

CTR Background Information

The national council tax benefit system was abolished with effect from 1 April 2013. It was replaced with a localised Council Tax Reduction (CTR) scheme. There was also a 10% reduction in central Government funding for any local scheme as compared with national council tax benefit scheme

The Government protected pensioners so local schemes had to have the same rules for pensioners as the old council tax benefit system. Our only discretion is for working age claimants. In 2013/14, due to national one-off funding, Herefordshire Council set up the local scheme with everyone of working age paying 8.5% of their council tax and they would provide support to a maximum level of 91.5% (subsidisation).

The scheme for 2014/15 is that CTR support by the council is based on 84% of the applicant's council tax charge so everyone of working age has to pay at least 16% of their council tax bill. There is also a Band D restriction which affects working age claimants who live in a property banded above D.

The council are making decisions on year three of their local scheme. The Medium Term Financial Strategy approved by Council in February 2014 assumed reductions in the level of support to 76% in 2015/16 (saving £308k PA) and 70% in 2016/17 (saving an additional £230k, £538k in total).

The working age claimants in receipt of CTR consist of; single parents, single people and couples who could be unemployed, have limited capability for work on the grounds of ill health including disability, or are working but on a low income. The profile of working age claimants is:-

○ Pensioners fully or partially unaffected by the CTRS scheme	6,878
○ Total working age	7,034
○ Total caseload	13,912

Approximately 5,000 residents are in receipt of CTR at 84%, and therefore, have to pay the full 16% of their council tax liability. These claimants have an income which is at a level that entitles them to the maximum reduction.

2,034 of these claimants have an income which is at a level that means they only qualify for partial reduction.

Council Tax Collection Rates

Despite the changes to CTR, and more applicants having to pay their own council tax, collection rates have remained consistent through the year, as seen below:

2012/13 - 98.63%

2013/14 - 98.40%

At 1 September 2014 50.23% had already been collected, this compares to 49.54% for the same period last year, whilst the proportion received for CTR applicants is 37.04%. Projections suggest the original bad debt estimate of 25% of all CTR claimants is overstated and is likely to be between 5% and 10%.

This year, to date, 5,255 summonses have been issued for non-payment of council tax. A sample of 500 shows that 63% (313) have been issued to tax payers who are in receipt of CTR. The remaining 37% have been issued to those not in receipt of CTR. See table below:

Circumstances	No.	%
In receipt of Employment & Support Allowance*	158	50
In receipt of Income Support – with no other details known	53	17
In receipt of Jobseekers Allowance	31	10
Pensioners not in receipt of full CTR	4	1
Families with children (lone parents or couples) with low earnings and receiving tax credits	33	11
Single claimants working, with low earnings	30	10
Others	4	1
Total	313	100

* *Employment and Support Allowance (ESA) is a relatively new state benefit which replaced Incapacity Benefit and is for claimants who, through illness or disability, are unable to play a full part in the labour market which prevents them from claiming Jobseekers Allowance. 40% of our working age caseload is made up of claimants in receipt of ESA.*

There are approximately 80,000 properties in Herefordshire of which approximately 7,000 are pensioners who will have no council tax to pay as they are receiving 'full CTR'. The remaining 7,000 claimants in receipt of partial CTR will have to pay some of their council tax. This year, so far, 36% of those will have received a summons for non-payment of council tax.

Of the remaining 66,000 properties, where the occupiers are not in receipt of CTR, 3% have received a summons.

There is a significant workload attached to chasing debt not only staff resources, but also postage and the cost of summonses (£85) which is added to the claimants' debt.