

Maximising Council Tax Income

Report of the County Treasurer, and the Head of Services for Communities

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendations: That Cabinet:

- (a) Approve the proposition and approach of the District Councils to maximise Council Tax income between September 2014 and March 2016 by undertaking compliance investigations on discounts, disregards and exemptions on their Council Tax caseloads;
- (b) Approve the payment of £61, 348 (September 2014 to March 2015) and, subject to a satisfactory review of performance in March 2015 authorise the County Treasurer to pay £122,696 (from April 2015 to March 2016) to the District Councils to support delivery of this work;
- (c) Congratulate the District Councils, who introduced Council Tax Reduction Schemes in 2013/14, for their hard work to protect the Council Tax Base and support vulnerable people through the change.

1. Summary

This report updates Cabinet on the performance of Devon's District Councils in protecting the Council Tax Base following the localisation of Council Tax Support Schemes in 2013/14. It also puts forward a business case for approval to build on this performance and to maximise Council Tax Income over the next 18 months through a range of compliance measures.

2. Background/Introduction

On the 1st April 2013, the eight Devon District Councils introduced their own local Council Tax Support schemes following the Government's abolition of Council Tax Benefit. Under the reform Government required local authorities to introduce local support schemes and reduced the available grant by 10%. Government required pensioners to be fully protected from these changes and, as a consequence, the impact was on the working age population.

In July 2012, (minute *519 (b) refers) Cabinet asked the Districts to introduce cost neutral schemes (i.e. align the cost of the support scheme to the reduced Government grant). In response five District Councils introduced cost neutral schemes with the savings found by limiting the maximum amount of support available to working age claimants to between 75% - 80%. This meant that working age claimants in these districts, who under Council Tax Benefit would have received 100% support, would now be required to pay something and for some applicants this would be the first time they had been liable to pay some Council Tax.

In recognition of this change the Districts, County and other preceptors came together and developed and implemented a business case to take proactive action to support people through this change and to protect the most vulnerable experiencing extreme hardship as a result. This approach has proved very successful in both protecting the Council Tax Base and supporting the most vulnerable citizens.

Due to the above factors the average collection rate has reduced by only 0.22%. The average percentage collection rate at the end of 2012/13 was 98.03% and at the end of 2013/14 was 97.81%.

It should be noted that with effect from April 2014, seven District Councils now run limited liability schemes for Council Tax Support and these authorities continue to be supported by the County Council and the other preceptors to protect the Council Tax Base.

2. Maximising Council Tax Income

There is now an opportunity to support the District Councils in a new initiative that will not only protect the Council Tax Base but increase it and realise additional income for the County. The incentive to support this initiative is that, as the major preceptor, the County Council receives a 72.2% share of any uplift in Council Tax receipts.

The proposition is that each District Council will undertake increased compliance and anti-fraud activity relevant to its caseload to ensure that people are still receiving appropriate discounts (eg: Single Person Discount), income disregards and/or exemptions (eg: Long Term Empty properties). The collection of Council Tax, including the detection of fraud, is a District Council responsibility and it could be viewed that County Council resources should not be used to subsidise District Council functions in this way. It is however, recognised that to undertake this work more effectively the District Councils need additional investment in this service area. As mentioned above the County Council will be the greatest beneficiary of any increase in the Tax Base from the detection of fraud and errors.

The Business Case would run for 18 months from September 2014 to March 2016. The cost of this scheme to the billing authorities and the preceptors is set out below:

Cost share

Authority	Costs Share 1/10/14 £	Costs Share 1/4/15 £
Devon County	£61,348	£122,696
Devon & Cornwall Police	£7,715	£15,430
Devon & Somerset Fire	£2,889	£5,778
Districts	£13,018	£26,035
Total	£84,970	£169,939

For this investment the District estimate returns could be as follows:

Returns share

Authority	Returns Share %	Total Returns Share
Devon County	72.2	£2,244,408
Devon & Cornwall Police	9.08	£282,261
Devon & Somerset Fire	3.4	£105,693
Districts	15.32	£476,236
Total	100	£3,108,598

This proposal has a safeguard built in to protect all parties. In March 2015, a full review of performance in the first six months of the business case will be considered. If this review reveals that performance is not in line with forecasts the arrangement can be re-negotiated and the level of investment adjusted accordingly.

3. Equality Considerations

Each of the District Council Tax support schemes has an Impact Assessment and measures are in place to mitigate any negative impact on those with Protected Characteristics. This

proposal also fosters good community relations as it provides reassurance to the public that everyone is paying their appropriate share of Council Tax.

4. Legal Considerations

There are no specific legal considerations. The billing authorities have established their schemes in line with legislation and within that legislation are expected to take action to collect all Council Tax liabilities and detect fraud. This business case supports activity to maximise that collection.

5. Risk Management Considerations

The County Council has considered the risks associated with the achievement of this business case and believe these risks to be within tolerance levels and acceptable in relation to the potential gain. The risks will continue to be assessed alongside quarterly performance monitoring.

In addition the proposal has a review point in March 2015 and if performance is not meeting forecasts there is the ability to re-negotiate the agreement.

6. Options/Alternatives

The County Council could decide to reject the business case and therefore save costs of £184,000 over 18 months, however, this is not recommended as the potential return on this investment is very favourable and could provide additional income for the County Council and help support its financial position.

7. Reason for Recommendation/Conclusion

The reason for this recommendation is to try and maximise a potential income source to assist the County Council's financial position in light of grant reduction and in some way help to mitigate the impact on County services.

Mary Davis
County Treasurer

John Smith
Head of Services for Communities

Electoral Divisions: All

Cabinet Member for Policy and Corporate: Councillor John Hart

Cabinet Member for Resources and Asset Management: Councillor John Clatworthy

Strategic Director, Place: Heather Barnes

Local Government Act 1972: List of Background Papers

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Background Paper	Date	File Reference
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