

Scrutiny Committee Report



Report of Head of Finance

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To: Scrutiny Committee

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Council tax reduction scheme 2016/17

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 council tax reduction scheme (CTRS) has had on its council taxpayers during **2016/17**. This has become an annual report following the report taken to the Scrutiny Committee on 26 March 2015.

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. By having a scheme in place we are helping to achieve the strategic objective of "running an efficient council".

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 scheme since 2014/15

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 (which was **£138.98** based on a Band D property in **2016/17**). This meant 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

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 and, following comments received from an eight week public consultation and feedback from Scrutiny committee, Cabinet 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 to thirteen weeks (from 4 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

10. In addition, Cabinet decided to introduce a discretionary hardship fund (DHF) to help those claimants experiencing financial hardship. The criteria of which is attached as **Appendix 1**

Financial Implications

11. 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)	1,477	(£144,414.40)
People who receive a reduction because they live with another adult who is on a low income	4	(£1,764.36)
People who will have their entitlement capped to a band E rate	17	(£6,921.20)
People who move into work and continue to receive the same level of reduction	98	£18,948.60
NET SAVING		(£134,151.36)

12. 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 p.a.** However, the **CTRS caseload has reduced significantly** over the last two years which is good news as this means the overall **CTRS bill has reduced** and more residents are paying council tax.

13. 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)	(£98)	(£169)
People who receive a reduction because they live with another adult who is on a low income	(£441)	(£500)
People who will have their entitlement capped to a band E rate	(£407)	(£696)
People who move into work and continue to receive the same level of reduction	£193	£391

Collection rates and debt recovery implications

14. The impact on the council tax collection rate for 2016/17 was as follows:

	Net debit	Payments received	Percentage collected
Accounts without CTRS	£80,530,396	£79,711,204	98.98%
Accounts with CTRS	£1,728,777	£1,499,830	86.76%

15. It can be seen from the table that the collection rate from CTRS taxpayers (**86.76 per cent**) is significantly lower than non-CTRS cases. However, this is on a par with South Oxfordshire District Council which has **not** modified its scheme. Historically, the collection rate comparisons between CTRS/old council tax benefit cases and non-CTRS cases have always shown this trend, but the interesting point as far as Vale is concerned is that the modified scheme has not really affected collection rates.

16. As at March 2017 there were **5,214** live CTRS claimants (5,279 in April 2016) whilst **1,465** were working age claimants who were liable to pay **8.5 per cent** of their council tax (the remainder being pensioners and other protected groups such as disabled claimants).

17. During 2016/17 there was post reminder council tax recovery action (**i.e. Magistrates court action**) against **101** (119 in 2015/16) 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. **30** (25 in 2015/16) council taxpayers paid in full after court action whilst **71** (94 in 2015/16) 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.

There are a further **68** cases (135 in 2015/16) which have not been subjected to post reminder recovery action 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.

Discretionary Hardship Fund (DHF)

18. As mentioned above, a discretionary hardship fund of **10 per cent** of the anticipated overall savings was agreed. This originally equated to **£22k** and was funded by the County Council (**£18,000**); the Police (**£2,400**) with Vale (**£1,600**).

19. During 2016/17 we received only 2 DHF applications. One successful applicant was awarded **£83**.

Legal Implications

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

Risks

21. There are no risks arising from this report.

Equality implications

22. There are no equality implications arising from this report.

Conclusion

23. In accordance with the Local Government Finance Act 2012, the council adopted a council tax reduction scheme for 2014/15 and has rolled the same scheme forward. The rationale of it 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 2017/18.

Vale of White Horse District Council

Council Tax Reduction Scheme

Discretionary Hardship Awards (DHA)

1. Background

From 31 March 2013, Council Tax Benefit (CTB) was abolished. Council Tax Benefit was a national scheme where the Government funded the amounts paid out in CTB awards in full. In its place, each council had to design its own Council Tax Reduction Scheme (CTRS) for working age claimants. In the financial year 2013-14, the council decided not to make any changes to the old CTB scheme and keep it as its local CTRS. For the financial year 2014-15, the council decided that, with the exception of disabled people, people in receipt of war disability pensions and war widows, the maximum amount of benefit which can be received was reduced to 91.5% of their council tax and anyone in Council Tax bands F, G and H would have their reduction assessed on a band E equivalent. Second Adult Reduction was also abolished.

Due to the above changes, the council has introduced a hardship scheme for those who may suffer financial hardship because of them. The main features of the scheme are that

- the scheme is purely discretionary; a claimant does not have a statutory right to a payment.
- applications will only be considered from council taxpayers who were resident at a property as at 31 March 2014 (i.e. applications from new occupants from 1 April onwards will not be considered).
- only applications from claimants who have been affected by the changes to the CTRS will be accepted.
- the amount that can be paid out in any financial year is cash limited.
- the administration of the scheme is for the Revenues and Benefits Client Team to determine.
- DHA's can only meet the maximum Council Tax liability.
- DHA's are not payments of council tax reduction .

2. The Revenues and Benefits Service Protocol relating to DHA

2.1 Purpose

The purpose of this protocol is to specify how the council operates the scheme and to indicate some of the factors that will be considered when deciding if a DHA can be made. Each case is treated strictly on its merits and all customers will be treated equally and fairly when the scheme is administered. The council is committed to working with the local voluntary sector, social landlords and other interested parties in the district to maximise entitlement to all available state benefits and this will be reflected in the administration of the scheme. Where the evidence provided indicates that a claimant is not claiming another state benefit that they may be entitled to, the council will advise them to make such a claim and provide details of other agencies in the district who may be able to help them with such a claim.

2.2 Statement of objectives

The Revenues and Benefits Client Team will consider making a DHA to claimants who meet the qualifying criteria as specified in this guidance. The Revenues and Benefits Client Team will treat all applications on their individual merits and will seek through the operation of this policy to:

- alleviate poverty.
- encourage and sustain people in employment.
- help those who are trying to help themselves.
- keep families together.
- support vulnerable members of the local community.
- help claimants through personal and difficult events.
- support young people in the transition to adult life.

The Revenues and Benefits Client Team considers that the DHA scheme should be seen as a short term emergency fund. It is not and should not be considered as a way round any current or future entitlement restrictions set out within the Council Tax Reduction Scheme.

2.3 Claiming a Discretionary Payment

A claim for a DHA should be made in writing (an application form will be provided) signed by the claimant. However in certain exceptional circumstances an award could be made without an application being received – this is at the discretion of the Revenues and Benefits Client Team.

Claims may be accepted from someone acting on behalf of the person concerned where written authorisation for that person to act on behalf of the claimant is held.

2.4 Period of Award

In all cases, the Revenues and Benefits Client Team will decide the length of time for which a DHA will be made on the basis of the evidence supplied and the facts known. The award will be limited to the financial year in which the application was made and will not roll over into the following financial year.

2.5 Making a Discretionary Award

In deciding whether to make a DHA the Revenues and Benefits Client Team will take into account:

- the amount by which council tax reduction has dropped due to the introduction of the 2014/15 revised CTRS.
- the financial circumstances of the claimant, their partner and any dependants and any other occupants of the claimant's home.
- the income and expenditure of the claimant, their partner and any dependants or other occupants of the claimant's home.
- any savings or capital that might be held by the claimant or their family.
- the level of indebtedness of the claimant and their family.
- the exceptional nature of the claimant and their family's circumstances.
- the amount available in the DHA budget at the time of the application.
- the effects of other welfare benefit changes affecting the claimant.
- DHA can only be considered for a period where council tax reduction is payable.
- Any other special circumstances brought to the attention of the Revenues and Benefits Client Team.

2.6 Changes of Circumstances

The Revenues and Benefits Client Team may need to revise an award where the claimant's circumstances have materially changed.

2.7 The right to seek a review

Discretionary Awards are not payments of council tax reduction and are therefore not subject to the statutory appeals mechanism.

The Revenues and Benefits Client Team will operate the following policy for dealing with appeals about (i) a refusal to make a DHA, (ii) a decision to award a reduced amount or, (iii) a decision that there has been an overpayment.

- A claimant (or their appointee or agent) who disagrees with a decision relating to DHA's may dispute the decision. A request for a review shall be made in writing within one calendar month of the written decision about the DHA being issued to the claimant.
- The review will be carried out by the Revenues and Benefits Client Manager.

- Where the Revenues and Benefits Client Manager decides not to revise the original decision he will notify the claimant of his decision in writing, setting out the reasons for the decision.
- The decision of the Revenues and Benefits Client Manager will be final and binding. The claimant may challenge whether the correct amount of DHA has been applied to the council tax account to the Valuation Tribunal for England. Any other aspect of the decision making may only be challenged via the judicial review process (or by complaint to the Local Government Ombudsman if maladministration is alleged).

2.8 Overpayments

The council will consider and seek to recover any DHA found to be overpaid. Normally this will involve issuing an invoice to the claimant.

2.9 Fraud

The council is committed to the fight against fraud in all its forms. A claimant who tries fraudulently to claim a DHA by falsely declaring their circumstances, providing a false statement or evidence in support of their application, may have committed an offence under the Theft Act 1968. Where the council suspects that such a fraud may have occurred, the matter will be investigated as appropriate and this may lead to criminal proceedings being instigated.

