

TONBRIDGE & MALLING BOROUGH COUNCIL
FINANCE, INNOVATION and PROPERTY ADVISORY BOARD

23 May 2018

Report of the Director of Finance and Transformation

Part 1- Public

Matters for Information

1 REVENUES AND BENEFITS UPDATE REPORT

A report detailing recent developments in respect of council tax, business rates, council tax reduction and housing benefits.

1.1 Collection of council tax and business rates

- 1.1.1 As at 31 March 2018, the final collection rate for council tax, for the year 2017/18, was 98.61%. This was below the target set for the financial year (99%). The final collection rate for 2016/17 was 99.03%.
- 1.1.2 As at 31 March 2018, the final collection rate for business rates, for the year 2017/18, was 99.69%. This exceeds the target set for the financial year (99.6%). The final collection rate for 2016/17 was 99.19%.
- 1.1.3 Although the council tax collection rate fell below our (challenging) target, I am very pleased to report that for the third year running, it is the highest in Kent.
- 1.1.4 Since the introduction of the council tax reduction scheme in 2013/14, the working age taxpayers in receipt of support have been charged £7.7M. By the end of 2017/18, £6.9M has been collected, approximately 90%. In respect of 2017/18, the collection rate for working age taxpayers fell by 1% (approximately £17,000) compared to 2016/17, which I believe was a result of the maximum level of support being reduced to 80%.
- 1.1.5 Previous year council tax arrears also reduced by approximately £790,000 in the last financial year (compared to £1.1M in 2016/17).
- 1.1.6 Members will note that the number of recovery notices issued overall in 2017/18 was 5% higher than in 2016/17 (see **ANNEX 1**). This highlights the challenge for the Revenue team to collect council tax, with fewer taxpayers making their payments on time than in previous years.
- 1.1.7 In respect of business rates, the collection rate was 0.5% higher compared to 2016/17. This is encouraging as we move towards a new rate retention scheme; however, as I have mentioned before, collection of business rates is volatile, and

the overall collection rate can be affected by factors affecting a small number of accounts.

- 1.1.8 The overall business rate arrears reduced by approximately £700,000 in the last financial year, leaving just £14,000 uncollected in respect of all rates due since 1990. A lot of work was undertaken in the previous financial year to remove uncollectible debt, and this has now put us in a very strong position to maintain our excellent collection rate.
- 1.1.9 As always, I can assure Members that every effort is being made to maintain high collection rates, and that we are doing all that is possible to collect the council tax and business rates that are due to the Council.
- 1.1.10 As at 30 April 2018, the collection rate for council tax stood at 8.01%. For the same period in the year 2017/18, the collection rate was 7.84%.
- 1.1.11 As at 30 April 2018, the collection rate for business rates stood at 13.76%. For the same period in the year 2017/18, the collection rate was 11.4%.

1.2 Spring Statement

- 1.2.1 In the Spring Statement, the Chancellor announced that the next business rates revaluation would be brought forward one year to 2021. Following the previous announcement on more frequent revaluations, this means that three-yearly revaluations will take effect in 2024.
- 1.2.2 The Spring Statement also confirmed that to prioritise the implementation of the early revaluation, the Government is delaying the linking of local authority billing systems to HMRC's digital tax accounts to the earliest opportunity after the start of the first three-year revaluation cycle in 2024.

1.3 Performance and Workload of the Benefits Service

- 1.3.1 Performance in the Service continues to improve year on year. The average number of days to process new claims for housing benefit and council tax reduction in 2017/18 was 12.9. Over 75% of new claims were put into payment within three days. Changes in circumstances took an average of 3.9 days.
- 1.3.2 The total number of new claims rose slightly in 2017/18 to 3092, compared to 3083 in 2016/17. Most of these were combined housing benefit and council tax reduction claims. While at the same time the number of households assisted by housing benefit and / or council tax reduction fell by 100, equating to 1.5%. The caseload fell by a similar figure the previous year.
- 1.3.3 The number of changes in circumstances also rose, from 49,781 in 2016/17 to 50,966 in 2017/18. Many of these changes are now processed automatically with information from the DWP, relating to changes in state benefits, directly updating the Council's records.

- 1.3.4 The total amount of money paid out to either tenants or landlords in housing benefit was £35,143,827. The total expenditure was similar to the previous year despite national measures to cut housing benefit levels through an imposed 1% rent decrease in housing association rents and other welfare reforms restricting payments.
- 1.3.5 Housing benefit is reclaimed by the Council from Government through subsidy. The majority of subsidy is paid at 100% of the expenditure however there are areas of 'loss' where the rate is below 100%. One such area where losses have been increasing each year is for housing benefit paid for temporary accommodation, as the use of such accommodation has increased. Temporary accommodation is used when the Council has a duty to provide homes for homeless households but cannot immediately secure a long term solution. Subsidy rules are complex in this field and accommodation can be expensive, causing substantial losses.
- 1.3.6 Strategic focus on the type of accommodation in use with an eye to financial implications for the Council whilst remaining suitable solutions for homeless households has seen a levelling of cost for 2017/18. However, with new legislation introduced in April 2018 widening the Councils duties around potential homelessness and preventative measures, demand is likely to increase, calling for new cost effective forms of service provision.
- 1.3.7 The Council's Discretionary Housing Payment (DHP) fund was fully used across 2017/18. Of the £284,000 fund, over £185,000 was used to directly prevent homelessness by assisting households to reduce rent arrears or secure accommodation. These actions reduce the use of temporary accommodation. The balance was used to support households in hardship, often due to welfare reform measures. Awards of DHP are made with conditions wherever possible, to improve the likelihood that households will have sustainable tenancies for the future. The Council received 527 DHP applications in total for the year and assisted 431 of these.
- 1.3.8 The Government DHP grant for the Borough has decreased to £236,000 for 2018/19 calling for greater diligence in use of the budget over this year.
- 1.3.9 Universal credit roll-out in the Borough remains timetabled for November 2018. This will initially only affect those claimants making new claims. Some other Councils across Kent will roll-out earlier in the year. My officers will monitor progress in readiness for November.

1.4 Legal Implications

- 1.4.1 Nil.

1.5 Financial and Value for Money Considerations

1.5.1 The percentage of council tax and business rates collected during the year impacts on the Council's finances and, consequently, on the level of council tax for future years.

1.6 Risk Assessment

1.6.1 Nil.

Background papers:

1. In respect of the collection of council tax and business rates, data held within Financial Services.

contact: Glen Pritchard
01732 876146
Andrew Rosevear
01732 876143

Sharon Shelton
Director of Finance and Transformation