
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (SPECIAL)	AGENDA ITEM: 7
DATE OF MEETING:	25th SEPTEMBER 2013	CATEGORY: DELEGATED
REPORT FROM:	DIRECTOR OF FINANCE and CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (01283 595811) Kevin.stackhouse@south-derbys.gov.uk	DOC: u/ks/council tax support scheme/financial monitoring/financial update Sept 2013
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 latest costs associated with the Local Council Tax Support and Discount Schemes are considered and noted.
- 1.2 That the demand for Discretionary Housing Payments and its affect upon the allocated budget are considered and noted.

2.0 Purpose of Report

- 2.1 To provide an update of the costs associated with the Local Council Tax Support and Discount Schemes following their implementation on 1st April 2013. The report also provides an update on the demand for Discretionary Housing Payments (DHP).
- 2.2 The position is based on transactions and figures up to **31st August 2013** and covers:
 - The cost of local support for Council Tax
 - 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.

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 are 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 are now paying more Council Tax.
- 3.3 Of these, approximately 2,000 households are contributing up to 10% of their Council Tax liability, for which previously they had been entitled to full benefit.
- 3.4 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 qualify 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 is paid for 8 weeks, an increase from 4 weeks under the previous national scheme.
- 3.5 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	<u>24,572</u>

- 3.6 As the table highlights, part of the funding is being generated through a reduction in discounts associated with empty properties.
- 3.7 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.
- 3.8 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.

Total cost

- 3.9 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.
- 3.10 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.
- 3.11 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. There has been no significant change from that reported to the Committee in June.

Extended Payments

- 3.12 Within the local scheme, Council Tax support continues for claimants entering work for 8 weeks. Within the total of £4.7m, the cost of this is currently estimated at £24,000 for 2013/14, compared to £13,000 in 2012/13 (where the extended period was 4 weeks).

Empty Property Discounts

- 3.13 The increased Council Tax Debit projected to-date, from the reduction in the free period from 6 to 3 months is approximately £255,000 (*as at June this was projected at £275,000*). The amount can change depending upon the number of properties falling into this category over the remainder of the financial year.
- 3.14 This compares to an estimate of £188,000, which was based on a Band A property Council Tax.

Long Term Empty Property Premium

- 3.15 The application of the 50% premium has been applied to 97 properties. This will raise additional Council Tax in 2013/14 of approximately £61,000, compared to an estimate of £45,900 which was based on 85 properties.
- 3.16 The total number of empty properties in the District is currently 326, compared to 344 at the start of the financial year. The total number of properties has increased from 40,149 at the start of the year to 40,296 currently.

3.17 A review of empty properties has recently taken place ahead of the annual return to Government; this will be the main basis that will determine the Council's New Homes Bonus allocation for 2014/15.

Summary

3.18 The total cost of the scheme together with financing to-date is shown in the following table. This shows a comparison to that estimated and that reported in June 2013.

Local Council Tax Support Scheme 2013/14	Estimate £	Projection £	Variance £	<i>Variance as June 2013 £</i>
Total Cost of Council Tax Support Scheme	4,919,899	4,697,461	-222,438	-211,264
Grant Funding	-4,537,911	-4,537,911	0	0
Transitional Grant (2013/14)	-123,422	-123,422	0	0
Premium on Long-term Empty Properties	-45,900	-60,886	-14,986	-16,700
Tax on Properties empty for longer than 3 months	-188,094	-255,493	-67,399	-86,906
Surplus (-) / Deficit	24,572	-280,251	-304,823	-314,870

3.19 Individual affordability aside, the overall position is still projected to be significantly better than estimated for 2013/14.

Working Age Claimants

3.20 A major change with the implementation of the Local Scheme was that approximately 2,000 households (working age claimants) would pay Council Tax when previously, under the national benefits system, they paid nothing.

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

3.22 The actual amount to be collected in 2013/14 is approximately £143,000. The current collection rate associated with this debt 38.9%. On a straight line projection, the final collection rate would be approximately 78% for the year.

3.23 The final surplus or deficit of the Local Scheme and the Collection of Council Tax will be reflected in the overall Council Tax Base and included in the Collection Fund. Any balance (if declared in the Budget Round) will be shared in accordance with the value of individual precepts on the Collection Fund, which for the District Council is currently 11.5% in 2013/14.

Discretionary Housing Payments

- 3.24 Within the first 16 weeks of the financial year, 126 individual cases had been granted DHP totaling £33,723; In 2012/13, the total number of cases awarded DHP was 160 for the entire year. Demand has increased as expected, although it has reduced between weeks 10 and 16. A further 7 cases are currently being assessed.
- 3.25 On a straight line projection, the total cost of DHP is estimated at £110,000 for 2013/14, which is within the budgeted allocation of £117,320.

“Let’s Help You” Scheme

- 3.26 The Council has received further funding of £5,500 and it is proposed to use this on the Scheme. This will enable eligible claimants to access a service with the aim of them moving to less expensive rented property in order for them to maximise their benefit entitlement. This has proved successful in other parts of the Country.

Lone Parents Support to Work Project

- 3.27 As part of introducing the Local Scheme, lone parents were not identified as a protected group in the same way as pensioners and disabled households. However, the Committee requested that the Council looked to support lone parent families and in particular, to enable this group to access employment opportunities, together with financial and child care support, etc.
- 3.28 Subsequently, the Council has been working with the local Council for Voluntary Services (CVS) to develop a project to provide information and training. This has involved consultation with various groups to gain a better understanding of the issues involved.
- 3.29 Following the gathering of evidence, the CVS has been successful in obtaining funding to deliver training for lone parents which will cover the following areas:
- Personal wellbeing
 - Employability – CV writing and interview skills
 - Financial literacy including managing money and budgeting
 - Identifying suitable employment around school hours/childcare provision
 - General information on support that may not be known
- 3.30 Funding will include support for lone parents to actually access the training such as the cost of childcare and transport. The training will be publicised during a “Family Learning Festival” in October to encourage lone parents to sign up for training sessions which will take place later in the year.

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