



---

**Date:** 29 October 2015

**To:** Scrutiny Board 1

**From:** Tim Savill – Head of Revenues and Benefits

**Subject:** Council Tax – enforcement policy from April 2016, and discretionary relief

---

**1 Purpose of the note is to:**

1. Outline options for enforcing debts that may arise as a result of proposed reductions in council tax support from April 2016;
2. Outline the proposed content of a new discretionary council tax relief policy.

**2 Background**

The Council is consulting on proposals to reduce council tax support from April 2016. The proposed 15 per cent reduction would result in an average bill of approximately £150 per annum for people currently in receipt of full support (single people would receive a 25% reduction on this figure). Up to 20,000 people have therefore previously paid little or no council tax before. In considering the approach to collecting council tax from these people, the Council needs to consider a:

- proportionate approach – relative to the size of the debt;
- sympathetic approach – where people are vulnerable with difficult financial circumstances; and
- fair system – where all people across the City are dealt with equally in relation to their personal circumstances.

**3 Current approach to deal with non-payment**

If the Council decides to implement the proposed reduction we need to consider what enforcement action to take against people affected in the event that they fail to pay.

The current process is:

- A reminder letter is sent after 14 days.
- If no payment is made a court summons is issued after a further 14 days – at this point £81 costs are applied.

- The account is passed to an enforcement agent – a £75 fee is incurred (with additional costs potentially rising by a further £235).

If the Enforcement Agent cannot collect the debt the Council will consider committal action for any debt over £750 – at this point the Enforcement Agent fees of £310 are removed but the Council would claim costs for the Committal of £305.

#### 4 Options

As part of the consultation the Council held a specific stakeholder engagement session to discuss enforcement options from April 2016. The session was attended by Coventry Law Centre and Coventry CAB.

**It is important to note, that experience in other councils shows that most people (around 70%) are likely to comply with the new arrangements and pay their council tax in year. An eventual collection rate of around 90% is expected. Hence, the options considered are for a relatively small number of cases (but still possibly in the region of up to 6,000 per annum).**

Some of the options considered for these debts (discussed at our meeting and being used by other authorities) include:

- **12 month grace period** – we could choose not take any enforcement action against CTS cases in the first 12 months of the scheme.

Whilst it would be possible to do, we need to consider how we deal with outstanding balances. We could either leave them to accumulate and consider enforcement action in the future as the debt rises year on year or we could write off the debt. Writing off the debt could encourage more people to avoid paying as it becomes clear that the Council will not take enforcement action – it also runs the risk of a two-tiered approach to collection. Many other people face difficulties paying their council tax.

- **Withdrawing costs** – we could agree to withdraw £81 court costs in certain CTS cases providing a payment arrangement was set up.

This would still enable the Council to take enforcement action (for example, an attachment of benefit).

- **Write off year end balances** – if people do make payments or we attached their benefit but at year end the payments have not covered the full charge then we could consider writing off any residual balances so they start the new council tax year without any legacy debt.

This would mean treating people on CTS differently to other non-payers.

- **Treat as a sundry debt** – some Enforcement companies will treat small balance accounts as sundry debts and therefore not apply the statutory charges normally incurred by council tax debts. This would avoid the customer incurring charges of

£75 rising to £310.

This would prevent the Council taking any further enforcement action on these debts. It is very likely that the debt would remain unpaid.

- **Compliance stage only** – there are two stages to the enforcement agent process – compliance stage incurs a £75 charge and Enforcement stage incurs a £235 charge. We could instruct enforcement agents not to progress to Enforcement stage on any CTS case.

As above this would prevent the Council taking any further enforcement action.

- **Hardship fund** – Some Councils have set up a specific hardship fund for people impacted by CTS reductions. The Council would need to ring-fence a budget to help those most severely impacted by the reduction.

This would add another layer of administration which depending on the level of demand may require additional resource. We would need to conduct financial assessments of people's income and expenditure to determine whether they would qualify. Many authorities who have implemented such funds have spent very little against the budget as they have set stringent qualifying criteria.

## **5 Discretionary Relief Policy**

By way of further mitigation against the possible impact of a reduction in CTS, the Council will establish a formal section 13a discretionary relief policy.

Section 13A (1) (c) of the Local Government Finance Act 1992 gives billing authorities the power to award discretionary relief in appropriate cases. The draft policy attached details the circumstances in which the council would consider requests for discretionary relief. This policy would act as a safety net for people facing extreme financial hardship and could help to mitigate the most extreme impacts of any reduction in CTS. Again, the service would need to ring-fence some budget for this fund. Unlike a hardship fund, the Council is required to have a discretionary relief policy which would, in the most exceptional circumstances, enable us to assist people in extreme hardship but without creating a new layer of administration.

## **6 Political approval**

The inception of a new discretionary relief policy is considered a key decision. If agreed, it is proposed that we include the new policy, along with any changes to enforcement measures, in the report which will go to Council to approve a CTS scheme from April 2016.

Tim Savill  
Head of Revenues and Benefits