

Scrutiny Committee Report



Report of Head of Finance

REPORT NO

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To: Scrutiny Committee

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Council tax reduction scheme 2014/15 – the effects to date

Recommendation

That Scrutiny Committee considers the report and reports any observations to the Cabinet member for Finance

Purpose of Report

1. The purpose of this report is to update members on the effect the 2014/15 council tax reduction scheme (CTRS) has had on its council taxpayers.

Strategic Objectives

2. The council is required by statute to adopt a reduction scheme to help those on low incomes to meet their council tax liability. In accordance with the strategic objective “excellent delivery of key services”, by having a scheme, we should achieve the corporate priority of delivering a high quality value for money service.

Background

3. Prior to April 2013 there was a national scheme of financial assistance called “council tax benefit” which was available to taxpayers on low incomes to help

them meet their council tax liability. This scheme had been in operation since 1993.

4. Following changes introduced by the Local Government Finance Act 2012, this council adopted its own local "council tax reduction scheme" to take effect from 1 April 2013. This was against a backdrop of reduced Government funding of approximately ten per cent compared to the funding given for the previous council tax benefit scheme.
5. In common with the other district councils in Oxfordshire, the local scheme more or less mirrored the previous council tax benefit scheme which meant that no residents saw a reduction in their entitlement.
6. The ten per cent reduction in Government funding was counteracted by the council's implementation of technical reforms to the council tax system whereby more council tax was charged on empty properties and second homes.
7. The final scheme that was adopted was for one year only and the council was therefore required to formally adopt a scheme for 2014/15.

The 2014/15 scheme

8. It was proposed that the scheme adopted for 2014/15 should require everyone (excluding those of Pension Age and certain protected groups - people with disabilities, war widows and war disabled pension recipients) to pay **at least 8.5 per cent** of their council tax (around £129.00 per year, based on a Band D property). This would mean that the maximum reduction that anyone could receive would be **91.5 per cent** of their council tax liability.
9. Cabinet believed that the reduction in Government funding mentioned in paragraph 6 above should be spread fairly across all council tax payers (apart from the protected groups mentioned above), not just those who were not claiming a reduction. Cabinet's rationale being that the proposed reduction scheme should encourage unemployed people to seek work - which was a stated Government policy intention for localising council tax support in the first place
10. It should be noted that for 2013/14 schemes the Government offered additional "transitional funding" to councils who did not reduce council tax reduction entitlement by more than 8.5 per cent. This council was one of 20 per cent of authorities who made no changes to their scheme in 2013/14. Although the grant was not made available in 2014/15, Cabinet believed that a scheme proposing an 8.5 per cent reduction was in the spirit of what the Government wanted to achieve.
11. In addition to a flat 8.5 per cent reduction across the board, Cabinet also proposed that some further modifications should be made to entitlement in respect of specific categories of claimant. This had the effect of further reducing entitlement for some claimants. However, the 2014/15 scheme would also increase entitlement for those who find work e.g. in the 2013/14 scheme, when an unemployed claimant took up a new job, we continued to give a reduction for four weeks after the new job began, at the same rate they were on before starting

work. This was so they were not faced with having to pay an increased council tax bill immediately. Under the 2014/15 scheme it was proposed to continue giving the same level of reduction for **thirteen weeks** - to help people even more with the transition into work.

12. Following the comments received from an eight week public consultation and feedback from Scrutiny committee, Cabinet decided **not to proceed** with modifications in respect of **reducing the capital limit** and **treating child maintenance as income** and adopted the following scheme:

- entitlement for working age claimants would be capped at **91.5** per cent of their council tax liability, except for these protected groups - people with disabilities, war widows and war disabled pension recipients
- removal of the second adult rebate scheme
- entitlement for properties in bands F, G and H would be capped to band E council tax levels
- the four week “run on” entitlement would be extended for thirteen weeks when a claimant moves into work
- personal allowances and non-dependent deductions for working age claimants would be uprated by one per cent each financial year commencing 1 April 2014

13. In addition, Cabinet decided to introduce a discretionary fund (DHF) to help those claimants experiencing financial hardship. The amount of the fund would be set at **10 per cent** of the total estimated expenditure reduction achieved (£22,000) and the costs of the fund would be shared by the Vale and the major precepting authorities i.e. County Council and the Police and Crime Commissioner (Thames Valley).

Financial Implications

14. By reducing claimants’ entitlement it has obviously reduced the scheme costs. To date the current predicted savings are:

Table 1

Group	Numbers affected	(Saving)/Cost
Reducing maximum entitlement to 91.5 per cent (i.e. 8.5 per cent reduction)	1,749	(£169,523)
People who receive a reduction because they live with another adult who is on a low income	15	(£3,697)

People who will have their entitlement capped to a band E rate	26	(£10,626)
People who move into work and continue to receive the same level of reduction	167	£28,841
NET SAVING		(£155,005)

15. These savings will be apportioned between the Vale, Oxfordshire County Council and the Police and Crime Commissioner (Thames Valley). It was originally estimated that the savings to be gleaned from the modifications would be **£220,000**. However, the **CTRS caseload has reduced significantly** over the last year which is good news as this means the overall **CTRS bill has** reduced and more residents are paying council tax. This has contributed to an estimated surplus in the council tax collection fund to the tune of **£140,000** (which will be apportioned between the Vale, County and Police).

16. The modifications to the CTRS has had the following direct financial impact on individual claimants as follows:

Table 2

Group	Average annual (reduction)/increased award	Highest annual (reduction)/increased award
Reducing maximum entitlement to 91.5 per cent (i.e. 8.5 per cent reduction)	(£97)	(£166)
People who receive a reduction because they live with another adult who is on a low income	(£246)	(£537)
People who will have their entitlement capped to a band E rate	(£409)	(£707)
People who move into work and continue to receive the same level of reduction	£173	£231

Collection rates and debt recovery implications

17. The impact on the council tax collection rate (as at 31 January 2015) is as follows:

	Net debit	Payments received	Percentage collected
Accounts without CTRS	£73,089,966	£70,669,039	96.69%
Accounts with CTRS	£1,731,422	1,322,066	76.36%

18. It can be seen from the table that the collection rate from CTRS taxpayers (**76.36 per cent**) is significantly lower than non CTRS cases. However, this is not much different to South Oxfordshire District Council (**76.78 per cent**) which did **not** modify its scheme for 2014/15. Historically, the collection rate comparisons between CTRS/old council tax benefit cases and non CTRS cases have always shown this trend.

19. As at March 2015 there are **5,424** live CTRS claimants whilst **1,604** are working age claimants who are liable to pay **8.5 per cent** of their council tax (the remainder being pensioners and other protected groups such as disabled claimants).

20. There has been post reminder council tax recovery action (**i.e. Magistrates court action**) against **187** of the taxpayers who were previously in receipt of 100 per cent council tax help and are now liable to pay **8.5 per cent** of their council tax. These taxpayers have been subjected to summons costs of £65 (as a minimum) and further costs of £45 where Magistrates have issued liability orders in the council's favour. **72** council taxpayers paid in full after court action whilst **115** still have a balance outstanding. It should be noted that these are all working age council taxpayers who received prior notice of the council's revised CTRS scheme and have been sent bills and notices (which also prompts them to contact the council) prior to court action.

21. There are a further 150 cases which have not been subjected to post reminder recovery action as of yet, but still have outstanding balances. These will in the main, be taxpayers who have contacted the council and agreed payment plans to clear their liabilities.

22. The additional administration surrounding the management of CTRS taxpayer accounts was highlighted during the design of the scheme and, the council's contractor, Capita, has been paid £43,600 for this, which effectively covers work such as additional postage and printing; additional contact centre costs; and, general council tax work. This has been funded by the County Council (£9,000); the Police (Thames Valley) (£1,200), with the Vale funding the remainder (£33,400) from the £68,392 2014/15 CTRS "new burdens" grant it received.

Discretionary Hardship Fund (DHF)

23. As mentioned above, a discretionary hardship fund of **10 per cent** of the anticipated overall savings was agreed. This equated to **£22k** and was funded by the County Council (**£18k**); the Police (**£2,400**) with Vale (**£1,600**).

24. To date (end of February 2015) we have received **20** applications for DHF and awarded help in **13** cases, totalling **£882.12**.

Legal Implications

25. There are no legal implications arising from this report.

Risks

26. There are no legal implications arising from this report.

Equality implications

27. There are no legal implications arising from this report. However, there was an equalities impact assessment (EIA) done by the council as part of the scheme implementation in accordance with its statutory obligations.

Conclusion

28. In accordance with the Local Government Finance Act 2012, the council adopted a council tax reduction scheme for 2014/15. The rationale of the scheme was to introduce a scheme that is fair on all residents; protects the vulnerable; and, encourages residents back to work by the inclusion of work incentives. The same scheme will apply in financial year 2015/16.