

Agenda Item No: 8 **Report No:** 65/17
Report Title: Local Council Tax Reduction Scheme
Report To: Scrutiny Committee **Date:** 23rd March 2017
Cabinet Member: Bill Giles
Ward(s) Affected: All
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Purpose of Report:

To respond to questions raised at the Scrutiny Committee of 17 February 2017 in respect of the Council's Local Council Tax Reduction Scheme (LCTRS) and its subsequent maintenance.

Officers Recommendation(s):

It is recommended that the Committee:

- 1 Notes the report and agrees a way forward for any proposed changes to the LCTRS.

Reasons for Recommendations

- 1 To ensure the Council develops a LCTRS that meets the needs of the major preceptors and the needs of the residents of the district.

Background

- 2 The Council Tax Benefit scheme, which was fully funded by Central Government, was abolished from 01 April 2013 and replaced under the Local Government Finance Act 2012 (section 13A) by the localisation of Council Tax Support in England. The Act imposes a duty on billing authorities, including LDC, to develop and adopt their own scheme of support for working age claimants and to approve their LCTRS by 31 January each year.
- 3 To protect pensioner households from any reduction in financial support, the government put in place a national scheme that local authorities have

to adopt. Therefore, any changes to the scheme made by LDC can only affect working age households (approximately 50% of the number of claimants in the scheme). In 2013 there were 8,100 households receiving some level of Council Tax Benefit.

- 4 This change came with a 10% cut in funding from central government, for the Council this was c£1m, from c£8m to c£7m.
- 5 For every £1 of Council Tax collected, approximately 11p goes to Lewes District Council.
- 6 To be able to take recovery action for unpaid Council Tax the Council has to obtain a liability Order against the taxpayer from the Magistrates Court. This enables the Council to, amongst others, make deductions from salaries or benefit, place charging Orders on property or to pass the debt to Enforcement Agents.

The questions raised at the previous meeting

- 7 *What is the CT collection rate for self-employed people? How does this compare with the collection rate for those in the 'only pay 20%' category?*

The self-employed collection rate at 28 Feb 2017 was 77.96% (£249k of 320k) compared with 76.85% for 'only pay 20%' category (£1.41m of £1.83m), cf. 97% overall (£62.8m of £64.8m).

- 8 *Would it be possible for self-employed people's income, based on their previous year's tax return, to be used in calculating their entitlement for council tax reduction?*

It is possible - although by the very nature of the process for compiling the HMRC information this approach would move away from assessing households for financial support based on their current ability to pay, i.e. all other working age households are based on actual income (as is the Housing Benefit for self-employed). The rationale behind the current scheme rules is that it purports to align with current Universal Credit rules which self-employed Lewes District residents will be subject to from September 2018.

Also HMRC rules for allowances etc. differ from HB rules and these would need to be understood.

The suggestion has been put forward to the lead for the scheme review at Wealden District Council. This will be considered at the next meeting of the countywide group.

Any recommended changes would need to be modelled to assess the financial impact on the taxbase and alternative changes to the LCTRS would need to be considered where a shortfall arose.

- 9 *Does it cost more in staff time to pursue/collect unpaid Council Tax than the amounts we get back?*

No. We collect approximately £500,000 per year through enforcement Agents alone at a cost of approximately .25 FTE (< £10) employed to

liaise with them. In court fees alone we have raised £226k to date this year, which covers the cost of all recovery action and staffing costs.

ESCC have funded an additional 2 FTE posts to collect the additional revenue consequential to the changes in the LCTRS. They have agreed to continue this for the next financial year also and will be reviewing the effectiveness of their investment.

10 *How much does the council have to pay to bailiffs to act in cases of unpaid CT?*

Nothing. All additional statutory fees incurred are paid by the debtor directly to the Enforcement Agent.

11 *The committee understand that there have been low levels of applications to the hardship fund – why is this? How has it been promoted?*

To date we have sent out 154 application forms for the Exceptional Hardship Fund. It is promoted on the website and is discussed with all debtors who contact the Council to say that they are struggling to pay their Council Tax. The CAB actively refers debtors and helps them complete applications, where appropriate, for EHP.

12 *The committee understand that Cabinet have agreed to further promote the hardship fund – how will this be done?*

District News, CAB and other voluntary agencies.

13 *The committee have heard that if individuals making applications to the hardship fund have savings (of over £6.5K?) that they will not be entitled to a payment. Is this correct? If so, is this a significant reason for people not getting payments? How many people have been turned down due to this?*

That level of Savings would not preclude them per se. We look holistically at the debtor's ability to pay and their exceptional circumstances, any savings is one aspect of this – but we would clarify with the debtor to establish whether the savings were earmarked for particular purposes.

14 *Why are applications to the hardship fund failing?*

The most common reasons are:-

- failing to return application form (74 out of 154),
- failing to produce evidence of income and expenditure,
- discrepancies between what is stated and evidence supplied and
- excessive income.

Resource Implications

- 15** The current scheme means that all working age recipients of CTR have to pay a minimum amount of Council Tax. This has two major impacts:
- An increase in activity around billing and collection
 - An increase in customer contact
- 16** There has been recognition by the major precepting authorities of the increased workload that billing authorities will see. For 2016/17 they contributed the staff costs for 2 additional FTEs to manage the increased workload. Discussions are taking place around a similar contribution to costs for 2017/18.

Financial Appraisal

- 17** The 2016 changes to the scheme are estimated to result in savings to the cost of the scheme of c£1m (LDC c£100,000) in a full year.
- 18** Initial discussions have indicated that no further savings are required by ESCC from the LCTRS in 2018/19. Any proposed changes to the current scheme for 2018/19 would, therefore, need to be cost neutral.

Legal Implications

- 19** There is a statutory duty to review the scheme annually and make any decisions no later than 31 January in each financial year.

Equality Screening

- 20** Not applicable at this stage

Background Papers

- 21** None