

Scrutiny Committee Report



Report of Head of Finance

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To: Scrutiny Committee

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Council tax reduction scheme 2017/18

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 **2017/18**. This has become an annual report following the report taken to the Scrutiny Committee in 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 **£145.46** based on a Band D property in **2017/18**). 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.

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)	1,464	(£162,268)
People who receive a reduction because they live with another adult who is on a low income	1	(£464)
People who will have their entitlement capped to a band E rate	17	(£7,498)
People who move into work and continue to receive the same level of reduction	57	£15,962
NET SAVING		(£154,268)

12. These savings will be apportioned between the Vale and Towns/Parishes (**£16,969**), Oxfordshire County Council (**£121,872**) and the Police and Crime Commissioner (Thames Valley (**£15,427**)). 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)	(£111)	(£193)
People who receive a reduction because they live with another adult who is on a low income	(£464)	(£464)
People who will have their entitlement capped to a band E rate	(£441)	(£799)
People who move into work and continue to receive the same level of reduction	£280	£540

Collection rates and debt recovery implications

14. The impact on the council tax collection rate for 2017/18 was as follows:

	Net debit	Payments received	Percentage collected
Accounts without CTRS	£86,377,494	£85,411,030	98.88%
Accounts with CTRS	£1,733,746	£1,467,135	84.62%

15. It can be seen from the table that the collection rate from CTRS taxpayers (**84.62 per cent**) is significantly lower than non-CTRS cases. This CTRS collection is also slightly down from that of South Oxfordshire District Council which has **not** modified its scheme (**86.02 per cent**). Historically, the collection rate comparisons between CTRS/old council tax benefit cases and non-CTRS cases have always shown this trend, but as far as Vale is concerned, the modified scheme has not dramatically affected collection rates.

16. As at March 2018 there were **5,021** live CTRS claimants (5,214 in April 2017) whilst **1,464** 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 2017/18 there was post reminder council tax recovery action (**i.e. Magistrates court action**) against **129** (101 in 2016/17) 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. **28** (30 in 2016/17) council taxpayers paid in full after court action whilst **101** (71 in 2016/17) 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 **61** cases (68 in 2016/17) 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 prior to action escalating.

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 2017/18 we received only 1 DHF application. The applicant was successful and was awarded **£437**.

Proposed modifications

20. When the Vale's scheme was amended from April 2014, the council provided protection for certain groups which were considered vulnerable due to disability. Because the numbers on Universal Credit were extremely small and it was not clear what the final design of Universal Credit would be, disability was defined on receiving certain premiums relating to disability from legacy benefits such as Employment and Support Allowance and disability benefits such as Disability Living Allowance. These premiums no longer exist in Universal Credit and claimants who were previously exempt will under Universal Credit be subject to the maximum CRT of 91.5% and to the maximum of a band E property. In order to keep to the council's original intention of protecting claimants with disabilities, the following proposals are being considered:

- Explicitly stating that households in receipt of Disability Living Allowance, Personal Independence Payment, War Disability Pensions and Armed Forces Independence Payments are exempt
- Claimants who receive the limited capability for work (not available to new claimants from April 2017) and limited capability for work related activity elements in their Universal Credit award are exempt

- Claimants who can show they have they have limited capability for work following a work capability assessment from the DWP are exempt

21. Universal Credit is a welfare benefit which is re-assessed every month. For people whose income can vary often, particularly those in work, this can mean frequent re-assessments of their Universal Credit. This in turn will mean a re-assessment of that person's Council Tax Reduction, which in turn will mean re-issuing a new bill. As more people transfer to Universal Credit, the volumes of changes will increase. It is proposed to introduce a monthly tolerance level for changes in Universal Credit - the amount yet to be decided. A re-assessment of Council Tax Reduction will only be triggered once the original monthly amount of Universal Credit used in the Council Tax Reduction, changes by more than the decided amount.
22. The proposed changes will require financial modelling (to determine costs) along with legally required public consultation. It is likely that the proposed changes, if approved, will be introduced with effect from 1 April 2020.

Legal Implications

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

Risks

24. There are no risks arising from this report.

Equality implications

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

Conclusion

26. 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 2018/19 with the possible modifications as mentioned above, being introduced from 1 April 2020.