

REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)	AGENDA ITEM: 8
DATE OF MEETING:	27th JUNE 2013	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
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SUBJECT:	LOCAL COUNCIL TAX SUPPORT SCHEME – FINANCIAL UPDATE	REF
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the initial costs following the introduction of the Local Council Tax Support Scheme are noted.
- 1.2 That the initial demand for Discretionary Housing Payments is noted.

2.0 Purpose of Report

- 2.1 To provide an early indication of the costs associated with the introduction of the Local Council Tax Support Scheme (LCTSS) following its implementation on 1 April 2013. The report also provides an indication of the demand for Discretionary Housing Payments (DHP) following an increase in the Council's budget for 2013/14 and the impact of changes to other benefits in the Welfare System.
- 2.2 The position is based on information up to mid-June 2013 and covers:
 - The Collection Rate for households paying Council Tax for the first time.
 - The impact of the reduction in discount for empty properties
 - The impact of the introduction of a premium on properties empty for longer than two years
 - The number and cost of awards for DHP.
- 2.3 A separate report on proposed amendments to the local discount scheme for Council Tax on empty properties is detailed in a separate report elsewhere on the Agenda.

3.0 Detail

- 3.1 Following abolition of the national benefits scheme for Council Tax on 31st March 2013, the Council implemented a local support scheme in its place which was implemented on 1st April 2013. The detailed parameters were largely based on the out-going national scheme.
- 3.2 Within the local scheme, pensioner and disability households were protected. However, the total scheme was defined in the context of a finite resource. This meant that working age claimants within the previous national scheme would pay more Council Tax. Of these, approximately 1,600 households would contribute up to 10% of their Council Tax liability, for which previously they had been entitled to full benefit.
- 3.3 The main parameters of the local scheme are detailed below.
- i. Claimants of pensionable age receive exactly the same level of support as existed under the previous national scheme.
 - ii. Households who qualified for benefit through disability premiums receive exactly the same level of support as existed under the previous national scheme.
 - iii. War widow and war disabled claimants receive exactly the same level of support as existed under the previous national scheme.
 - iv. Military compensation payments are fully disregarded in calculating Council Tax support.
 - v. Working age claimants who previously received 100% Council Tax benefit are deducted 8.5% from their entitlement calculated under the Local Scheme.
 - vi. Working age claimants who previously received less than 100% Council Tax benefit are deducted 10% from their entitlement calculated under the Local Scheme.
 - vii. Full Council Tax support for claimants entering work was extended from 4 weeks to 8 weeks in the Local Scheme.
- 3.4 The total cost of the local scheme was estimated at £4.9m and this is being funded as shown in the following table.

Local Council Tax Support Scheme 2013/14	Estimate £
Total Cost of Council Tax Support Scheme	4,919,899
Grant Funding	-4,537,911
Transitional Grant (2013/14)	-123,422
Premium on Long-term Empty Properties	-45,900
Council Tax on Properties empty for longer than 3 months	-188,094
Surplus (-) / Deficit	24,572

- 3.5 As the table highlights, part of the funding is being generated through a reduction in discounts associated with empty properties.
- 3.6 As regards Discretionary Housing Payments (DHP) the Council was awarded a separate grant allocation of £102,358 for 2013/14. In addition, £14,962 was carried over from 2012/13 giving total resources for the year of £117,320.
- 3.7 Given the increase in resources compared to previous years, together with an expected increase in demand for DHP, the Committee approved updated guidance for allocating DHP funding at its meeting on 21st March 2013.

Position as at Financial Week 10

- 3.8 Given that this is a new scheme with potential risks of a high nature associated with costs and funding, the Committee have requested regular updates. These updates will be included in future quarterly financial monitoring reports.
- 3.9 In the meantime, this report provides an early indication of how things are starting to emerge and the impact upon estimates and projections.

Number of Working Age Claimants Now Liable to Council Tax

- 3.10 It was estimated that approximately 1,600 households would start paying Council Tax (at 8.5% of their liability) where previously they received 100% support under the national benefits system. These households were those “passported” from the DWP under a needs assessment entitling them to a certain level of benefits.
- 3.11 During implementation, a further 300 households were identified as having entitlement to 100% Council Tax support due to their individual circumstances as assessed by the Council. Under the Council’s detailed parameters, as they were not passported, they would have been liable for 10% - an additional 1.5%.
- 3.12 Clearly, the intention of the Council’s scheme is that all claimants previously entitled to 100% support should pay no more than 8.5%. The Scheme has been adjusted to make this clear. The additional cost of applying the 1.5% for the 300 households is £6,300.

Total cost

- 3.13 The total cost of the Local Scheme was estimated at £4.9m as previously highlighted. This estimate was based on the level of Council Tax benefits in 2012/13 of 6,300 cases entitled to Council Tax support.
- 3.14 It was anticipated that this would change and could be fairly volatile over time, as individual circumstances change and people come into and out of benefit. This was considered to be the greatest risk to all local authorities as the impact of demand for future Council Tax support has been transferred from national to local government.

3.15 The cost of support awarded to-date and applied to Council Tax bills for the year is £4.7m, approximately £200,000 less than estimated, although the total number of cases is still around that estimated of 6,300.

Extended Payments

3.16 Within the local scheme, Council Tax support for claimants entering work is now provided for 8 weeks. Within the total of £4.7m, the cost of this is currently estimated at £69,000 for 2013/14, compared to £77,000 in 2012/13. At this early stage, it is difficult to draw any conclusions from the impact of offering extended payments.

Empty Property Discounts

3.17 The increased Council Tax to-date, from the reduction in the free period from 6 to 3 months is £57,500. Depending on the number of properties falling into this category over the remainder of the financial year, this is projected at £275,000 in total for 2013/14.

3.18 This compares to an estimate of £188,000, which was based on the Band A property Council Tax. Initially, this is beneficial as a greater level of income is being generated, although it appears that the impact of reducing the number of empty properties is negligible.

3.19 This will be ascertained over the coming months as the Council assesses the number of empty properties ahead of the annual return to the Government, from which the New Homes Bonus for 2014/15 will be determined.

Long Term Empty Premium

3.20 The application of the 50% premium has been applied to 170 properties. This will raise additional Council Tax in 2013/14 of £62,600, compared to an estimate of £45,900 which was based on 85 properties. This is subject to changes in circumstances over the remainder of the year.

3.21 The estimate assumed that Regulations would be stricter on the application of the Premium and in particular, would make it easy for owners to demonstrate that their property was actively being “marketed” to avoid a Premium. However, this was not translated into the Regulations or indeed subsequent guidance and local authorities have a fair degree of discretion.

3.22 Since the introduction of the Premium, several properties have been reviewed and have been found to be either furnished or have been reclassified, in particular as “second homes.”

Summary

3.23 The total cost of the scheme together with financing to-date is shown in the following table. This shows a comparison to that estimated.

Local Council Tax Support Scheme 2013/14	Estimate £	Projection £	Variance £
Total Cost of Council Tax Support Scheme	4,919,899	4,708,635	-211,264
Grant Funding	-4,537,911	-4,537,911	0
Transitional Grant (2013/14)	-123,422	-123,422	0
Premium on Long-term Empty Properties	-45,900	-62,600	-16,700
Council Tax on Properties empty for longer than 3 months	-188,094	-275,000	-86,906
Surplus (-) / Deficit	24,572	-290,298	-314,870

3.24 Individual affordability aside, the overall position is projected to be significantly better than estimated for 2013/14. However, this will continue to be monitored and it is considered that a more confirmed position will be available after the first half of the financial year.

Working Age Claimants

3.25 A major change with the implementation of the Local Scheme was that approximately 1,600 households (working age claimants) would be paying Council Tax when previously, under the national benefits system, they paid nothing. This number has subsequently increased to 1,900 as detailed earlier in the report.

3.26 The amount to be charged and collected in total, represented the difference between the funding available and the cost of the Local Scheme. This amount was set at £185,300 for 2013/14.

3.27 During the consultation period in developing the Local Scheme, there was concern, both locally and nationally, concerning the ability of households being able to pay, together with the issue of collecting relatively low level debts.

3.28 The actual amount currently to be collected in 2013/14 is £180,000. The current collection rate associated with this debt is currently 40%, i.e. £72,000, which is just over £100,000 lower than required. If this trend continues over the remainder of the financial year, it will be offset against the projected surplus on the cost of the overall scheme detailed above.

3.29 The recovery of this debt is still in its early stages, but with reminder notices and demands now being issued, the collection rate could improve over the remainder of the financial year. This will be kept under review.

3.30 Currently, no additional costs in collection are being incurred, but the impact of any non-payment will be reported in a subsequent update.

3.31 The final surplus or deficit on the scheme, compared to that budgeted, will be reflected in the overall Council Tax Base and included in the Collection Fund. This will be shared, as usual, in accordance with the value of individual precepts on the Collection Fund, which for the District Council is 11.5% of 2013/14.

Discretionary Housing Payments

3.32 Within the first 10 weeks of 2013/14, 112 individual cases had been granted DHP totaling £24,300; of these 65% were council house tenants and 35% were private tenants. In 2012/13, the total number of cases awarded DHP was 160 for the entire year, so clearly demand has increased as expected. A further 30 cases are currently being assessed.

3.33 On a straight line projection, the total cost of DHP is estimated at £126,400 for 2013/14, which would be around £10,000 over the allocation of £117,320. Therefore, this may require some further tightening of the guidance determining awards later in the financial year, unless additional resources were identified to meet extra demand.

4.0 Financial Implications

4.1 As detailed in the report.

5.0 Corporate Implications

5.1 No additional implications.

6.0 Community Implications

6.1 No additional implications.

7.0 Background Papers

7.1 None