

Report title	Council Tax Discretionary Reduction	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Ian Brookfield Leader of the Council	
Key decision	Yes	
In forward plan	No	
Wards affected	All Wards	
Accountable Director	Claire Nye, Director of Finance	
Originating service	Revenues and Benefits	
Accountable employee	Tracey Richards	Head of Revenues and Benefits
	Tel	01902 552493
	Email	Tracey.Richards@Wolverhampton.gov.uk
Report to be/has been considered by	Finance Leadership Team Leaders Briefing	10 March 2022 25 February 2022

Recommendation for decision:

The Cabinet is recommended to:

1. Approve the use of balances of grant funding and court costs refund to reduce the amount of council tax payable by working age households in receipt of council tax support during 2021-2022 and establish supplementary budgets totalling £743,000 fully funded from grant and other income.

1.0 Purpose

- 1.1 Cabinet approval is recommended to use balances of grant funding and the value received through the refund of court costs to reduce the amount of council tax payable by working age households in receipt of council tax support during 2021/2022.

2.0 Background

- 2.1 In line with the development of the proposed Financial Wellbeing Strategy: Tackling the Cost-of-Living Crisis, this proposal considers the utilisation of a number of funding streams to support the financial hardship currently being experienced by residents of the city, taking account of the additional impact of the Covid-19 pandemic and the rise in the cost of living.

Hardship Grant

- 2.2 The Special Urgency Decision made 27 March 2020 approved the use of Covid-19 Hardship Grant funding of £3.3 million provided by government to economically support vulnerable people and households through council tax relief.
- 2.3 Any working age household in receipt of Council Tax Support during 2020-2021 was provided with a reduction in Council Tax of up to £150. Awards to date equate to around £3.0 million. Additional discretionary reductions in council tax have been provided to individual households during 2021-2022 up to a value of around £10,000.

Household Support Grant

- 2.4 The Individual Executive Decision Notice (IEDN) for Household Support 25 November 2021, agreed that an amount of £300,000 from the funding provided to the Council in November 2021 could be allocated to support housing costs and council tax. The eligibility criteria for the Household Support fund requires initial consideration of eligibility to a Discretionary Housing Payment before housing costs can be funded.
- 2.5 There are ongoing considerations of eligibility to support housing costs with decisions and awards required to be made by 31 March 2022. It is estimated that up to £10,000 may be given through direct awards for housing costs.

Court Costs Refund

- 2.6 The Council have been notified that the courts had overcharged liability order costs between April 2014 and July 2018, where £3 had been charged rather than 50p, which has created an overcharge of £2.50 for almost 100,000 liability orders, plus interest, which equates to a refund due to the Council of around £256,000.
- 2.7 Council taxpayers and business ratepayers who had not paid instalments when they were due were subject to court action with the Council requesting liability orders at a Magistrates Court. The Council could issue a refund of £2.50 to those eligible, however

this would be at a disproportionate administration cost and would therefore put a burden on those council taxpayers who do pay and were not subject to enforcement action.

- 2.8 The HM Treasury 'Managing Public Money' document identifies, "... that under unusual circumstances where uneconomic or inappropriate to carry out commitment then a pragmatic, just and transparent alternative approach is sought."
- 2.9 The total of the funding streams available is £743,000 which could be used to support residents in financial hardship.
- 2.10 In order to identify a way to support residents, consideration has been given to those households who may be struggling to meet their council tax payments. The 2020-2021 council tax in-year collection rates were:
- | | |
|--|--------|
| i. Council Tax Support – Pensioners households | 98.19% |
| ii. Council Tax Support - Working Age households | 74.08% |
| iii. Non-Council Tax Support Households | 94.06% |
- 2.11 Cabinet are recommended to approve that the funding identified is used to reduce council tax liability for working age households in receipt of council tax support during 2021-2022, as evidenced above these are those most unlikely to afford their council tax.
- 2.12 For the 16,500 households within this category, this will equate to around £45.00 council tax reduction for the 2021-2022 financial year. Approval is also sought to establish supplementary budgets fully funded from this income in 2021-2022.

3.0 Evaluation of alternative options

- 3.1 The Council could choose not to use the remaining grant funding as proposed, which would then be required to be returned to Government. This option has been discounted to ensure that residents of Wolverhampton receive the maximum amount of funding available.
- 3.2 The Council could choose not to pay onto council taxpayers the amount received through the refund of court costs and allocate the amount to the general fund. This option has been discounted as the Council could be subject to challenge for not having used the funds in an appropriate way for the benefit of council taxpayers.
- 3.3 The Council could choose to create an application process and invite applications from council taxpayers. This option has been discounted as households most in need are unlikely to contact us and it would also be costly to administer.
- 3.4 The Council could choose to refund the overpayment of court costs at the rate of £2.50 per defendant to those who had been overcharged. This would not be practicable to administer nor would it be cost effective.

4.0 Reasons for decision

- 4.1 Providing a Council Tax Discretionary Reduction is the most effective way to use the funding available to support those most likely to be in need. It will provide a decrease in the amount of council tax to be paid for households who have been identified as in the highest financial need using grant funding and an amount of income which was directly related to council tax.

5.0 Financial implications

- 5.1 The Council has been awarded a Covid-19 Hardship Grant totalling £3.3 million, of which £3.0 million was allocated in 2020-2021 and so far in 2022-2023, leaving around £197,000 yet to be available for this scheme. In addition, £290,000 is remaining from the £300,000 allocated from the Household Support Grant which has been allocated to support housing costs and council tax low-income families. These grants need to be fully allocated by 31 March 2022, to avoid the requirement to repay unspent amounts to Government.
- 5.2 As detailed in paragraph 2.6, the Council has been notified that it will receive a refund of around £256,000 for overcharged liability order costs between April 2014 and July 2018. The Council will be required to evidence how the amount received through the refund of court costs has been used. It is therefore appropriate that this amount is used to reduce the council tax liability.
- 5.3 There will be some additional administrative costs in providing the council tax reduction of £2,000 for software costs and around £8,000 as costs for the exercise of rebilling these households. The administrative costs will be met from revenue budgets within the Revenues and Benefits Service.
- 5.4 This report therefore seeks approval to establish supplementary budgets totalling £743,000 fully funded from the Covid-19 Hardship Grant, Household Support Grant and the refund from the Courts.
[AS/10032022/E]

6.0 Legal implications

- 6.1 The Local Government Finance Act 2012 introduced Section 13A (1)(c) Local Government Finance Act 1992 which provides the Council with additional discretionary powers to reduce a person's council tax liability.
- 6.2 When the Council exercises any discretionary powers, it must do so rationally and in a considered and justified manner. This Report to Cabinet evidences the rationale and consideration for the recommendation before Cabinet.
[AS/10032022/A]

7.0 Equalities implications

- 7.1 An equality analysis has been carried out in respect of the Council Tax Discretionary Reduction. No adverse equality implications were identified, and the intentions of this recommendation are to financially support those most likely to be adversely impacted, across all protected characteristics.
- 7.2 Equalities considerations will be included in the monitoring of the reduction to ensure that it will demonstrate the approach taken is applied fairly and equally. In this way Councillors can be confident that the approach will meet the requirements of the Public Sector Equality Duty as established by the Equality Act 2010.

8.0 All other implications

- 8.1 The Covid-19 Pandemic has adversely affected many households in the City and in turn this has affected some resident's ability to pay their council tax. There are no adverse impacts considered as part of this proposed decision.

9.0 Schedule of background papers

- 9.1 [Local Government Finance Act 1992 \(legislation.gov.uk\)](https://legislation.gov.uk)
- 9.2 [Managing public money - GOV.UK \(www.gov.uk\)](https://www.gov.uk)