

Executive Report

Ward(s) affected: All

Report of Director of Service Delivery

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Local Council Tax Support Scheme for 2022/23

Executive Summary

Local Council Tax Support (LCTS) enables us to help around 4,500 households to pay their Council Tax, by providing £5.8 million of support. These are households where low incomes do not cover essential housing costs. We share the cost with Surrey County Council, Guildford's share being around 10%.

The Council has a statutory duty to consider annually whether to revise its LCTS scheme (otherwise known as Council Tax Reduction (CTR)), replace it with another or make no changes at all. The Council is obliged to consult with interested parties if it wishes to revise or replace the scheme, although it makes sense to consult even if we do not propose to change the current scheme. The Council must approve a scheme for the 2022/23 financial year by 31 January 2022, to enable annual bills to be calculated correctly.

In 2021/22 we made some small changes to the scheme. We increased Personal Allowances, Premiums and Non-Dependant Deductions. We also removed the cap on Band E entitlement for 2021/22 to provide additional help during the pandemic.

For 2022/23 we propose the following changes, which we forecast will have a revenue cost of £2,500

- Increase Personal Allowances and Premiums to ensure that the help given does not unduly reduce due to inflation.
- Increase Non-Dependant Deductions to reflect an expectation that their contribution to the household expenses should increase each year.
- Continue to remove the cap on Band E entitlement for 2022/23 to provide additional help during the pandemic. This allows anyone in a Band E property who is eligible for 100% help to receive 100% instead of having the help restricted to a maximum of a lower banded Band D property.

Changes to Personal Allowances, Premiums and the Band E restriction will increase the cost of the scheme. The nature of changing caseload and personal circumstances of claimants means that officers forecast that the increase can be accommodated within the existing revenue budget.

Whilst some uncertainty remains around the economy government, initiatives to support individuals and businesses throughout the pandemic have prevented most from needing welfare support. Officers still believe it is important to support people to stay in their own homes in the coming months, and to minimise the transfer of costs to our homeless prevention service.

The discretionary hardship fund was increased for 2021/22 in anticipation of an increase in unemployment levels and calls for help. Whilst we are only half way through the year, and there remains some uncertainty, the economic outlook is much more positive. It no longer looks as if the additional funds will be needed and officers propose that the fund returns to its normal £40,000. This should still provide sufficient funds for any additional applications that may result from the end of furlough or with increased caseload as a result of business failures.

In 2020 the government provided us with COVID19 Council Tax Hardship Funds. These are separate from the LCTS Hardship Fund and allow us to support taxpayers with additional Council Tax discounts. A taxpayer cannot receive more than a 100% reduction. As a large percentage already receive 100% LCTS we did not spend all the funds and carried them forward to provide additional support in 2021. We forecast that funds will remain at the end of 2021 and that these should again be carried forward to provide further discounts in 2022.

Councillors considered the complexities of LCTS at the Strategy and Resources EAB on 14 June. They were asked to provide feedback of key areas they would like officers to either leave untouched or look at in more detail. They feedback that they would like the recalculation linked to Universal Credit to be looked at. This is a complex matter and will be considered as part of the longer Future Options review.

We carried out a stakeholder consultation between 24 September and 13 October 2021. The results of the consultation are set out in section 7 of this report. Only one response was received. Whilst this is disappointing, the proposed changes are low impact. The County and the Police support the changes.

Recommendation to Council (7 December 2021)

The Executive is asked to recommend to Council that:

- (1) The current LCTS scheme (which is on our website), be amended for 2022/23 as set out in detail in Appendix 1, with effect from 1 April 2022.
- (2) The Council maintains a discretionary hardship fund of £40,000 in 2022/23, and carries forward any residual 2020 and 2021 COVID19 Council Tax Hardship Funds.

Reason(s) for Recommendation:

- (1) To ensure that the Council complies with government legislation to implement a LCTS scheme from 1 April 2022.
- (2) To maintain a discretionary fund to help applicants suffering from severe financial hardship.

Is the report (or part of it) exempt from publication?

No

1. Purpose of Report

- 1.1 This report reminds the Executive of our current LCTS Scheme, discusses the changes proposed for 2022/23, and reports on the consultation that we are obliged to carry out with stakeholders prior to adopting a scheme for the new financial year.
- 1.2 The report also advises of the level of financial support provided during the year (and previous years) to the most financially vulnerable in the community. It includes a narrative on the impact of the pandemic on the annual review.

2. Strategic Priorities

- 2.1 The work of the Benefits service contributes two of our fundamental themes: place-making and community.
- 2.2 LCTS provides residents with help with the Council Tax element of their housing costs. By processing claims for financial support quickly and accurately the Benefits service supports the most financially vulnerable and less advantaged of our residents. It is important that the scheme continues to support those most in need.

3. LCTS Background

- 3.1 In April 2013 the government replaced Council Tax Benefit (CTB) with locally determined support schemes. In addition, the government reduced the funding available for such schemes to support those of working age by 10%. For the borough, this equated to a reduction in funding of approximately £700,000, of which approximately 10% related to Guildford Borough Council (as our element of the total council tax is roughly 10%), and 90% to Surrey County Council. The aims of the government's changes were to:
 - help decentralise power and give councils increased financial autonomy,
 - support deficit reduction,
 - give councils a greater stake in the success of their local economy.
- 3.2 The schemes implemented from 2013/14 to 2021/22, minimised the impact on vulnerable people as much as possible. Additionally, the Council set aside sums each year to ensure that extra support was available for any resident or family that faced financial hardship because of the benefit reforms. A summary of the changes made is included in Appendix 2.
- 3.3 From 2014 the government rolled central funding for LCTS into the Revenue Support Grant (RSG) for local authorities and it was subject to the same cuts. Despite LGA requests it was not separately itemised, but as our RSG is zero from 2018 we receive no further funding for the LCTS payments we make. We do however receive a separate payment to subsidise administration. The Ministry of Housing, Communities & Local Government (MHCLG) calculates the grant using a formula based on working and pension age caseload, which also factors in labour and accommodation costs. Whilst we do not generally expect this grant to increase the pandemic has had an effect. The grant reduced from £83,088 in 2019/20 to £80,868 for 2020/21, and then increased to £84,091 for 2021/22.

- 3.4 We have successfully embedded the LCTS scheme into the HB service we operate, with very few complaints from customers about how we administer it or indeed the radical nature of the government’s reform. Naturally, we will always be in dialogue with disaffected customers, but they are able to take advantage of the various complaints and appeals mechanisms that are available to them. We have a strong record of accomplishment in dealing with such sensitive issues in a compassionate way.
- 3.5 The embedding of the scheme is good news, as the abolition of CTB in 2013 was a major strand of the government’s changes to the welfare state, and the most significant change to the Benefits service in over 20 years. Every council operates a different scheme now, with many variations designed to encourage more people back into work and address the deficit reduction.

4. Universal Credit (UC) and National Welfare Reform

- 4.1 Universal Credit replaces six benefits, including HB but not LCTS, with one national benefit.
- 4.2. Rollout is in two phases:
- Natural migration (when entitlement to one of the underlying benefits changes) began in Guildford on 24 October 2018. New working age claims for HB can now only be made in limited circumstances.
 - Managed migration for the remaining caseload was originally due to be complete in October 2017. The government has repeatedly delayed plans, and on 11 March 2019 announced that 10,000 claimants in Harrogate would pilot the process from July 2019. In February 2020 the DWP told “Inside Housing” that only 69 people were in the pilot and only a handful had moved to UC. The pilot was suspended due to the pandemic and will not be restarting. Migration of all working age claimants to UC remains due to complete by September 2024. At the time of writing, we do not have details on how this will work, and a lot of uncertainty remains around the process.
- 4.3 The Commons Library is publishing constituency level data on the number of households on UC, legacy benefits and tax credits (table 1 below). These show that more households are now on UC than legacy benefits. The percentage increase in UC claims is higher than the decrease in legacy benefits, indicating that more households are claiming welfare benefits because of the pandemic. It should however be remembered that, unlike the legacy job seekers allowance, UC is both an in and out of work benefit.

Table 1

Constituency level data	Households on UC May 2020	Households on legacy benefits and tax credits May 2020	Households on UC May 2021	Households on legacy benefits and tax credits May 2021
Guildford	3,589	3,324	4,364	2,842
Mole Valley	2,908	2,500	3,504	2,124
Surrey Heath	3,837	3,131	4,568	2,572
Woking	3,921	3,961	5,124	3,252

- 4.4 We will continue to assess ongoing working age HB claims until they migrate to UC. We expect the government to incorporate HB for pension age into pension credit once the roll out of UC is complete. Whilst HB Caseload is reducing (table 2 below), the indication is that we will have substantial numbers to assess for at least the next two to three years.

Table 2

HB Current (Live) Claim Caseload	30/09/18	31/03/19	31/03/20	31/03/21	31/08/21
Pension Age Claimants	1,628	1,587	1,535	1,468	1,446
Working Age Claimants	3,464	3,180	2,515	2,191	2,074

- 4.4 HB is a national benefit administered locally to help those in need with payment of their rent. Although UC will replace HB, in the meantime the government continues to make amendments to both the HB and pension age LCTS regulations. These include annual increases in things such as premiums and personal allowances to protect against increases in the cost of living.

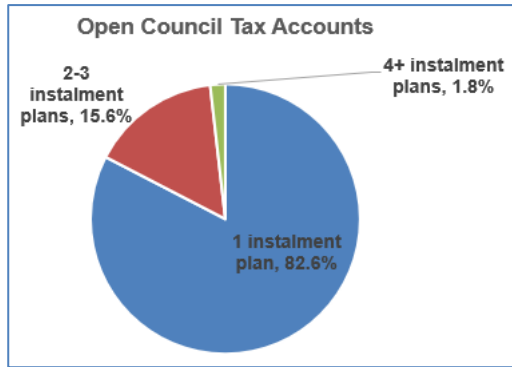
5. The Impact of the COVID-19 Pandemic

- 5.1 We reported in recent years on plans for a more fundamental review of future options for LCTS (Appendix 3). The reasons for the review remain valid, however the project has been delayed firstly by preparations for Phase B of Future Guildford, and secondly by the impact of the pandemic on capacity – with resources diverted to work on grants for businesses, continued support and advice for residents on low incomes, and NHS Test and Trace Support Payments. Much of this work remains ongoing.

The number of live LCTS claims with a UC income on them has increased from 695 on 31 August 2020 to 787 on 31 August 2021. We have carried out some analysis regarding the impact of UC on Council Tax instalment plans to establish whether the delay in our fundamental review is creating an unacceptable situation whereby substantial numbers of residents are having their instalments recalculated every month – with the result that they never have a chance to pay.

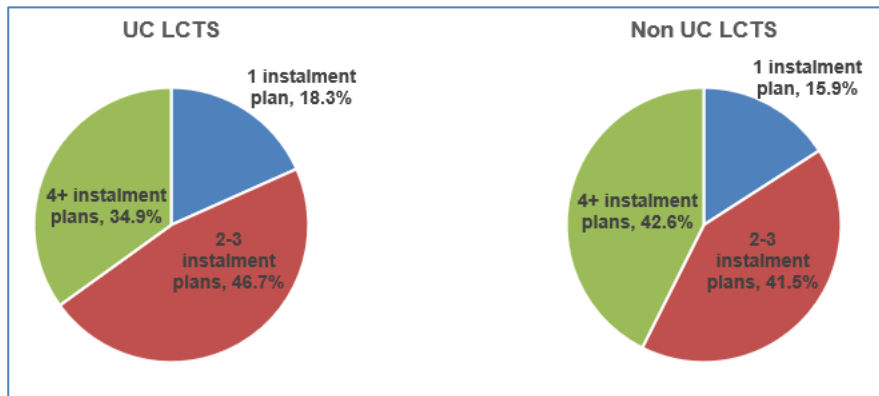
Looking at all open Council Tax accounts (Chart 1) 82.6% have had one instalment plan, 15.6% have had 2 or 3 and 1.8% have had 4 or more instalment plans. Instalment plans recalculate when there is a change to an account – this could be a change in LCTS but it could also be as a result of moving property, applying for a discount or changing a payment method.

Chart 1 All Council Tax Accounts



A higher proportion of working age LCTS recipients have had more than one instalment plan than either pension age or those not in receipt of LCTS. Looking at working age LCTS recipients who still have some Council Tax to pay (Chart 2) being on UC does appear to correlate with more instalment plans but not substantially more. The driving factor is being in work on a low income with fluctuations in pay, and this has not changed with the introduction of UC.

Chart 2 Working Age LCTS with some Council Tax to Pay



We asked councillors at the Strategy and Resources EAB for feedback on areas that they recommend should be either untouched or looked at in more detail during scheme reviews. They agreed that we should look at minimising instalment recalculations.

Unfortunately changing the scheme is not as easy as simply saying we will not recalculate for changes as this would result in unfair scenarios such as:

- The recipient who has 10% of their Council Tax paid and then has a reduction in pay. This would currently entitle them to more help, which a “do not recalculate” rule would prevent.
- The recipient who has 90% of their Council Tax paid and then has an increase in pay. They would currently be entitled to less help, but a “do not recalculate” rule would maintain the help at a higher level.

We also need to consider whether our software supplier can automate the changes, and how any changes interact with other elements of the scheme – for example changes in capital or to non-dependants’ income.

Due to these complexities we need to look at this as part of the fundamental review, however the instalment analysis shows that the delay is not causing a substantial problem.

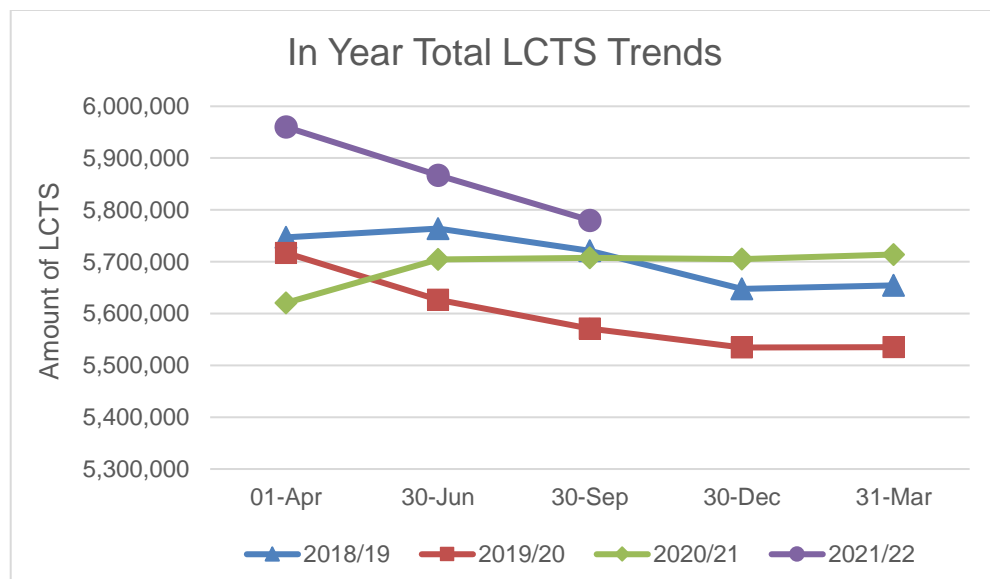
5.2 A year ago we reported that we had seen a relatively small increase in LCTS payments since 1 April 2020. At 30 September 2020 we had seen an in year change of £87,083. As table 3 shows this rose to £93,279 by the end of the year.

Table 3

Year	LCTS at 01/04 £	LCTS at 31/03 £	In Year Change £	Retrospective LCTS changes for previous years £
2013/14	6,720,705	6,578,398	-142,307	n/a
2014/15	6,399,286	6,181,992	-217,294	-69,066
2015/16	6,140,508	5,901,366	-239,142	-171,760
2016/17	5,542,321	5,518,566	-23,755	-51,999
2017/18	5,679,604	5,533,577	-146,027	-71,346
2018/19	5,747,267	5,648,418	-98,849	-64,515
2019/20	5,716,933	5,534,922	-182,011	-84,931
2020/21	5,620,688	5,713,967	93,279	-78,089
2021/22 At 30/09/21	5,959,880	5,779,998	-179,882	-4,686

Generally, the trend in year is for a reduction in total support. Looking at the quarterly totals for the last three years 2021/22 currently appears consistent with 2018/19 and 2019/20, with 2020/21 as the exceptional year (Graph 1)

Graph 1



Figures from the Office of National Statistics (ONS) show that unemployment rates locally rose from 1.8% in March 2020 to 3.1% in March 2021. The highest figure previously was 5.6% in March 2013.

The government put measures into place that minimised the increase in working age welfare claims. The main measure being the furlough scheme. Whilst the government originally intended it to end in 2020, a series of extensions mean that the scheme ended on 30 September 2021.

HMRC released figures on 9 September 2021 that show that the number of employees on furlough continues to decrease as the economy reopens. Employees on furlough in Guildford Borough have fallen from 10,800 at 31 July 2020 to 4,700 at 31 May 2021 to 3,100 at 31 July 2021 (information is based on where HMRC records show an employee lives). It is not unreasonable to assume that the 30 September 2021 figures, when published, will show a further reduction following completion of step 4 of “The Roadmap out of Lockdown” on 19 July.

What we do not know is whether those coming off furlough are returning to their existing job, moving to a new job, or becoming unemployed. However, those on low incomes via any route should (if eligible) already be receiving LCTS and therefore be included in the figures in table 3. It is possible that some of the residual furloughed employees will claim LCTS from October if they lose their job or move to a lower paid post.

- 5.3 The vaccination programme and the end of lockdown appear to give us more economic certainty than a year ago, however research still paints a mixed picture of facts and possibilities.

The Local Government Information Unit (LGiU) briefing on The Institute for Fiscal Studies (IFS) 2021 report on living standards, poverty and inequality concludes that it remains hard to predict the future.

“Despite the enormous economic upheaval that has accompanied the pandemic, the labour market impact has so far been relatively modest. This is thanks in no small part to the UK Government’s Job Retention Schemes, which have succeeded in protecting millions of jobs, albeit unevenly ...

Things may well change in the autumn as the Job Retention Schemes wind down, but it is very hard to predict the future path of employment and unemployment, even without the additional uncertainties of the pandemic. It is likely that many people will lose their jobs as support is withdrawn, but the unemployment shock could be offset to some extent by the new labour shortages that are emerging because of Brexit.”

The National Institute of Economic and Social Research reports a relatively optimistic forecast at a national level:

“The unemployment rate is now forecast to peak at 5.4 per cent in the fourth quarter of 2021, with the majority of furloughed staff either returning to their existing jobs or filling the current gaps in the labour market, but an increase of 150,000 in jobless figures following the end of the Coronavirus Job Retention Scheme. Real household incomes are forecast to grow by 2.8 per cent this year after falling by 0.6 per cent in 2020: strong earnings growth, driven by the return to full earnings of furloughed staff, is partially offset by higher inflation.”

The Office of National Statistics (ONS) Labour market overview, UK: September 2021 also suggests an improving picture of the labour market continuing to recover:

- London, Scotland and the South East have yet to return to pre pandemic numbers of payroll employees. Everywhere else is now above these numbers.
- Young people aged 16-24 have been particularly affected by the pandemic - however even this sector has seen improvement.
- Number of job vacancies across all sectors reached record levels between June and August 2021.

However, the Centre for Cities and the Resolution Foundation report (LGiU briefing) that the impacts of the pandemic on personal finances have been uneven, with wealthier households cutting back on spending and increasing their savings, while poorer households have been unable to reduce their spending and have also seen their incomes fall. Whilst there is a suggestion that households with savings will boost the economy with post lockdown spending, there is also concern for those with reduced incomes and increased debt. Where debts include Council Tax and rent arrears they potentially have an impact on local authorities finances.

- 5.4 The government provided businesses and individuals with a range of support measures throughout the pandemic. These have minimised the number of households requiring welfare benefits and have undoubtedly prevented businesses from closing (company insolvencies were considerably lower in 2019/20 than in 2020/21) – however there will undoubtedly be some business failures in the months ahead as support is withdrawn and a post-pandemic world settles down.

The increase in job vacancies to higher than ever levels is good news for those needing to find alternative employment, although the statistics give no indication of whether these jobs are permanent, zero hour contracts or minimum wage.

With regards to LCTS the potential impact of the pandemic has been much reduced by the government's support for employers and employees. We should however anticipate a further increase in people seeking support over the next 6 or so months. Following which, if there are no further lockdown's, we should reasonably expect levels of support to stabilise and decrease.

- 5.5 The government allocated us a £469,380 COVID-19 hardship fund for us to administer locally in line with published guidance. They expected all working age LCTS claimants in 2020/21 to receive a hardship fund discount of up to £150, after we applied all other discounts and exemptions. Where the liability for the remainder of the financial year was less than £150 the discount should bring the liability down to nil. The discount is to be applied to all existing claimants and then to any who qualify throughout the rest of the year. We adopted a discretionary scheme under delegated authority at the end of June 2020 and issued recipients with revised bills.

Because we operate a LCTS scheme that grants 100% support to 60 to 70% of applicants, we did not spend the fund in 2020/21 and Council agreed that we would carry the residual funds forward. We have been operating the same scheme in 2021/22. Table 4 shows the spending on this fund to date.

Table 4

	Amount £	Balance £
Fund		469,380
Allocated in 2020/21	167,541	301,839
Adjustments to 2020/21 to 30/09/21	1,632	300,207
Allocated in 2021/22 as at 30/09/21	132,781	167,426

We do not have to repay the residual funds. We propose that if there are any residual funds at the end of the year then they be carried forward into 2022/23. A decision on a scheme to help taxpayers to be made once we know the value of those funds.

6. LCTS Annual Review Options

- 6.1 Once again we delayed forecasting the impact of scheme changes until August to try and maximise accuracy. We could not delay further due to the consultation and committee requirements to get a scheme in place for 2022. Although legislation allows us to adopt a scheme as late as 11 March, in practical terms this does not allow us to calculate and issue council tax bills for the first instalment date of the new financial year. To accomplish this the report needs to go to full Council by 31 January.
- 6.2 In reviewing our LCTS scheme there are essentially three options available. We can reduce, maintain or increase the current level of financial support available.
- 6.3 We are not in receipt of additional funding and we have already made substantial reductions in the support that we grant. We made these reductions through targeted and considered scheme changes. These ensure that those most in need continue to have their Council Tax reduced to zero.
- 6.4 The New Policy Institute reported that in 2018, 264 (80 percent) local authorities had implemented schemes where everyone had to pay a percentage of the council tax, no matter what their financial situation was. Asking everyone to pay something is an “easy” way to save a large proportion of LCTS expenditure. However, the consequence of this is a large number of relatively small council tax debts to collect, generating additional work for the Council Tax collection team, and almost inevitably a drop in collection rates.

Prior to the pandemic our collection rates remained amongst the highest in the country and, we believe, the most vulnerable continue to be supported in full. For those adversely affected by our scheme the Discretionary LCTS Hardship Fund allows for a detailed review of their income and expenditure needs, and financial help where necessary.

- 6.5 In autumn 2020 we reported that our existing scheme would continue to support residents who were in greatest need. New applicants for LCTS due to the pandemic would be assessed in the same way as existing claimants. The cost of the scheme would increase with more people applying. Around 10% of the increased cost would fall to Guildford Borough Council.

At the time the unknown cost was a concern, but officers believed it was important to support people to stay in their own homes until the economy bounced back, and to minimise the transfer of costs to our homeless prevention team. For this reason, we did not suggest that the scheme should be changed to keep our expenditure under control.

As at autumn 2021 these reasons have not changed. There remains uncertainty around the ending of furlough and it remains important that we support residents. Our scheme continues to do that.

The overall cost of LCTS rose during 2020/21 (by £93k) but has fallen during the first six months of 2021/22 (by £180k) as the economy reopened. Whilst the cost of any increase due to the end of furlough remains unknown, there is more certainty that it will not be exorbitant.

6.6 Our LCTS scheme is complex, containing many variables to tailor assessment to the individual, as did the national Council Tax Benefit that preceded it. Making no changes to the scheme does not “maintain” the level of financial help being given as it freezes some of the allowances used in the assessment calculation. In HB and the national Pension Age Scheme these figures are uprated annually to offset increases in the cost of living. To ensure that we continue to help those most in need we propose that councillors agree to change our scheme to reflect the latest values being used for either HB or Pension Age LCTS (set out in Appendix 1) for:

- Personal Allowances
- Premiums
- Non-Dependant Deductions

A Personal Allowance is the basic amount that a specific type of household is expected to need each week – for example a family, couple or single person. Premiums are the additional sums required for specific needs such as having a disability or needing a carer. Increasing either of these results in claimants receiving more help than they would if the figures were frozen.

Non-Dependant Deductions are the contribution that someone over 18 makes to the household finances. These work on a banded scale which will also be increased. The contributions range from £4.05 per week for someone who is unemployed to £12.45 for someone earning around £24,000 pa. Increasing non-dependant deductions means that we expect any non-dependant living in the household to contribute slightly more to household expenses (HB already assumes that they should do so). The effect is generally to reduce the amount of LCTS, however if a non-dependant does not have a pay increase and moves into a lower band then the LCTS can increase as their contribution reduces. The complexity of the calculations can also mean that a claimant continues to receive 100% LCTS because their needs exceed their income.

The combined cost of the three changes is forecast at £2,500.

It should be remembered that individual claims are always changing with individual circumstances, meaning that it is likely that claimants will only be affected by the changes for part of the year.

- 6.7 We removed the cap on help for claimants living in a Band E property for 2021/22. The cap normally restricts the maximum help to a Band D charge. The rationale for this was the anticipation that the pandemic would lead to more requests for support from residents who had previously enjoyed permanent and well-paid employment – enabling them to live in a larger property. We estimated that the cost for existing claimants would be around £50,000. The cost for an increase in applications was unknown.

Reviewing Band E recipients, the overall number claiming working age LCTS has increased by 7 since August 2020. Around two-thirds of the caseload has remained static. Of the 142 cases in August 2021:

- 138 are currently for the whole year
- 2 start part way through the year and currently continue to 31 March 2022
- 2 are for a period that has ended
- 101 are the same claimants as last year
- 27 live in the same properties as last year and are now claiming LCTS
- 14 have moved to a band E Property (these are mainly tenants, half have moved into the borough)

Only 64 of the 142 claims receive 100% help. The overall cost of the removal of the cap is just under £50,000.

Given the continued uncertainty about the coming months, that costs have not escalated, and that we need to continue to support those affected by the pandemic to maintain their own homes, removing the Band E restriction for a further year is a balanced way of providing residents with support.

- 6.8 In any normal financial year, retrospective recalculations of support occur because of claimant changes in circumstance. Table 3 (replicated below) sets out the sums granted during the financial year, plus adjustments for previous years. In previous years we have been able to accommodate scheme changes within existing revenue budget. 2020/21 was an exception due to the pandemic, however 2021/22 looks set to follow normal trends and we predict that we can accommodate scheme changes within the existing budget.

Table 3

Year	LCTS at 01/04 £	LCTS at 31/03 £	In Year Change £	Retrospective LCTS changes for previous years £
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7. Stakeholder Consultation

- 7.1. We undertook a consultation, from 24 September and 13 October 2021, via our website as well as seeking the views of our major preceptors (Surrey County Council and the Police and Crime Commissioner).
- 7.2. Surrey County Council (SCC) welcomes our intention to continue to provide financial support for the most vulnerable households and support the proposals. They asked some questions about the removal of the Band E cap and have said that they do not want to see it extended for a further year. We have confirmed that the extension is for just 2022/23.
- 7.3. The Office of the Police and Crime Commissioner for Surrey (PCC) asked some questions about the changes and following clarification has no further comments and supports the changes for 2022/23.
- 7.4. Copies of the SCC and PCC responses are included in this report at **Appendices 4 and 5** respectively.
- 7.5. The main aim of the online consultation was to ensure residents had the opportunity to give their views about the proposed LCTS scheme changes for 2022/23. The key objectives of the consultation were as follows (full report is attached at **Appendix 6**):
 - To understand residents' views on the proposed changes for 2022/23.
 - To assess the level of agreement towards future options for the LCTS scheme, specifically that all claimants should have to pay a certain fixed percentage of their council tax and the extent to which this may have an impact.
 - To provide residents with the opportunity to suggest other savings or options that could be included in future reviews of the LCTS scheme, including the Future Options Review.
- 7.6. There is a statutory requirement that we consult on our scheme. In earlier years we commissioned SMSR Ltd, an independent research company, to carry out the consultation on our behalf. This involved an online survey and the Citizens Panel and cost around £5000 per year. Writing to individual claimants to advise them of the consultation incurred an additional cost of over £1000.00. In 2017/18 271 residents responded to the consultation.

As reported in previous years even with publicity response rates have been disappointing. Engagement has been low from those in receipt of LCTS. However proposed changes have been minimal and, apart from Non-Dependant Deductions, beneficial to applicants.

Officers concluded that any future consultation around more substantial scheme changes must:

- Include current working age recipients of LCTS, as well as the general population.
- Provide more information on the context – for example our legal obligations, how the welfare system works in general, the contribution

Council Tax makes to service funding, and areas where we do or do not have discretion.

- Provide examples of what the proposed changes may mean for people, so that consultees can understand them better.

- 7.7 The public consultation received only one response, which supported the changes. Whilst this is disappointing the proposed changes are minor.
- 7.8 Councillors at the Strategy and Resources EAB found that the current scheme is complex as, in common with other welfare benefits, it attempts to ensure fairness by catering for endless permutations of household circumstance. As such we should probably not be surprised that engagement is low, and it may be that the best feedback on any revised scheme following our fundamental review will come from advice agencies used to dealing with the intricacies of such schemes.
- 7.9 In conclusion, given the minor nature of the changes it is probably not surprising that few residents responded to the consultation. However, it remains a challenge to engage the public and explain the intricacies of the scheme. Going forward with our Future Options Review, we will consider how we get as much feedback as possible from stakeholders. With regards to the annual reviews we need to continue to balance the cost of consultation against the scale of proposed changes.

8. Key Risks

- 8.1 As in 2020 the key risk is our inability in the light of the COVID-19 pandemic to predict the demand for Local Council Tax Support, and therefore the revenue cost.
- 8.2 However the effectiveness of the vaccination programme, furlough, business support and the roadmap out of lockdown (as discussed in paragraphs 5.2, 5.3 and 5.4) has reduced the level of risk.
- 8.3 The level of support is already being monitored, and this will continue. This will allow officers to flag up any extreme changes with the S151 Officer.

9. Financial Implications

- 9.1 The amount of LCTS has reduced since its inception in 2013. Table five below shows the total amount paid out over the years when compared to the final year of CTB. As can be seen, even with additional increases in Council Tax to pay for Adult Social Care we have far exceeded the original required saving of £700,000 in 2012/13.

Not all the reduction will be down to the changes we have made directly, but also the government's central reforms to encourage more people into work and become less reliant on benefits, as well as improvements in the economy up to March 2020.

Table 5

Year	Figures as at:	£ amount of CTB/LCTS	Compared to 2012/13
2012/13 (CTB)	31-Mar-13	6,964,525	n/a
2013/14	31-Mar-14	6,578,398	-386,127
2014/15	31-Mar-15	6,181,992	-782,533
2015/16	31-Mar-16	5,901,366	-1,063,159
2016/17	31-Mar-17	5,518,566	-1,445,959
2017/18	31-Mar-18	5,533,577	-1,430,948
2018/19	31-Mar-19	5,648,418	-1,316,107
2019/20	31-Mar-20	5,534,922	-1,429,603
2020/21	31-Mar-21	5,713,967	-1,250,558
2021/22	30-Sep-21	5,779,998	-1,184,527

- 9.2 From 2010 to 2018, Guildford's Council Tax collection rates were consistently amongst the top twenty in England. In 2019 end of year collection was affected by the pandemic and we slipped to 32nd place. Performance up to 2018 indicates that the changes made to the LCTS scheme are not creating significant levels of bad debt.

This is consistent with the Institute for Fiscal Studies 2019 report "The impacts of localised council tax support schemes". They found that Council Tax arrears increased in Council adopting minimum payments (everyone must pay something regardless of circumstance) and was unchanged in those that did not (such as Guildford).

- 9.3 From 2013 to 2020 we set aside £40,000 to support the most vulnerable in the community should they be facing short-term difficulties in paying their council tax. In 2021 we increased this to £60,000 to ensure that we had sufficient funds should the pandemic result in an increase in requests for help especially from those in higher banded properties.

Despite publicising our scheme and making sure claiming hardship funds is as inclusive as possible, we have not yet spent anywhere near our budget even in 2020 and 2021, as the following table illustrates.

Table 6

Year	No. of applications	No. of successful applications	Amount of extra support £	Budget £
2013/14	26	8	2,073	40,000
2014/15	64	33	13,371	40,000
2015/16	54	26	10,646	40,000
2016/17	90	49	14,660	40,000
2017/18	68	35	15,903	40,000
2018/19	90	29	11,087	40,000
2019/20	106	30	14,585	40,000
2020/21	137	20	10,451	40,000
2021/22 at 30/09/21	25	8	5,671	60,000

- 9.4 The Discretionary LCTS Hardship Fund enables us to assess the income and expenditure needs of any claimants adversely affected by our scheme rules and provide further financial assistance where necessary. Applicants are encouraged not to depend upon the fund in the long term. Awards have generally been for 75% of the shortfall between entitlement under our amended scheme rules and the governments default rules.

Standard benefit schemes use set assumptions regarding expenditure ie a couple with one child need x amount to live on, but under the hardship scheme we look at actual expenditure. This does enable us to take extraordinary expenditure into account – for example a sick child having to be taken regularly to a distant hospital. In exceptional circumstances we pay 100% of the shortfall.

- 9.5 Schedule 1A of the Local Government Finance Act 1992 requires us to consider transition for anyone disadvantaged by a change to the local scheme. The Hardship Fund ensures that we can do this, however it is important to note that help is only available to those affected by the scheme and is restricted to the amount that they are affected.

Our local rules do not affect all claimants, and many claimants are not entitled to 100% LCTS. The fund does not exist to top up help to those not affected by the scheme, or to help taxpayers facing hardship for any other reason. By way of clarification table 7 shows the reasons for refusing applications in 2020 and 2021.

Table 7

Reason for refusal	Number of applications 2020 to 31/03/21	Number of applications 2021 to 30/09/21
Information not provided to enable assessment	35	5
Income is sufficient for expenses	31	11
No LCTS claim	24	1
Not affected by scheme rules	15	0
Already received 100% LCTS	10	0
Capital £6k+	2	0
Grand Total	117	17

- 9.6 The Council Tax team is aware of the fund and advises customers about it. Where customers face hardship for other reasons, they try to work with them to find solutions (which could include rescheduling instalments or advising them to take independent advice).
- 9.7 It could be argued that we should reduce the fund as we consistently do not allocate all the funds. However, it is important that we have funds in place should we need them. The effects of the pandemic have been cushioned by government initiatives and whilst the worst of the pandemic appears to be over officers recommend that the fund reverts to £40,000 but is not reduced any further.

- 9.8 LCTS is funded from the Collection Fund, and any variance from costed assumptions affects the surplus or deficit of this fund. Any deficit is recovered from the General Fund. The forecast cost of £2500 for 2022/23 scheme changes, is a negligible cost.

10. Legal Implications

- 10.1 The *Local Government Finance Act 2012* introduced local council tax reduction (CTR) schemes to replace CTB from April 2013. The *Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012* contains the mandatory elements for any local scheme and details the scheme that must be adopted for pensioners.
- 10.2 Schedule 1A to the *Local Government Finance Act 1992* as amended makes further provision regarding the LCTS schemes. The Council is under a statutory duty to review its LCTS scheme annually. If the authority wishes to revise or replace its scheme, the Council must (in the following order):
- (a) consult any major precepting authority, which has the power to precept it
 - (b) publish a draft scheme in such manner as it thinks fit and
 - (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

The Council must decide on any revision or replacement of the scheme by a meeting of the Council. In 2017 *The Council Tax Reduction Schemes (Amendment) (England) Regulations 2017 SI 1305* changed the deadline for the Council to decide on a scheme from 31 January to 11 March.

- 10.3 Under Schedule 1A to the 1992 Act, the Council must publish the scheme in such a manner as it thinks fit. We will publish our scheme on our website once Council has approved it and we have made all the agreed amendments. In addition, each Council Tax bill that we issue explains that help with the Council Tax may be available and advises taxpayers where further information can be found.

11. Human Resource Implications

- 11.1 The proposed amendments to the LCTS Scheme for 2022/23 will not change the workload for either Customer and Case Services, or the Revenues and Benefits Specialists.

The teams remain key in delivering the migration of UC and other DWP initiatives that we are obliged to carry out, often at short notice. Additionally, they have become involved in non-benefit government initiatives, such as the NHS Test and Trace Support Payments for those on low incomes who are directed to self-isolate, as verification requires access to secure government systems already used by benefits assessors.

- 11.2 Natural migration to UC is reducing the HB caseload in the long term. In the short term, each case moving to UC creates additional work due to the two-week run on of HB. The government put the run on into place to mitigate the delays in the DWP making UC payments, but it has created an additional administrative process for us.

- 11.3 Once claimants are on UC, the workload associated with their LCTS claims increases due to the initial delay in the DWP awarding UC, and subsequently the monthly reassessment of entitlement. We will address this through our separate Future Options for LCTS Review.
- 11.4 The DWP is responsible for the timetable and detailed plans for the managed migration of working age caseload to UC. Migration is currently due to complete by September 2024, having been postponed several times from October 2017. The DWP has yet to share any plans for the migration, and without any details we cannot make any plans. If changes are imminent as regards the managed migration of Universal Credit, officers will advise councillors accordingly.

12. Equality and Diversity Implications

- 12.1 We must demonstrate that we have consciously thought about the three aims of the Public Sector Equality Duty, as set out in *Section 149* of the *Equality Act 2010*, as part of the decision-making process to develop an LCTS Scheme. The three aims the authority must have due regard for are to:
- eliminate discrimination, harassment and victimisation
 - advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - foster good relations between persons who share a relevant protected characteristic
- 12.2 The Council must pay due regard to a risk of discrimination arising from the decision before them. There is no prescribed manner in how we must exercise our equality duty, though producing an Equalities Impact Assessment (EIA) is the most usual method. The LCTS EIA, is not affected by the minor changes being recommended for 2022/23.
- 12.3 The *protected characteristics* are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including ethnic or national origins, colour or nationality), religion or belief, sex, sexual orientation.

13. Climate Change/Sustainability Implications

- 13.1 There are no Climate Change/Sustainability implications

14. Executive Advisory Board comments

- 14.1 Following a press release in 2020, councillors indicated that they would like an EAB on LCTS. Officers proposed that this occur in May or early June 2021 for the 2022 scheme, as this would be before any modelling or forecasting took place and would allow the EAB to have input at an early stage.
- 14.2 At the Strategy and Resources EAB on 14 June 2021, councillors were presented with information regarding the complexities and challenges of the current LCTS Scheme and its component parts. They were taken through some example calculations to show how the component parts fit together, and

were asked to provide feedback of key areas they would like officers to either leave untouched or look at in more detail.

- 14.3 In terms of designing an LCTS scheme that was simple, fair and affordable, the current scheme was not considered to be simple and it was questionable whether it would be affordable in the long term. However, the scheme could be deemed to be fair owing to its complexity that enabled it to be tailored to assist in all household circumstances. Whilst a simpler scheme was sought (through the paused Future Options Review), this would need to be balanced against fairness and affordability with a view to achieving the best combination to meet local needs.
- 14.4 Councillors agreed that the main point to be fed back from the Board's discussion was that the calculation of Universal Credit under the LCTS Scheme should be an area to remain untouched in the interests of avoiding onerous and time-consuming monthly recalculations. This area has already been commented on in paragraph 5.1 as some additional analysis has been completed post EAB. The matter will be considered further as part of the Future Options Review.

15. Summary of Options

- 15.1 This report provides an overview of the current position regarding our LCTS scheme and the successes we have experienced with its implementation, from both a customer and financial point of view. It considers the impact of the pandemic on our scheme and what may happen in the next 6 to 12 months.
- 15.2 The Council can implement some relatively small changes to the scheme to:
- address the impact of increases in the cost of living,
 - continue to provide some additional support to claimants in band E properties.
- 15.3 Creating a Local Council Tax Support Scheme is not without risk:
- There is a balance to be found between an affordable local welfare arrangement and significant hardship for residents. Given a scheme that currently supports those most in need as we come out of the pandemic, officers are not recommending that support should be reduced. For a modest cost levels of support can be maintained.
 - Officers have concluded that the hardship fund helps minimise the risk by providing help for those facing financial hardship because of our scheme rules. This could include individuals affected by the pandemic, especially if there is an increase in business failures in 2022/23.
 - The impact of Universal Credit remains uncertain, and therefore a further risk. A more radical review of our scheme is being undertaken to try and mitigate any problems, but due to the complexity of the work involved this is more than a one-year project.
- 15.4 To continue with the momentum of the past eight years, the Executive is asked to recommend to Council that an appropriate hardship fund be maintained in 2022/23, to enable us to continue to support families affected

by our local scheme. Officers suggest this reverts to a £40,000 pot as the uncertainties that led to the increase for 2021/22 did not materialise due to the governments extended furlough and business grant schemes.

- 15.5 In addition, if there are any residual COVID-19 hardship funds left at the end of the financial year officers suggest carrying them forward into 2022/23 to provide further Council Tax discounts for those in financial need.

16. Conclusion

- 16.1 We have intermittently reduced the amount of support available to meet our financial targets, without overly complicating our scheme and causing customers severe hardship.
- 16.2 New claimants as a result of the pandemic, receive the same level of help as pre pandemic claimants. The scheme is detailed and has proved robust since it was introduced in 2013, with limited requests for hardship funds. New claimants will increase the cost of the scheme, but so far these have been minimised by various government COVID support schemes.
- 16.3 It is important that we continue to provide help with the Council Tax to those who are financially vulnerable.
- 16.4 To try and balance cost and support officers suggest the Executive recommends relatively small changes to the scheme to address the impact of increases in the cost of living and to continue to provide some additional support to those in Band E properties.

17 Background Papers

Council Reports:

- Report to Council 6 December 2012; LCTS Scheme Assessment
- Report to Council 12 December 2013; Review of the 2013-14 LCTS Scheme and changes for 2014-15
- Report to Corporate Improvement Scrutiny Committee 18 September 2014; Welfare Reform – Impact and Service Review; One Year On
- Report to Council 9 December 2014; LCTS for 2015-16
- Report to Customer and Community Scrutiny Committee 8 September 2015; Review of the 2015-16 LCTS Scheme and proposed changes for 2016-17
- Report to Council 9 December 2015; LCTS Scheme for 2016-17
- [Report to Council 6 December 2016; LCTS Scheme for 2017-18](#)
- [Report to Council 5 December 2017; LCTS Scheme for 2018-19](#)
- [Report to Council 4 December 2018; LCTS Scheme for 2019-20](#)
- [Report to Council 3 December 2019; LCTS Scheme for 2020-21](#)
- [Report to Council 8 December 2020; LCTS Scheme for 2021-22](#)
- [Report to Strategy and Resources Executive Advisory Board 14 June 2021; Contributing to reviews of the Local Council Tax Support Scheme](#)

Administration Grant Awards:

- Localised Council Tax support provisional allocations
<https://www.gov.uk/government/publications/localised-council-tax-support-administration-subsidy-grant-2019-to-2020>
- Localised Council Tax support provisional allocations
<https://www.gov.uk/government/publications/localised-council-tax-support-administration-subsidy-grant-2020-to-2021>
- Localised Council Tax support provisional allocations
<https://www.gov.uk/government/publications/localised-council-tax-support-administration-subsidy-grant-2021-to-2022>

External Reports and Data

- Inside Housing <https://www.insidehousing.co.uk/news/news/low-number-of-tenants-moved-to-universal-credit-in-harrogate-pilot-65041>
- Commons Library <https://commonslibrary.parliament.uk/constituency-data-universal-credit-roll-out/>
- Office of National Statistics unemployment levels [M01 Regional labour market: Modelled unemployment for local and unitary authorities - Office for National Statistics \(ons.gov.uk\)](https://www.ons.gov.uk/methodology/employment/unemployment-levels)
- HMRC <https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics>
- Institute for Fiscal Studies <https://lgiu.org/briefing/ifs-2021-report-living-standards-poverty-and-inequality-in-the-uk/>
- National Institute of Economic and Social Research <https://www.niesr.ac.uk/publications/uk-economic-outlook-summer-2021-emerging-shadow-covid-19>
- Office of National Statistics UK Labour Market Report <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/september2021>
- Centre for Cities and the Resolution Foundation Reports <https://lgiu.org/briefing/mind-the-gap-how-covid-19-has-impacted-on-personal-finances/>
- Company Insolvencies <https://www.gov.uk/government/statistics/company-insolvency-statistics-january-to-march-2021>
- New Policy Institute <https://www.counciltaxsupport.org/schemes/>
- Institute of Fiscal Studies Report “The impacts of localised council tax support schemes”
<https://www.ifs.org.uk/uploads/publications/comms/R153.pdf>

18. Appendices

- Appendix 1 Proposed Changes to The Guildford Borough Council (Council Tax Reduction Scheme) (Persons who are not Pensioners) for 2022-23
- Appendix 2 Summary of Scheme Changes 2013 to 2021
- Appendix 3 Reasons for Reviewing Future Options for LCTS
- Appendix 4 Response from Surrey County Council
- Appendix 5 Response from Police and Crime Commissioner
- Appendix 6 Consultation report