

Cabinet Report

Report of Head of Finance

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Council tax reduction scheme 2024/25

Recommendations

- (a) It is recommended that for the 2024/25 financial year onwards the council continues to adopt the previous 2023/24 Council Tax Reduction (CTR) Scheme but with the following amendment:

Where the council has identified that a taxpayer has failed to notify the Department of Work and Pensions (DWP) of a relevant change in circumstances, affecting their legacy benefit or Universal credit, then (where necessary) their entitlement to CTR will be stopped, until that notification has taken place and revised DWP benefit entitlement known.

- (b) Cabinet recommends to Council for the above change to be incorporated into its CTR Scheme for the oncoming 2024/25 financial year onwards.

Purpose of Report

1. The purpose of this report is to enable the council to adopt and implement a modified council tax reduction scheme for the financial years 2024/2025 onwards.

Corporate Objectives

2. The council is required by statute to adopt a scheme to help those on low incomes to meet their council tax liability. In accordance with the strategic objective "running an efficient council" by having a scheme we meet this objective.

Background

3. From April 2013, the national scheme to help people on low incomes pay their Council Tax (Council Tax Benefit), was abolished and a local scheme was introduced called Council Tax Reduction (CTR) scheme. The Government continued to fund the new scheme, but with a 10 per cent reduction in funding from the previous CTB scheme. In 2013, the council decided to keep the new CTR scheme as close to the old CTB scheme as possible.
4. For the financial year 2014 onwards, the council decided several changes for working age people (the scheme for people of pension age is decided nationally by the Government) would be made, which included, changes surrounding second adult rebate, introduction of a working age CTR cap (91.5 per cent) and CTS banding cap.
5. For the financial year 2023 onwards, the council decided to remove these capping restrictions from 2014 as part of their response to the cost-of-living crisis.
6. Throughout, joint working with the DWP has remained essential in maintaining accurate CTR entitlement when known taxpayer(s) change in circumstances occur.

Proposals for 2023/24 onwards

7. It is proposed to insert a requirement for individuals to demonstrate (where necessary) that they have notified the DWP that they have had a change in their circumstances.
8. The current CTR scheme is designed that any person in receipt of one of the below benefits is deemed as passported.
 - Employment and Support Allowance
 - Income Support
 - Job Seekers Allowance
 - Universal Credit

The requirement is for the person to notify any changes in circumstances to the DWP and not necessarily the council. Therefore, in circumstances where the council has identified undeclared changes, it is unable to currently correct any discrepancy until the individual has notified the DWP any revised UC or legacy benefit entitlement determined. This can lead to lengthy delays and CTR being wrongly claimed. Joint working with the DWP, to investigate cases where changes may not have been brought to their attention, would help minimise risk, however, due to recent changes within the DWP (covered below) has meant that this approach can currently no longer be relied upon. The introduction of this rule will allow the council to require individuals to provide evidence that a change in circumstance has been reported to the DWP and allow the council to stop CTR entitlement (where necessary) until this requirement has been done. This addition to the current CTR Scheme is required to prevent error and ensure CTR is only being awarded where entitled. It will also help reduce fraudulent activity.

9. The CTR scheme was designed that anyone in receipt of a passported benefit (listed above) must notify the DWP (as the central point of contact) of any change in circumstance and they then drive the CTR award based on the outcome from that

change. However, where the council's investigations team has established an undeclared change in circumstance to the DWP, the council is unable to correct or terminate the CTR until the DWP have adjusted their benefit first. This can lead to error, fraud at the taxpayers expense, and highlights why working with the DWP proved essential to conduct joint investigations. Due to recent changes within the DWP means this joint working has now been significantly impacted and is why this proposed CTR change is necessary in order to continue to protect the public purse and minimise fraud.

10. The Council has recently been informed by the DWP that their local offices at Oxford, Reading and Slough are being closed and will remain closed until April 2024 at the very earliest (likely to be much longer) and there is risk that they may not reopen. As such, DWP has notified the council that the former joint working arrangements have ceased. Any reports of fraud, error, and undeclared changes, which are identified by the councils investigation team, are therefore having to be passed to the Gloucester DWP and only the largest value cases are being investigated, meaning lower value overpayments, such as Council Tax reductions, are passed back.
11. The current system was designed to ensure that an individual only notifies one central point, however, if they fail to notify that central point then, with the current wording of the rules, it does leave the councils open to risk, especially with the local DWP offices disbanding. The proposed amendment to the current scheme will remove this risk.

Options

12. Based on the current situation it is recommended that Cabinet should recommend to Council to proceed with the modifications detailed below. Therefore, in view of the foregoing, the scheme that is recommended to Council to adopt for 2024/25 onwards is the 2023/24 scheme but with the following amendment:

To include that, where requested, an individual is required to demonstrate that they have notified the DWP of a change of circumstance which may affect the amount of Council Tax Reduction they are in receipt of. Failure to do so can lead to the council stopping ongoing CTS entitlement.

13. The only other option is to do nothing.

Climate and ecological impact implications

14. None

Financial Implications

15. If the proposal is accepted into the CTR scheme there will be ongoing protection of the public purse. Individuals are currently able to continue receiving Council Tax Reduction when the investigations team has identified undeclared changes to DWP which would affect their benefit entitlement.
16. Since 2023 the councils investigations team has identified 11 cases where we have been unable to progress, due to failure of the DWP to offer a joint investigation. It is estimated that these cases would equate to approximately £25,700 in CTR and/or other discount being incorrectly applied. This demonstrates the exposed risk and the need for the recommended change to the scheme to protect the council for all future years.

17. Any council decision that has financial implications must be made with the knowledge of the council's overarching financial position. For Vale, the position reflected in the council's medium-term financial plan (MTFP) as reported to full Council in February 2023 showed that the council was able to set a balanced budget for 2023/24, but that there is expected to be a budget gap in future years. However there is great uncertainty over this caused by a lack of clarity from government.
18. The future funding gap is predicted to increase to over £7.8 million by 2027/28, based on current cautious officer estimates of future funding levels. Whilst it is anticipated that overall funding for the council will remain relatively unchanged in 2024/25, the lack of certainty on future local government funding from 2025/26 onwards means the level of funding, and the resulting estimated funding gap, could be significantly different from current officer estimates in either a positive or negative way. Every financial decision, particularly those involving medium-term funding commitments (i.e. those beyond 2024/25), needs to be cognisant of the potential for significant funding gaps in future years.

Legal Implications

19. The current council tax reduction scheme was adopted in 2023/24. There is a statutory duty to adopt a 2024/25 scheme by 11 March 2024. If this deadline is not adhered to, the council's 2023/24 scheme will automatically be rolled over as a consequence.

Procurement implications

20. Any council decision that involves buying goods, services or works must comply with the Procurement Procedure Rules and the councils' Procurement Strategy.
21. This recommendation does not involve the need for any procurement

Risks

22. There is a risk that the current CTR rules allow an individual to continue claiming CTR, without the council being able to make sure its correct. The current risk is to the public purse due to error and fraud, through undeclared changes in circumstances.
23. Changing a council tax reduction scheme which levels up categories of all claimants without being supported by robust principles and consultation, could be open to legal challenge on equalities grounds. However, to mitigate this, the council has ensured that it has fully complied with the necessary equality requirements.

Other implications

24. As this modification to the current scheme is designed to minimise error and help protect the public funds then no other considerations have been deemed necessary. No Equality Impact Assessment (EIA) of the proposed change has been conducted, as by its nature, the proposal purely addresses an administration risk which currently exists for undeclared changes.

Conclusion

25. The council must adopt a local council tax reduction scheme for 2024/25 by 11 March 2024 and it is proposed that this be based on a scheme which intends to support all

residents on low incomes with help towards paying their council tax. The proposal in this report as proposed by the Cabinet Member for Finance, is to enhance the current scheme to ensure it helps residents during the cost-of-living crisis; continues to be fair on all residents, protects the vulnerable, and helps minimise error and potentially fraudulent activity.

Background Papers

None