

NORTH LINCOLNSHIRE COUNCIL

**CABINET MEMBER
POLICY AND RESOURCES**

COUNCIL TAX SUPPORT AND WELFARE SCHEMES

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 This paper provides an update on the Local Council Tax Support Scheme six months after implementation.
- 1.2 It also considers the take-up of Local Welfare Provision and Discretionary Housing Payments.
- 1.3 It outlines options for the future and makes recommendations.

2. BACKGROUND INFORMATION

Local Council Tax Support Scheme

- 2.1 The Local Council Tax Support Scheme replaced Council Tax Benefit in April 2013, when responsibility passed from the DWP to the council. The scheme is similar to the previous national scheme, but benefits are lower.
- 2.2 The local scheme aimed to limit the cost of support to the amount of grant transferring from government. It meant an increase in the amount council tax payers receiving benefit would pay, and in many cases there would be an amount to pay for the first time. The Council set up a Support Fund to help those facing a reduction and suffering from financial hardship.
- 2.3 The report outlines experience to date and options for the future.

Local Welfare Provision

- 2.4 From April 2013, elements of the Social Fund also transferred from the DWP to the council. Local Welfare Provision is similar to the previous Social Fund arrangements, but the criteria and payment methods have been set locally to reduce the potential for abuse of the scheme. It provides
 - a) Crisis support for tax payers who experience a disaster or emergency (fire, flood, victim of crime, or help with costs of attending hospital or a funeral)

- b) Community Support Grants to help individuals or households to remain in the community. This scheme provides a voucher for buying specific items such as white goods; support for people to remain in their home; for the costs of moving house, if moving to a more affordable property; and support for those leaving prison, care or hostel accommodation.

Discretionary Housing Payments (DHP)

- 2.5 DHP funding is provided by central government and administered by the council to support tax payers in financial difficulties whose rent liability is more than the housing benefit they receive. This has been in place for some time. The government increased funding substantially in 2013/14 in recognition of the likely impact of the welfare reforms. The DHP grant is designed to help people adjust to their new circumstances and is time-limited.

3. OPTIONS FOR CONSIDERATION

Local Council Tax Support Scheme

- 3.1 The current scheme provides full protection to pensioners (as prescribed by Government), and limits the reduction in support for working age tax payers to 8.5%. This is less than the 23% reduction which our original draft scheme envisaged as the government offered additional funding for one year to those schemes which limited the reduction to 8.5%. The council accepted the offer.
- 3.2 There are a number of points to note from our experience so far, remembering that what we see is the current position. Council tax payers can move in and out of eligibility during the year if their circumstances change.
- The cost of the discount is currently £0.3m less than originally estimated
 - In part this is due to fewer eligible tax payers than used in the modelling, 5% lower at 16,069
 - Government grant was also lower anticipating a lower caseload
 - The substantial loss on collection from those paying more council tax or paying it for the first time is not reflected in the latest available figures.
 - Demand for the council tax Support Fund has been minimal (projected spend of £4k).

The combined effect is that the net cost to the council in 2013/14 is currently £0.3m lower than budgeted (see appendix1).

- 3.3 Overall Council tax collection levels are projected to be in line with budget by year end. The proportion of council tax paid by those receiving support is

modest, only 4% of the total collectable, and is not having a noticeable effect on collection rates. The 35% non payment rate which we expected from this group is not evident in these figures. There are at least two likely contributory factors:

- The benefit reduction of 8.5% is proving more manageable for tax payers than a 23% reduction
- Using transitional grant we have employed two dedicated staff to proactively contact those facing potential arrears to agree payment plans and so to avert court action which brings additional costs to the individual.

3.4 The council will have the opportunity to review the scheme shortly and confirm the criteria for 2014/15. It can take account of the fact that the scheme is working well and that it is costing less than expected. We also know that the amount included in general government grant for council tax support will be the same as in 2013/14, although the one-off grant of £267k in 2013/14 will not be available.

3.5 Appendix 1 provides a cost comparison between the original scheme on which the council consulted last year (23% reduction) and the scheme as implemented (8.5% reduction). The expected cost difference between the two options is £0.265m and assumes that debt collection becomes harder as the reduction increases. The difference in costs is similar to the one year grant which helped council in 2013/14 to opt for an 8.5% reduction. Council is in a position to maintain the current scheme in 2014/15 and 2015/16 by using other welfare funding as detailed at paragraphs 3.12-3.14 below.

Welfare Provision and DHPs

3.6 Spending to date under these schemes has been modest. The table below shows that based on the profile of successful claims to date there are forecast underspends in each of the funds in 2013/14.

2013/14	DHP	Local Welfare Provision
	£000	£000
Funds	238	453
Forecast spend	<u>155</u>	<u>150</u>
Difference	83	303

There is a single claim system for both funds, and households must provide details of income and expenditure to determine whether support is needed and how much. The circumstances of each household differ, but where they can make better budgeting decisions, and reduce discretionary spending to cover the cost, advice is given and no award is made.

Discretionary Housing payments

- 3.7 The Discretionary Housing Payment scheme is designed to help those who are unable to pay their contribution to rent costs, and need time to adjust to new circumstances.
- 3.8 An analysis of claims for the first six months shows that of 469 claims 23% were successful. However further analysis of a proportion of the claims made to date shows that over half of applicants had greater household income than regular outgoings, or could readily reprioritise their spending to pay their contribution to rent. Others were making no efforts to move to a more affordable property.
- 3.9 This paper does not propose to relax the criteria. However it is important that those needing support receive it. Efforts to promote DHPs again are particularly important as it is likely that applications will increase through the winter as additional costs, including energy costs, put more pressure on household finances. Therefore two further steps are proposed:
- A publicity campaign targeted at existing HB recipients;
 - An extension to the maximum period of award from 26 to 52 weeks for those who may wish to move to more affordable accommodation but cannot do so readily (e.g. disabled people with adapted properties, working parent relying on nearby families for childcare, people who are registered for a smaller property but none available).
- 3.10 Unspent DHP funds are returned to government at the end of the financial year, which gives a further reason to ensure these funds are used appropriately.

Local Welfare Provision

- 3.11 For local welfare provision there are a number of likely factors behind the current underspend:
- Take-up is expected to increase as the year progresses and the impact of benefit changes are more widely felt. This is reflected in the forecast.
 - DWP continue to assist with crisis situations via benefit payments in advance and budgeting loans for those in receipt of DWP benefits who might otherwise qualify for a care grant
 - The process for crisis awards is more robust than the previous DWP arrangements. The scheme is administered by telephone, with payment through the Post office by means of a bar code, and for defined purposes.

The council does not provide cash in hand and there is a maximum of two awards in a 12 month period.

- The level of need is different to that anticipated by DWP when determining the transfer.

3.12 Experience to date appears to confirm that the previous DWP schemes were open to abuse. It is also possible that, despite wide publicity earlier in the year when changes were made, not all who would be eligible are aware of the new arrangements. It is proposed steps are taken to publicise the schemes widely again and the criteria made clear to staff in all organisations working with potential recipients so that they can signpost those who meet the criteria. It is proposed that the current scheme criteria are confirmed.

3.13 If projections are right then the local welfare provision is likely to have surplus funds of around £300k this year, and of a similar amount next year. This suggests that the localisation of elements of the social fund has delivered on one of its key intentions. This was to improve the targeting of support based on local knowledge. There is no requirement to replicate the DWP scheme and the funding is not ring-fenced.

3.14 An appropriate use for the surplus would be to maintain the current 8.5% Council Tax Support Scheme. As indicated earlier this would provide continuity in current arrangements, and in the level of support for those who need it, for the next two years. It would maintain the current scheme with low rates of bad debt, rather than implement a higher cost scheme leading to greater debt problems, an increased demand for welfare support, and greater administrative challenges for the council. There are good arguments for continuing with stable arrangements.

3.15 While it is proposed to maintain the criteria for the current community grant and crisis payment schemes there is a further step that the council can take in the current year funded from the local welfare provision. Support could be given to the work of the local Credit Union as a way of helping those on low incomes to borrow more cheaply and manage their resources more effectively. A business case is being prepared to provide a modest amount of £20k funding for loans to members, which would provide a revolving source of finance, and support for set-up/ administrative costs. Subject to its feasibility this paper proposes funding is allocated for this purpose in 2013/14.

4. ANALYSIS OF OPTIONS

4.1 See section 3

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Funding issues are addressed in section 3 of the report.

5.2 The surplus local welfare funding over two years 2013/15 would be £0.6m on current projections. This could be used in 2014/15 and again in 2015/16 to

maintain the level of support provided through the current local council tax support scheme. This funding would not be available if the welfare scheme criteria were expanded.

- 5.3 As outlined above, if demand for the various support funds is in line with current expectations significant underspends will occur. The underspend for DHP is particularly critical, as funds which are meant to support local people will be returned to central government and cannot be retained locally if not awarded.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

- 6.1 The impact of the schemes will depend on the options chosen.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 A new public consultation is not required on the Council Tax Support Scheme if no fundamental changes are proposed to the principles of the scheme.
- 7.2 No consultation is required on the Local Welfare Provision and DHPs.

8. RECOMMENDATIONS

- 8.1 That the Policy and Resources cabinet member:

8.1.1 Notes the current position on the Council Tax Support Scheme

8.1.2 Recommends to council the current Council Tax Support Scheme as the preferred option for 2014/15 and 2015/16

8.1.3 Agrees the proposals to promote the uptake of Discretionary Housing Payments

8.1.4 Reaffirms the current criteria for Local Welfare Provision

8.1.5 Approves, subject to a satisfactory business case, the use of welfare funding to support the work of the local credit union by provision of a fund of £20k for loans, and a one-off grant for associated set-up/administrative costs.

DIRECTOR OF POLICY AND RESOURCES

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB

Author: Peter Fijalkowski
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Background Papers used in the preparation of this report - None

ESTIMATED COST OF COUNCIL TAX SUPPORT SCHEME

APPENDIX 1

2013/14

	Estimated Impact of the Council Tax Support Scheme £m	Met by claimants	Partially funded by		Impact on Budget after Government Funding Allocation £m	Other Costs		Total Impact on Budget £m
			Government Grant £m	Additional Government Grant £m		Cost of Support Fund £m	Bad Debt Provision £m	
Original Estimate	-11.314	0.481	9.878	0.267	<u>-0.688</u>	-0.057	-0.169	<u>-0.914</u>
Latest Estimate	-11.088	0.470	9.746	0.267	<u>-0.604</u>	-0.004	0.012	<u>-0.596</u>
Variance 13/14	0.226	-0.011	-0.132	0.000	<u>0.084</u>	0.053	0.180	<u>0.317</u>

2014/15

Increase 13/14 by 1.75% for CT increase 2014/15 @8.5% reduction	-11.282	0.479	9.746	0.000	<u>-1.057</u>	0.000	-0.012	<u>-1.069</u>
2014/15 @ 23% reduction	-11.282	1.331	9.746	0.000	<u>-0.205</u>	-0.133	-0.466	<u>-0.804</u>
Difference	0.000	0.852	0.000	0.000	<u>0.852</u>	-0.133	-0.454	<u>0.265</u>

Footnotes

	Original Estimate		Latest Estimate		Percent change
Pensioners	8,226	49%	7,709	48%	-6.3
Working Age	8,700	51%	8,360	52%	-3.9
Total	<u>16,926</u>		<u>16,069</u>		-5.1