

NAME OF COMMITTEE	Executive
DATE	23 October 2014
REPORT TITLE	Council Tax Reduction
Report of	Customer Service Manager
WARDS AFFECTED	All

Summary of report:

The Council is required to consider the Council Tax Reduction Scheme for 2015/16 by 31 January 2015. On the basis we are only half way through the first year of operation, it's still too early to measure the full customer and financial impact and therefore it is considered appropriate to continue with our existing scheme. This approach is in-line with the other Devon Authorities.

Financial implications:

The Government funding (Settlement Funding Assessment, SFA) received from Central Government will be reduced by 10% for 2015/16. Council Tax Reduction funding is included within the SFA. The scheme is designed to be cost neutral and covers the shortfall in funding of approximately £552,000.

RECOMMENDATIONS:

To recommend to Council:

- 1) To agree to continue with the existing Council Tax Reduction scheme for 2015/16:
- 2) For delegated authority to be given to the Head of Finance and Audit, in consultation with the Portfolio Holder, to make amendments to the policy document to take account of any further changes in law, government guidance or policy that require urgent amendment.

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1. BACKGROUND

- 1.1 As part of the wider Welfare Reform agenda Council Tax Benefit was abolished from April 2013. It is now the responsibility of the billing authorities to design and agree their own local schemes on an annual basis. The local scheme is called Council Tax Reduction (CTR) and is classed as a council tax discount rather than a state welfare benefit.
- 1.2 In 2014/15 the Council took the decision to adopt a cost neutral scheme meaning that all claimants were required to pay a contribution towards their Council Tax. The scheme introduced:
- **80% maximum liability restriction** meaning that working age claimants paid a minimum of 20% towards their Council Tax bill.
 - **A property valuation band D restriction** meaning that working age claimants living in larger properties did not receive greater levels of support than those living in small properties
 - **An exceptional hardship fund** to help those claimants experiencing severe financial difficulties
- 1.3 Pensioners continue to be protected from receiving any reduction to their current entitlement and will remain under a national scheme as prescribed by legislation for 2015/16.
- 1.4 Any changes to the scheme for 2015/16 would mean having to go out to consultation at a time when the full impact of our existing scheme is not known.
- 1.5 Any risk associated with the local schemes is shared by all the major precepting authorities through the impact on the Council Tax Base.

Share of the Council Tax bill for 2014/15	% 2014/15
South Hams District Council	9.2%
Devon County Council	72.5%
Police and Crime Commissioner	10.6%
Devon & Somerset Fire & Rescue	4.9%
Town &Parishes	2.8%

2. THE CUSTOMER JOURNEY SO FAR

- 2.1 In February 2014 we sent personalised letters and a leaflet to all the working age customers affected by the changes. This also provided an indicative figure of the amount they would need to pay from 1 April 2014. This letter also encouraged customers to contact us to discuss an instalment plan and payment options.

- 2.2 The recruitment of a Recovery Officer on a fixed term contract, funded by all the major preceptors as a result of a successful business case, allowed us to act proactively and follow up the letter with a phone call. Here we explained anything that the customers may be unsure about and set up a Direct Debit if the customer was agreeable.
- 2.3 The business case also allowed us to increase the independent money advice service provided by Encompass in order to support customers affected by these changes and in turn protect the Council Tax collection fund.
- 2.4 In March 2014, Council Tax bills and Council Tax Reduction letters were sent to all customers.
- 2.5 All Customer Service Officers were trained to provide basic guidance and signposting to customers if they contacted us over the phone. Further information was also provided to customers on our website.
- 2.6 Those customers who told us that they were unable to pay were referred to Encompass for money advice specific to their circumstances by carrying out an income and expenditure exercise. This information then allowed us to consider if the customer was eligible for the Exceptional Hardship Fund.
- 2.7 The Exceptional Hardship Fund forms part of the scheme and provides a safety net for those customers most in need. The fund is financed through the collection fund so it is paid for proportionately by all major preceptors.
- 2.8 Situation as at the end of August 2014:
 - 34% of our working age customers receiving Council Tax Reduction are paying their bill by Direct Debit
 - We have made 3270 outbound proactive calls and sent 505 letters to customers to provide advice and to chase payment. We have attempted to make telephone contact with all customers prior to any formal recovery action being made.
 - We have issued 170 summonses for non-payment of Council Tax to customers receiving CTR. Of these 67 have set up a special arrangement to clear the debt and 18 have paid in full.
 - We have received 293 applications for Exceptional Hardship. Of these 11 have received full support and a further 81 have received a partial award. 21 did not qualify and 25 withdrew or failed to engage. The remaining applications are still awaiting assessment. Total awards currently stand at £9,782.72 which has been paid for proportionately by all the major preceptors.
 - Increased recovery action has led to an increase in the number of inbound Council Tax calls which are dealt with by the Customer Service Team.
 - Council Tax collection rates are being maintained and are currently only 0.3% below last years figure. Collection rates for 2013/14 were 98.8%.

- 2.9 The number of customers that have reached liability order stage is currently relatively low as an overall percentage of working age customers impacted by the scheme. However we are only half way through the year and this position could change as customers who have been paying start to default with their instalments.
- 2.10 Further information on the impact of the scheme can be found in the equality impact assessment (appendix A). The results of which do not identify any disproportionate impact on any groups. By retaining the key elements of the council tax benefit rules within the scheme and the introduction of the Exceptional Hardship Fund we have continued to ensure that vulnerable groups are identified and protected.

3. ISSUES FOR CONSIDERATION

- 3.1 From 2014/15 funding for Council Tax Reduction has been included within the overall local government funding grant. South Hams District Council therefore decides how much funding is available to support the Council Tax Reduction scheme.
- 3.2 The aim of the local scheme was for it to be 'cost neutral'. By this we mean that the level of Government grant would equal forecasted Council Tax Reduction expenditure for 2014/15. Our scheme was modelled on the basis of expenditure coming out at circa £5,067,794. We have been closely monitoring this to ensure we are not creating significant over/under spend on the collection fund. The table below sets out the cumulative expenditure at the end of each month:

2014/15 As at end of:	Pensioner award cumulative total £	Working Age award cumulative total £	Annual award cumulative total £
April	£3,057,280.01	£1,897,327.71	£4,954,607.72
May	£3,042,712.79	£1,898,006.32	£4,940,719.11
June	£3,038,655.69	£1,881,347.58	£4,920,003.27
July	£3,028,436.78	£1,864,639.62	£4,893,076.40
August	£3,023,308.66	£1,868,563.07	£4,891,871.73

The above figures are the cumulative total at the end of each month that has been awarded in council tax reduction. The awards are given upfront for the whole of the year.

- 3.3 It is normal that expenditure will fluctuate slightly throughout the year. Actual Predicted Expenditure of £4,891,871.73 for 2014-15 (predicted cumulative award as at the end of August 2014) is currently lower than the forecasted figure of £5,067,794 (see 3.2). Claim numbers for pensioners and working age claimants has decreased throughout the year contrary to the forecast however seasonal fluctuations could well see an increase in claim numbers towards the end of the year. Therefore officers are confident that the difference between forecasted and actual figures as at the end of the financial year will be minimal. The modelling carried out last year which informed the decision to adopt the current scheme is proving to be consistent with what is happening since the Council Tax Reduction Scheme went live.

- 3.4 All Devon authorities are recommending to retain their existing schemes for 2015/16, which means they are not making any changes (Appendix B). All authorities, bar Teignbridge have a cost neutral scheme very similar in design to South Hams
- 3.5 The practicalities of changing our scheme would mean having to go out to consultation. This would need to be done at a time when we still don't fully know the impact on our customers or how much we will actually collect within the year as we are only half way through the financial year. The forecasted expenditure for the next financial year still means that the estimated cost of the scheme is still within the level of Government funding and therefore it makes sense to retain our existing scheme.

4 LEGAL IMPLICATIONS AND STATUTORY POWERS

- 4.1.0 Clause 34 of the Welfare Reform Bill provides for the abolition of Council Tax Benefit from 31st March 2013 and introduces the Local Council Tax Support schemes to be administered by Local Authorities.
- 4.1.1 If no local CTR scheme is adopted by 31st January 2015 the Council will be bound to continue with the scheme adopted in 2014/15.

5. FINANCIAL IMPLICATIONS

The Government funding (Settlement Funding Assessment, SFA) received from Central Government will be reduced by 10% for 2015/16. Council Tax Reduction funding is included within the SFA. The scheme is designed to be cost neutral and covers the shortfall in funding of approximately £552,000. Based on current calculations (see 3.2 and 3.3) officers are confident that the difference between actual and forecasted figures as the end of the financial year will be minimal. The modelling carried out last year which informed the decision to adopt the current scheme is proving to be consistent with what is happening since the Council Tax Reduction Scheme went live.

6.0 RISK MANAGEMENT

The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

7.0 OTHER CONSIDERATIONS

Corporate priorities engaged:	Community Life, Economy
Considerations of equality and human rights:	<p><i>In deciding to retain the Council Tax Reduction Scheme for 2015, the Council has considered and is of the opinion that no transitional provisions are required. The Council will, for 2015/16, maintain a fund for those taxpayers who experience exceptional hardship.</i></p> <p>An Equality Impact Assessment has been undertaken for the proposed scheme.</p>
Biodiversity considerations:	There are no biodiversity considerations to this report
Sustainability considerations:	Financial considerations have been factored into the long term sustainability of the scheme.
Crime and disorder implications:	There are no crime and disorder considerations to this report.
Background papers:	Welfare Reform Act 2012
Appendices attached:	Appendix A – Equality Impact Assessment Appendix B – Devon wide schemes for 2015/16

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Financial Modelling	Scheme does not meet reduction in funding creating shortfall to be met by Preceptors	5	2	10	↔	Extensive financial modelling has been undertaken	Kate Hamp and Lisa Buckle
2	Agreement on scheme	Failure to agree a scheme by 31 st January 2015	1	2	2	↓	Failure to agree will mean the Council is bound to continue with scheme adopted for 2014/15	Kate Hamp
3	Financial	Detrimental impact on collection rates	5	2	10	↔	Business case in place with all preceptors agreeing financial support to fund extra resource to undertake early intervention and money advice. 2014/15 rates are looking good.	Kate Hamp
4	Financial	Future funding reductions could mean that the proposed scheme will not remain fit for purpose	5	4	20	↑	Annual review and close monitoring of announcements and national forums.	Kate Hamp and Lisa Buckle

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
5	Financial	Impact on wider economy and most vulnerable	5	3	15	↔	Business case in place with all preceptors agreeing financial support to provide Exceptional Hardship Fund to assist those in extreme financial need.	Kate Hamp

Direction of travel symbols ↓ ↑ ↔