

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

22 July 2020

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 2020, the final collection rate for council tax, for the year 2019/20, was 98.48%. This was below the target set for the financial year (98.75%). The final collection rate for 2018/19 was 98.91%.
- 1.1.2 As at 31 March 2020, the final collection rate for business rates, for the year 2019/20, was 99.43%. This was marginally below the target set for the financial year (99.5%) but still just higher than the final collection rate for 2018/19 (99.42%).
- 1.1.3 Council Tax collection was impacted by the lockdown measures in March, with recovery action being suspended and court hearings being cancelled. Despite that, the collection rate will still be one of the highest in Kent (information not known at the time of writing this report).
- 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 £11.7M. By the end of 2019/20, £10.6M has been collected, approximately 91%. In respect of 2019/20, the collection rate for working age taxpayers fell by 0.7% compared to 2018/19.
- 1.1.5 Previous year council tax arrears also reduced by approximately £800,000 in the last financial year (compared to £1.1M in 2018/19).
- 1.1.6 Members will note that the number of recovery notices issued overall in 2019/20 was 22% higher than in 2018/19 (see **ANNEX 1**). These figures show it is becoming more difficult to collect council tax from the minority of residents who do not pay by direct debit.
- 1.1.7 In respect of business rates, we have consistently collected over 99% since 2008/09. 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. Fortunately, the vast majority of our businesses had already paid their rates charges in full before lockdown measures were imposed.

- 1.1.8 The overall business rate arrears reduced by approximately £300,000 in the last financial year, leaving just over £100,000 uncollected in respect of all rates due since 1990. The work done in previous years has enabled us to maintain a very low level of arrears, which is extremely important with this year's collection rate sure to be affected adversely by the lockdown measures.
- 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 June 2020, the collection rate for council tax stood at 26.35%. For the same period in the year 2019/20, the collection rate was also 27.06%.
- 1.1.11 As at 30 June 2020, the collection rate for business rates stood at 26.82%. For the same period in the year 2019/20, the collection rate was 30.59%.
- 1.1.12 At the start of the crisis in March, the decision was taken to suspend all recovery action and offer those residents and businesses who requested it a deferral of their April and May instalments, with payments starting in June. I knew the collection rate would be affected by doing this, but with many residents furloughed, it was the correct thing to do.
- 1.1.13 In line with the other Kent authorities, recovery action is due to recommence in August, with the first batch of final notices being issued this financial year. However, summonses cannot be issued yet, as the Magistrates' Court has cancelled the scheduled hearings. We have been notified that they are hoping to provide dates for hearing the backlog of cases but these will not take place until October 2020 at the earliest.
- 1.1.14 Any significant delay in scheduling new hearings will impact on our ability to recover debts but this is something outside of our control. I will update Members at the next meeting of this Board if the situation has changed.
- 1.1.15 Members may also have recently read an article about a cross-party group of MPs and peers calling for a ban on council tax being collected by enforcement agents. I can assure Members that cases are only passed to our agents as a last resort, and that every effort is made to engage with our residents to set up affordable payment plans to clear their debts.
- 1.1.16 I can also advise that all enforcement visits have been suspended since 23 March, although payments continue to be collected where residents have set up a payment plan with the agents.

- 1.1.17 The Civil Enforcement Association (CIVEA) has asked its members to implement a Pre-visit Letter and Vulnerability Identification Phase before recommencing visits to customers when lockdown restrictions are eased.
- 1.1.18 This means anyone who has missed a payment or been out of contact will receive a light touch reconnection letter plus follow up communication e.g. by text, email, phone where possible. The letter seeks to engage with customers to understand how they have been affected by the COVID-19 crisis and respond as appropriate. Each case will need to be offered support as appropriate, including signposting to the Money Advice Service and debt advice charities.

1.2 Performance and Workload of the Benefits Service

- 1.2.1 Looking back on the 2019/20 financial year, performance of the Service has once again been ranked amongst the highest in the country for the speed of processing new housing benefit claims, council tax reduction claims and changes in circumstances. Most are dealt with between two and three working days. It is only those needing further information or clarification where it may take longer.
- 1.2.2 The number of households receiving assistance with housing benefit has fallen faster than expected over the course of the year. In April 2019, we were helping 5924 homes to pay rent, 3776 were 'working age' households. The numbers dropped due to the natural migration to Universal Credit. That happens when there is a change in circumstances such as starting or finishing a job; then a claim for Universal Credit including housing costs is required and housing benefit stops. In March 2020 the number of households we help with housing benefit was down to 4950, 2900 of which were working age.
- 1.2.3 Our discretionary housing payment (DHP) budget was used all but in full. Budgeting across the year is tricky, with payments coming back in to the fund throughout the year which cannot be anticipated, as well as demand fluctuating. Of the £208,137 budget, we finished the year with an under spend of £745.
- 1.2.4 The Council received 351 applications for DHP. Of these, 88 were refused. The most common grounds for refusal were claims being made repetitively without the claimant taking steps to improve their financial situation where it may be possible.
- 1.2.5 A total of 179 payments were made for households as rent in advance or to help to clear arrears. This number was up on the previous year and represents by far the biggest proportion of spend from the fund. Rent in advance payments are made to assist households into new homes, most frequently from temporary accommodation provided through the Council's homeless service. Rent in advance payments are sometimes repaid to the Council, when the funds can effectively be recycled. Arrears payments are made to directly prevent homelessness, putting a stop to possession proceedings and evictions, avoiding the use of temporary accommodation. These types of payments accounted for £173,000 of the total DHP budget, an effect of the increased pressures in the

housing market, the switch to Universal Credit and increased duties imposed on our services from the Homelessness Reduction Act 2017.

1.2.6 The DHP budget for 2020/21 is £313,434. At the time of writing, £43,000 has been put to use. Demand has considerably fallen for reasons I will come on to later in my report.

1.2.7 **The Local Council Tax Reduction Scheme 2020/21**

1.2.8 Members will recall the work that went into developing a new Local Council Tax Reduction Scheme during 2019/20 to take effect 1 April 2020. Following Full Council approval in February the new scheme started as planned and looks to be successful. It has not been possible to evaluate the Scheme with any certainty at this stage due to a number of other extraordinary factors however, it appears we have had fewer changes in circumstances which may be due to our banded discount scheme. The continued and rapid rise in claims for Universal Credit also consolidates our decision for the revised Scheme.

1.2.9 One particular and unfortunately timed aspect we introduced was a minimum income floor for self-employed claimants. This rule substituted an assumed fixed weekly income for any who households who declared lower levels than the National Living Wage. Introducing this at a point when many self-employed incomes drastically reduced caused some problems but due to the relatively low numbers, cases have been identified and assisted on an individual basis. Should Members have any contact from residents relating to our Scheme then my Benefits & Welfare Manager, Andrew Rosevear, will be pleased to assist.

1.2.10 I hope that we are in a position to better assess the success of our new Scheme against the objectives by the time of our next Board meeting.

1.2.11 **Benefits and Covid 19**

1.2.12 Across both Revenues & Benefits the Services rapidly adapted to working from home. Together with the swift conversion of our most frequently used forms from paper to online, there has been minimal interruption to the services we provide. A small number of staff now attend the offices at Kings Hill twice weekly to deal with incoming and outgoing post and printing.

1.2.13 At the beginning of lockdown there was a noticeable increase in the volume of calls relating to housing benefit and council tax reduction. This coincided with our financial year end, issue of new council tax bills, new benefit rates and benefit decision letters, our usual peak time. I am pleased to report that all things considered, it went without too many hitches even with the added complications of frequent Government announcements of assistance schemes in March and April.

1.2.14 The Government has raised national benefit rates to assist households living on the lowest incomes. Recovery of benefit overpayments has been suspended nationally and locally. Recovery of rent arrears and possession proceedings have

been suspended currently until the end of August, effectively banning evictions. This action directly accounts for the reduction in DHP applications. My Service is working with key landlords to identify and quantify the level of debt being harboured with a view to proactively assisting those households most in need.

- 1.2.15 In March, Government announced an uplift in Local Housing Allowance (LHA) rates across the country. LHA is the maximum level of housing benefit (or housing cost element within UC) that can be paid for private sector rentals. Rates were set at the 30th percentile of market rents but have been frozen for the last four years, causing a severe disconnect between benefit rates and rents and unaffordable accommodation for low income households. Although LHA rates are aimed at the lower end of private sector market rents the uplift is welcome. Other benefit rates, such as UC, have been temporarily raised whereas the LHA increase will not be reduce back to the old levels. **[Annex 2]** shows the new rates compared to old.
- 1.2.16 On 24 March, Government announced a national £500m hardship scheme to assist low income households to pay council tax. The scheme provides additional help for households receiving CTR by an additional payment of £150. A national need for clarification and software provider re-writes caused some delays but payments were eventually processed in early May. Our allocation of the national fund is £866,829. The initial application of £150 to all of our CTR households amounted to £590,000. New claims, throughout the 2020/21 financial are entitled to the additional hardship grant of £150, providing there is a liability of at least that figure. At the time of writing this report, we have granted £695,000.
- 1.2.17 The work level position has now stabilised. Not surprisingly, we have experienced an increase in the number of households claiming council tax reduction (CTR) since April, due to the impact on the economy of Covid 19. At the time of writing this report, the increase is 220. At the same time, the Department for Work and Pensions has supplied the numbers of new claims in the Borough for Universal Credit (UC). There have been approximately four times as many households claiming UC compared to the same period last year. The numbers are far greater than the increase in claims for CTR, suggesting many households have yet to claim, having temporarily relaxed recovery of council tax, we will see a rapid increase in applications at some point.
- 1.2.18 The rate in fall of housing benefit claims has not changed over the first quarter. As I have already said, a claim for Universal Credit would trigger the cancellation of a housing benefit claim. This indicates that the new claims for UC are from households not already receiving housing benefit, probably those who previously had higher incomes. This is supported in the findings of the Institute for Fiscal Studies report 'The effects of coronavirus on household finances and financial distress' <https://www.ifs.org.uk/publications/14908>
- 1.2.19 So far, my Benefits Service has not experienced the increase in demand to the levels anticipated. The many supportive financial measures that have so far been so beneficial to communities, such as mortgage breaks, business grants, payment

deferrals and artificial wages have served well to underpin and stabilise the economy but as society gradually returns to a position of sufficiency the inevitable side effects of this protection will emerge.

1.3 Legal Implications

1.3.1 Nil.

1.4 Financial and Value for Money Considerations

1.4.1 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.

1.5 Risk Assessment

1.5.1 Nil.

1.6 Equality Impact Assessment

1.6.1 The decisions recommended through this paper have a remote or low relevance to the substance of the Equality Act. There is no perceived impact on end users at this point.

1.7 Policy Considerations

1.7.1 Community

1.7.2 Customer Contact

Background papers:

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

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