first time after April 2017. There will be provision for exceptional circumstances such as multiple births. Those already claiming for more than two children before 6 April 2017 will continue to receive allowances for more than two children.
24. Unemployed 18 to 21 year olds will not be entitled to housing benefit and the housing support element in Universal Credit. Statutory instrument will be laid containing the detail of the measure and to introduce it from April 2017.
25. All new applicants of Employment and Support Allowance (ESA) who fall within the work related activity group will no longer receive the component in either their ESA or within the calculation of housing benefit. This means that those with a limited capability for work will receive the same level of award as non-disabled JSA claimants
26. Housing benefit claims would, with some exceptions, be limited to 4 weeks for claimants who spend time outside of Great Britain (known as temporary absence). This change (which came into effect on 28th July 2016) reduces the time period that someone can be treated as occupying their home- and therefore able to claim housing benefit whilst abroad.

27. It is proposed that the 2017-18 scheme is adjusted accordingly to take account of the above changes.

28. The changes only affect working age claimants.
29. Pensioners remain fully protected and can still receive up to 100% support
30. If the above changes being made to Housing Benefit are not replicated in our CTR scheme the estimated cost of continuing to support these groups are detailed below and also our scheme will not match the national Housing Benefit scheme:
31. **Limit support to 2 children = £11,794 (estimated 89 claims affected)**
32. **Unemployed 18 to 21 year olds = £35,068.80 (estimated 60 claims affected)**

- 33. All new applicants of ESA (Work Related Component) = £7,173 (estimated 19 claims affected)**
- 34. Temporary Absence outside Great Britain = £1,008 (estimated 14 claims affected)**
- 35.** Note all figures are per annum, also for number 32 the majority of these claims are from people living in supported accommodation (like YMCA) and would expect DWP to have some caveats around who loses full benefit.

36. Additional support

- 37.** The council has each year set aside a £200K hardship fund which will provide additional support, in exceptional circumstances, to local residents who have been awarded CTR.
- 38.** This additional support helped 1,321 claimants in 2014 meet the shortfall between Council Tax Reduction and their overall council tax liability when having to deal with exceptional financial or personal circumstances. The amount awarded totalled £195,936 (an average award of £148.32).
- 39.** To receive support from the discretionary fund a claim is required. This can initially be in written format (including electronic), over the telephone, or in person. However the customer must then complete the Council's application form to proceed with their claim. Assistance with this application will be provided if needed.
- 40.** The application form for Discretionary Payments (hardship) directs customers where to go to get free advice from local agencies;
- SCC Welfare Rights
 - Southampton Advice and Representation Centre
 - No Limits (under 25's)
 - Cranbury Centre
 - Southampton Citizens Advice Bureau
- 41.** The hardship fund ensures that the most vulnerable can access additional support in exceptional circumstances.
- 42.** The SCC website page for Discretionary Payments also directs customers who are struggling in a crisis to organisations in the city that can offer support.
- 43.** Our local scheme remains means tested operating in a similar way to its predecessor national Council Tax Benefit. I.E. to work out Housing Benefit and Council Tax Reduction, the council will look at the money a claimant has coming in, including earnings, some benefits and tax credits and other income such as occupational pensions, savings, as well as the personal circumstances, age, the ages and size of their family, whether they or any of their family are disabled, and whether anyone who lives with them could help with the rent/council tax.

44. Current scheme (As at the 1st September 2016);

Annual Council Tax Reduction awarded	Pensioners	Working age	Total
31.3.2014	£7,079,260	£10,182,589	£17,261,849
31.3.2015	£6,830,296	£8,461,584	£15,291,880
31.3.2016	£6,519,304	£8,310,589	£14,829,893
1.9..2016	£6,334,229	£8,320,021	£14,654,580

CTR caseload	Pensioners	Working Age	Total
Caseload 1.9.2016	7,641	13,297	20,938
Pass-ported	4,694	8,480	13,174
Non pass-ported	2,947	4,817	7,764

45. The 7,641 pensioners will continue to receive the same amount of support as they would have done had Council Tax Benefit not been abolished. (Up to 100%)
46. Any change to the SCC scheme will mean an increase in the amount of council tax payable by working age claimants. **Those hardest hit will be the 8,480 working age claimants whose income consists of pass-ported benefits – Income Support, Employment Support Allowance and Jobseekers Allowance.**

47. Effect of reducing support to working age claimants in 2017-18

48. The table below, shows that reducing support from the current 75% down to 70%, adds up to £1 each week to a family living in a Band A property.
49. Reducing support further to 65%, adds up to £2 each week to family in a Band A property and £3 each week to a family in a Band D property

		Council Tax to pay.			Increase in Council Tax to pay.	
		25%	30%	35%	30%	35%
Full council tax 2016-17						
Band A	£1,041.91	£260.48	£312.57	£364.67	£52.10	£104.19
Band B	£1,215.57	£303.89	£364.67	£425.45	£60.78	£121.56
Band C	£1,389.22	£347.31	£416.77	£486.23	£69.46	£138.92
Band D	£1,562.88	£390.72	£468.86	£547.01	£78.14	£156.29
Band E	£1,910.19	£477.55	£573.06	£668.57	£95.51	£191.02

50. Other consequences of reducing support to working age persons

51. Bad debt;

52. If the council tax reduction support is reduced the likelihood of default increases.

53. In the first year (2013-14) of local council tax reduction, the in-year collection of council tax dropped by nearly half of one per cent and continues to be below the amounts collected prior to 2013-14. Only 68% of council tax levied against persons receiving council reduction being paid in-year.

54. The council has a provision for council tax bad debt and this would certainly have to be increased if council tax reduction support were reduced.

55. Collection activity much increased with additional postage, printing, correspondence etc. costs incurred to council and claimant;

56. In 2012-13 the year prior to local council tax reduction;

57. Reminder notices 43,603

58. Summons 14,906

59. Attachment to benefits 1,830

60. In 2013-14 the first year of local council tax reduction schemes

61. Reminder notices 69,545

62. Summons 21,826

63. Attachment to benefits 4,349

64. The debt owed by the customer increases by £70 costs being added for each summons sent.

65. The relevant Housing Benefit changes in more detail;

66. Removal of allowance for third and other child;

- From April 2017, child allowances will no longer be applied for the third and subsequent children born after 6 April 2017 in claims for child tax credit, HB and UC
- Provision for “exceptional circumstances”, such as multiple births.
- Those already claiming for more than two children before 6 April 2017 will continue to receive allowances for more than two children.
- In both existing and new claims, new births after that date will not qualify for the individual element.
- Disabled child born after 6 April 2017 will continue to qualify for the additional individual element regardless of the restriction to 2 children.

67. Unemployed 18 to 21 year olds will not be entitled;

- DWP has confirmed the removal of entitlement to HB and UC housing costs element for 18-21 year olds
- Statutory instrument will be laid to containing the detail of the measure and to introduce it from April 2017
- There may be exemptions such as young care leavers, parents who have children living with them, those who are ‘vulnerable’

68. Changes to ESA

- Statutory instrument will be laid to containing the detail of the measure and to introduce it from April 2017.
- The support component and associated limited capability for work and work related activity in HB and UC, paid to those who are more severely disabled and not expected to work, are unaffected by this change

69. Temporary absence

- Housing Benefit Circular A7/2016 provides information about the changes reducing the allowable period of temporary absence outside Great Britain.

70. The Housing Benefit and State Pension Credit (Temporary Absence) (Amendment) Regulations 2016 (S.I 2016/624) make amendments to the Housing Benefit Regulations 2006 and the Housing Benefit (Persons who have reached the qualifying age for State Pension Credit) Regulations 2006 to introduce new provisions which relate specifically to absences outside of Great Britain.

71. Government funding of local schemes

- The Government abolished Council Tax Benefit from 1st April 2013 and Councils had to develop their own Council Tax Reduction schemes to replace it.
- Every council received 10% less from central government to fund the new schemes.
- People of pensionable age are protected and can still receive 100% support and so any reduction in support must be borne by working age claimants.
- **Following consultation and consideration of the responses, the Council adopted a self-funding scheme to cover the reduction in grant by reducing the support given to working age claimants by 25%.**
- However it is evident that the grants received from central government have been reduced further. Although the support for council tax reduction is not identified as a separate item in the revenue support grant the overall grant has been significantly reduced. Hence our local council reduction scheme is no longer self-funding.

72. End