

**Wiltshire Council
(Appendix A)**

Cabinet

13th October 2014

Subject: Discretionary Council Tax Reduction Scheme

Cabinet member: Dick Tonge

Key Decision: Yes

Executive Summary

Since the introduction of the local council tax reduction scheme it has become evident that a small number of household are enduring genuine financial hardship as a result of welfare reform and a variety of changes to national welfare benefits, including the expectation that they will contribute toward their council tax.

This reports sets out a proposal to amend the existing Council Tax Reduction Scheme to provide further powers to award reductions in council tax to those encountering severe hardship and specifically council tax arrears.

It is recommended that a provision is made within the scheme to award additional discretionary reduction up to a maximum of £2,000 in respect of council tax which is paid in addition to any entitlement to council tax reduction.

The discretionary council tax reduction will be a means tested award, which can be awarded in respect of one or many council tax debts based on policy that engages with the individual and in doing so supports the Council's goal of building strong resilient communities and protecting the most vulnerable in society. This new policy would help ease the administrative burden on the service caused by those most affected by welfare reform and to minimise the risk and impact of council tax arrears and the additional costs non-payment can cause to both the individual and to the council. The scheme also adds to the range of service that the council can offer in terms personal budgeting support which the Department of Work and Pensions deem to be a key element in the delivery of their new joint-working framework called a Delivery Partnership Agreement (DPA), announced in November 2014.

Proposals

1. That cabinet ratify proposals within the report to introduce a discretionary council tax reduction policy (DCTR) to deal with those entitled to some council tax reduction and are unable to pay the remaining part of their bill due to financial hardship.
2. The criteria and delivery model for DCTR will focus on establishing the income and needs of the individual and whether that individual is being supported by other services provided by the council.
3. It is recommended that members agree a £200,000 discretionary fund that could be used and distributed to those already in receipt of council tax reduction but who face exceptional circumstances where pursuit of monies owed may in fact incur greater cost for the authority

Reasons for Proposal

Now that the impact of welfare reform is better understood it is evident that some council tax debts arising from the introduction of the local scheme may never be paid or become unmanageable without the targeted, discretionary financial support.

Since the introduction of local council tax reduction schemes a number of cases have been disputed in the law courts and council's have been criticised for not using their full discretion to reduce council tax debts, under the provision of Section 13a of the Local Government Finance Act 1993.

Best practice now suggests that local authorities should operate and publish a discretionary scheme and whilst Section 13a offers wider powers for exceptional circumstances, like flooding, this policy is specifically to be used for those already in receipt of council tax reduction.

This report seeks agreement on a new policy in Wiltshire to ensure we continue to deliver our goal of building strong and resilient communities, and protecting the most vulnerable in society. Specifically, the policy will arm staff with the ability to award additional financial help in respect of council tax debts, whether it be a current or a long term matter where the applicant seeks help and presents circumstances to the council which meet the criteria of the scheme.

The proposal meets the aims of Department of Work and Pensions, enabling the council to provide personal budgeting support under the umbrella of the Delivery Partnership Agreement.

Michael Hudson - Service Director, Finance
Ian P Brown, Head of Revenues and Benefits

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Key Decision: Yes

1. Purpose of Report

1.1 The overriding principle of the Council is to build strong and resilient communities, as part of that, a key element is to protect the most vulnerable in society. The welfare reform changes are aimed at incentivising people into to work. This Council Tax Reduction scheme supports that aim. However, because the scheme cannot be as generous as it once was, it may create circumstances that put vulnerable families at greater risk of debt or incurring greater and escalating costs. The consequence for the authority is the raising of debt that may never be paid and a greater administrative burden for the authority, in order to manage these debts.

1.2 Wiltshire Council aims to provide a discretionary council tax reduction scheme that offers one-off financial support to prevent financial hardship through engagement between the customer and the Revenues and Benefits Service. The purpose is to avoid additional cost and greater debt through a mechanism of engagement and signposting to help build more resilient and capable communities. This report aims-

To establish a policy and a fund that could be used, at the discretion of officers, and awarded to those in receipt of council tax reduction who have access to no other funds and where income is established to be so low that to pursue the debt would cause greater or exceptional financial hardship.

2. Background

Section 13 a of the Local Government Finance Act 1992 always had a provision to 'reduce the amount which *he (the person liable for council) is liable to pay as respects the dwelling and the day, to such an extent as it thinks fit.*

The legislation goes on to suggest that:- *the power under this section includes power to reduce an amount to nil, and further:-*

The power under this section may be exercised in relation to particular cases or by determining a class of cases in which liability is to be reduced to an extent provided by the determination.

- 2.2 Discretionary Council tax Reduction (DCTR) will be deemed a class of cases where at the discretion of officers the payer's liability may be reduced by an agreed sum or if less than £2,000, to nil.
- 2.3 Unlike the discretionary housing payments which are funded by the government, discretionary council tax payments will be funded from the council's collection fund.
- 2.4 Like a discretionary housing payment the officer's decision to either award or refuse an application for discretionary council tax reduction is final. It cannot be the subject of an appeal.

3. Awarding DCTR

- 3.1 There are no prescribed tests under the current arrangements. However, before awarding DCTR, the following criteria must be satisfied:
 - the customer is entitled to council tax reduction
 - the customer is in severe financial hardship and has approached the council with evidence of this fact; and
 - there are sufficient funds within the Council's overall DCTR fund.
- 3.2 The award of DCTR is at the discretion of the Council. The award can be backdated and be awarded in respect of council tax arrears accruing over a number of years up to a maximum award of £2000.00 The scheme will be promoted via the council's web-site and inviting claimants to apply, where appropriate.
- 3.4 All claims for DCTR must be made in writing using the prescribed application form by the customer (or appointee) to the Council's Revenues and Benefits Service. (The form can be down loaded from the web or is available at all council offices)

4. **Design and delivery approach to new scheme**

- 4.1 The Council's approach to the delivery of the new scheme needs to be set within the broader agenda of the welfare reform programme. The council has successfully introduced a number of discretionary payment schemes since April 2013 including local welfare provision (LWP). The advantage of this approach will mean that the processing of an application may result in an offer or sign-posting to other discretionary awards. It is therefore sensible, where possible, for residents to be assessed in a holistic manner rather than having to pass through multiple assessment procedures.
- 4.2 The Council's Revenues and Benefits team have historically delivered these types of scheme. The team are already skilled in delivering regular and one off awards in a consistent, measured and secure way. The DCTR scheme will form part of suite of services offered in conjunction with partners, specifically the DWP through the Delivery Partnership Agreement and supporting the ambition of the agreement to offer personal budgeting support. The team already have access to data held by the DWP which is subject to stringent security checks and data sharing protocols, through the Customer Information System (CIS).
- 4.3 The intention is, over time, to establish and develop the Government's concept of universal support by providing a range of support services within a framework set out by the Delivery Partnership Agreement of which DCTR is one of many options that may be made available. Furthermore, applications received which are covered through other provisions will be refused and applicants appropriately signposted and supported to access an alternative provision.
- 4.4 It is envisaged that work on 'Systems Thinking' the customer access strategy and the development of a delivery partnership agreement with the DWP will be the catalyst for far more joined up working across housing, revenues, benefits, adult and children's services.
- 4.5 Because the funding provided for the scheme is considerably less than the estimated impact of the welfare reforms in Wiltshire it has been necessary to create a robust scheme that prioritises those most in need.
- 4.6 Key challenges in the design of the scheme have been with regard to whether or not to prioritise particular client groups. Research has confirmed that it is those of working age, without regular employment who are managing the most difficult debts.
- 4.7 Preparation for welfare reform within Wiltshire has seen unprecedented levels of data exchange, made possible by the council's new revenues and benefits system. It has enabled cross-referencing benefit databases with housing record and records held by children's and adult services.

(These recommendations are made in conjunction with Government advice, in terms of best practice, contained in the DWP Circular HB/CTB A4 2012 para 52)

- 4.8 Those outside of the remit of the service would be directed to other forms of support by means of intelligent signposting to other schemes or organisations that can help tackle people's underlying financial needs or problems.

5. Consultation and Communication

- 5.1 Training for council staff who will deal with customers affected by welfare reform will be given throughout the winter of 2014.
- 5.2 Draft proposals have been shared with housing provides and prepared in conjunction with the council's housing policy team.
- 5.3 In terms of the discretionary council tax reduction scheme, almost 1,000 responses were returned regarding our council tax reduction scheme, 86% agreeing with the suggestion that a discretionary fund should be made available to protect the most vulnerable people from the impact of any changes

6. Environmental and climate change considerations

- 6.1 None

7. Equalities Impact of the Proposal

- 7.1 An equality analysis is attached at Appendix C

8. Risk Assessment

- 8.1. The introduction of any scheme, specifically a local scheme, carries with it the inherent risk, in terms of its design, to minimise challenge and dispute whilst offering a simple and cost effective solution.
- 8.2 The funding arrangements will mean that the Council will inherit a new financial risk due to the uncertainty over estimations of demand for these awards, particularly in context of wider reforms and specifically the impact of the introduction of universal credit and proposed changes to the benefit cap, later in the year. However early prevention, through identification to apply for DCTR may prevent the council incurring substantial costs at later stages as a result of avoiding other debt, eviction or homelessness.
- 8.3 The scheme is targeted at some of the most vulnerable members of our community and consideration will have to be given to the range of behaviours staff may encounter. Further work may be required to ensure

the security of staff and members of the public who may encounter a dissatisfied customer in crisis, and who may not behave in a rational way.

9. Risks that may arise if the proposed decision and related work is not taken

- 9.1 Any failure to provide an appropriate and targeted scheme to manage the relatively small sums involved will have a negative impact on the well being of vulnerable people and the reputation of the council.
- 9.2 Since the introduction of local council tax reduction schemes local authorities are under greater scrutiny to use all their discretionary powers to mitigate the most severe consequences of welfare reform. The adoption of this policy demonstrates a proactive response and a mechanism to determine discretionary reductions in council tax.

10. Risks that may arise if the proposed decision is taken and actions that will be taken to manage these risks

- 10.1 Demand for the scheme may outweigh budget, to mitigate against this council will monitor expenditure carefully through designated I.T. system and provide a measured approach to ensure available budget is targeted to those most in need.

11. Financial Implications

- 11.1 Government have made no financial provision for a discretionary fund for council tax reduction. It is evident that debts for some households have increased since the welfare reforms were introduced and there has to be a process of engagement with the customer to reduce these debts, rather than simply write-debt off.
- 11.2 It is recommended that the Revenues and Benefits service introduces a new, annual budget of £200,000 to meet the cost of the scheme . It is proposed that this is funded from retention of funds recovered from fraudulent benefit claims. The Council is investing in expanding its corporate fraud team and as a result the level of monies recovered is anticipated to increase but has not previously been budgeted for in setting the base budget for prudence. This will be monitored and action taken if this were unlikely to provide the full funding to ensure funding is available. This of course will need to be assessed alongside the need for expenditure on this fund as this fund will only be used in extraordinary cases, determined by the same application process where council tax reduction does not fully meet the council tax due, and the impact is highly likely to lead to increased costs to the authority above the potential short term support.
- 11.3 It is recommended that this provision be reviewed on an annual basis.

12. Legal Implications

- 12.1 Section 13A of The Local Government Finance Act has always made provision for a council to remit at its own cost council tax on the grounds of exceptional circumstances. However with the introduction of the local scheme this provision has been made more widely known by Government.
- 12.3 By ring fencing a specific sum may prevent the abuse of this regulation for those who believe that their circumstances are sufficiently exceptional that they prevent the payment of council tax. In other words, any suggestion of being unable to pay will be analysed using a simple means test, determined by application.

13. Proposals

1. That cabinet ratify proposals within the report to include discretionary council tax reduction payment scheme to support the local council tax reduction scheme and the impact of welfare reform.
2. Given the significant uncertainties about the scale of impact of welfare reform and the differences within the scheme it is recommended that members agree £200,000 funding of the DCTP scheme to cope with the impact of welfare reforms which will be determined and awarded to those in addition to their council tax reduction, who face exceptional circumstances that could lead to greater local authority costs if the council tax were pursued in the normal way.

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