

Society, Environment and Council Development Board Report

Ward(s) affected: All

Report of Director of Resources

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## Local Council Tax Support Scheme for 2017-18

### Executive Summary

This report discusses the Local Council Tax Support (LCTS) Scheme (otherwise known as Council Tax Reduction (CTR)), commenting on the successful implementation and bedding-in since its introduction in 2013, and starts a process of consultation with various stakeholders that we are obliged to carry out. The success of the scheme to date and the various changes made in previous years indicates that there is little room for additional change in the next financial year.

The report comments on the impact the changes made to the scheme for the current year 2016-17, the effect on the Council's finances and the level of financial support (hardship relief) sought by vulnerable council tax payers over the last four years. The Council is obliged to review the scheme each year and consult with stakeholders prior to the Executive setting a scheme, which we must achieve by 31 January 2017.

### Recommendation to Executive Advisory Board (EAB)

The Society, Environment and Council Development Advisory Board:

- a) is asked to submit any comments on the current LCTS Scheme and the level of hardship relief available for residents, to inform the Executive at its meeting of 25 October 2016, and
- b) agrees not to make any changes to the current LCTS Scheme, subject to the feedback we will receive from stakeholder consultation.

### Reason(s) for Recommendation:

To assist the Executive in setting a Local Council Tax Support scheme for 2017-18 and assist the Executive in recommending to Council the appropriate level of hardship relief for the year, to help the most financially vulnerable in the community.

## **1. Purpose of Report**

- 1.1 This report reminds the EAB of our LCTS Scheme that is currently in operation, comments on the impact of the changes made to the scheme in 2015 for the financial year 2016-17, and starts a process of consultation that we are obliged to carry out.
- 1.2 The report also advises of the level of financial support that has been claimed during the year (and previous years) by the most financially vulnerable in the community.

## **2. Strategic Priorities**

- 2.1 The work of the Benefits service and Housing and Health service continue to contribute to two of our five fundamental themes – Economy and Society. By processing claims for financial support quickly and accurately the Benefits service supports the most financially vulnerable of our residents. The Housing Rents service works with vulnerable groups preventing homelessness, giving housing advice and enabling residents to maintain employment and live in affordable accommodation.

## **3. Background**

- 3.1 In April 2013 the government replaced Council Tax Benefit (CTB) with locally determined support schemes. In addition, the funding available for such schemes to support those of working age was reduced by 10%. For us, 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%). 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 For 2013-14, the Council agreed to pass on about £300,000 of this funding reduction to residents. Additional reductions in the level of financial support available were introduced from April 2014. The schemes implemented for 2013-14, 2014-15 and 2016-17, 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.
- 3.3 We did not make any changes to our LCTS scheme in 2015-16, which reduced the level of financial support offered to residents. For our current year scheme however we made some modest changes to reduce expenditure by approximately £300,000 (of which only 10% is benefitting this council as the savings are shared with Surrey County Council and the Police and Crime Commissioner for Surrey). These changes included the freezing of personal

allowances and premiums, increasing non-dependent deductions, the introduction of a minimum income floor for the self-employed and, finally, including Child Benefit and Maintenance as income. Each of these contributes to the reduction in benefit awarded.

- 3.4 In the budget of 8 July 2015, the government committed to reduce national welfare expenditure by £12 billion, detailing significant welfare cuts and reforms. We have felt the effect of this in 2016 through reduced grant and subsidy. The government also committed to a review of the LCTS system, which concluded earlier this year. The recommendations in the review were not significant and it is extremely unlikely that the government will revert to the old system of CTB in the near future.
- 3.5 We have now successfully managed to embed the LCTS scheme into the Housing Benefit (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.
- 3.6 The embedding of the scheme is good news, as the abolition of CTB in 2013 is one major strand of the government's changes to the welfare state and the most significant change to the Benefits service in over 20 years. This has truly been a transformation on a grand scale. Every council operates a different scheme now, with many variations designed to address encourage more people back into work and address the deficit reduction.

#### **4. Universal Credit**

- 4.1 On 20 July 2016, Ministers announced a further delay to the new Universal Credit scheme. Full rollout of this particular welfare reform is now forecast in March 2022 – the extension of a year to the initial deadline date and 11 years after its introduction was announced.
- 4.2 Universal Credit, which replaces six current benefits (including HB but not LCTS) with a single payment, is being rolled out across the country. The revised schedule is being attributed to extra work created by changes announced in the 2015 summer Budget, including limiting the child element of tax credits to two children. Universal Credit currently has 279,000 claimants and is available to new, single jobless in every job centre across the UK. We expect the actual schedule, of which job centres will feature heavily in the rollout, in the autumn 2016. The number of Universal Credit claims we have received so far is very small.
- 4.3 The government will specify the delivery of the two-child limit for new claims for benefits through HB and Tax Credits until November 2018, whilst the incorporation of HB for pension age into pension credit will not begin until completion of Universal Credit - which effectively means after 2022. In view of our caseload of claimants being roughly made up of 50% pension age and 50%

working age (table 1 below), it is likely that the resources we currently have in place to administer benefits will be with us for quite some time.

**Table 1**

	Caseload
Working Age Claimants	2,576
Pension Age Claimants	2,556

## **5. Consultation**

- 5.1 We are obliged to consult on a LCTS scheme each year, even if we do not make any changes to it. This brief report starts the process of consultation following discussion with the Lead Councillor for Finance and the Lead Councillor for Housing and Welfare. We also need to consult with Surrey County Council, the Police and Crime Commissioner for Surrey, the Citizens Panel and other stakeholder agencies, as part of any scheme development for 2017-18.
- 5.2 The Director of Resources has delegated authority to commence consultation with stakeholders, which we expect to commission at the beginning of September.

## **6. Equality and Diversity Implications**

- 6.1 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. 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
- 6.2 The Council must pay due regard to any obvious risk of such 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. Officers will be reviewing our current EIA, which will be available for Council in December 2016.
- 6.3 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.

## 7. Financial Implications

- 7.1 The amount of LCTS has reduced since its inception in 2013. Table two below shows the total amount paid out over the years when compared to the final year of CTB. As can be seen, we have far exceeded the original required saving of £700,000 in 2012-13, reducing the amount of LCTS paid between 2012-13 and 2016-17 by £1,366,055. However, not all of this 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 a few good years of a buoyant economy.

**Table 2**

	Figures as at:	£amount of CTB/LCTS
2012-13 (CTB)	31 March 2013	6,964,525
2013-14	31 March 2014	6,578,398
2014-15	31 March 2015	6,181,992
2015-16	31 March 2016	5,901,366
2016-17	30 June 2016	5,598,470

### Collection Fund

- 7.2 The collection fund in relation to council tax continues to be in a healthy position. We brought forward a surplus of £1,077,512 in to 2016-17, compared to a projected surplus of £1,097,019, which we declared in January 2016. We are currently projecting a surplus for 2016-17 of just over £1 million, although it is early days and this is likely to reduce as the year progresses.
- 7.3 Council Tax collection continues to go from strength to strength despite the tight financial climate for individual households. The collection rate for 2015-16 out turned at 99.32%, up from 99.13% the previous year. The figure for 2015-16 is the best the Council has ever achieved and ranks us 4<sup>th</sup> best collectors nationally.
- 7.4 This is also reflected in the amount of LCTS hardship we have granted. Over the past 4 years we have set aside £40,000 to support the most vulnerable in the community should they be facing short-term difficulties in paying their council tax. Despite publicising our scheme widely and making sure claiming hardship funds is as inclusive as possible, we have not yet spent anywhere near our budget, as the following table illustrates.

**Table 3**

Year	No.of applications	Successful applications	Amount of extra support £	Budget £
2013-14	26	8	2073	40,000
2014-15	64	33	13,371	40,000
2015-16	54	26	10,646	40,000
2016-17 to date	33	19	9,026	40,000

## **8. Legal Implications**

- 8.1 The *Local Government Finance Act 2012* introduced local council tax reduction 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.
- 8.2 Schedule 1A to the Social Security Contributions and Benefits Act 1992 as amended makes further provision with regard to 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 for 2017-18, the Council must (in the following order) (a) consult any major precepting authority (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 by 31 January 2017.
- 8.3 We will publish our scheme on the Council's website once Council has approved it. Additionally we will publish details of the scheme in the spring 2017, edition of *About Guildford*. We will also notify residents of the scheme, including how to apply for hardship support, via the 2017-18 council tax billing exercise.

## **9. Human Resource Implications**

- 9.1 There are no human resource implications. If changes are imminent as regards the introduction of Universal Credit, officers will advise councillors accordingly. It is unlikely however that we will have a human resource issue during 2017-18 in respect of our LCTS scheme.

## **10. Summary of Options**

- 10.1 This report provides an overview of the current position regarding our LCTS scheme and in particular highlights the successes we have experienced with its implementation, both from a customer point of view and with a close eye on the financial effects. Following the changes introduced for the current year's scheme, the Council is in the position of not having to make changes for the coming year.
- 10.2 When schemes were first introduced, most councils referred to each other as they were developing their own flavour of change. This has not been so prevalent over the last two years, although we have become aware of two councils that operate a local scheme based on income bands. We have not researched these schemes any further, as ours (based on the government's default scheme with local variations) is working well. There seems little point in starting afresh as the work to change our scheme would be considerable, to the point of costing more to administer in the short to mid-term as well as potentially confuse customers.
- 10.3 The biggest risk is that given a very unstable financial outlook post Brexit, any further financial pressure placed on vulnerable families could lead to an

imbalance between a prudent local welfare arrangement and significant hardship for claimants. On this basis, officers do not recommend any changes to our current scheme, which if councillors agree, will be the foundation for the consultation we will carry out in September. The consultation will allow stakeholders however to suggest their own changes for consideration by the Executive, which could be to increase the amount of support, thereby increasing the cost to the Council, or decrease support, which will have the opposite effect.

- 10.4 To continue with the momentum of the past four years, councillors are asked to consider recommending to the Executive that an appropriate hardship fund be maintained in 2017-18, to enable us to support families should the financial climate become worse. Officers suggest retaining a £40,000 pot.

## **11. Conclusion**

- 11.1 We have handled the administration of the various benefit and support systems we operate very well. Working together with the Housing service we have been able to support vulnerable claimants whilst coping with the reduction in central funding. We should commend our staff in Benefits, Housing and Local Taxation for the way they have handled such radical changes.
- 11.2 We have intermittently reduced the amount of support available to meet our financial targets, without overly complicating our scheme and causing customers severe hardship. To keep administration as cost effective as possible and minimise disruption to the lives of vulnerable people, officers suggest the EAB recommend no further changes to the scheme, subject to the feedback we will receive from stakeholder consultation.

## **12. Background Papers**

- The 2016 government review of LCTS.  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/514767/Local\\_Council\\_Tax\\_support\\_schemes\\_-\\_review\\_report.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/514767/Local_Council_Tax_support_schemes_-_review_report.pdf)
- Report to Council 6 December 2012; Local Council Tax Support Scheme Assessment
- Report to Council 12 December 2013; Review of the 2013-14 Local Council Tax
- Report to Corporate Improvement Scrutiny Committee 18 September 2014; Welfare Reform – Impact and Service Review; One Year On
- Report to Executive 25 November 2014; Local Council Tax Support Scheme for 2015-16
- Report to Council 9 December 2014; Local Council Tax Support Scheme for 2015-16
- Report to Customer and Community Scrutiny Committee 8 September 2015; Review of the 2015-16 Local Council Tax Support Scheme and proposed changes for 2016-17
- Guildford Borough Council LCTS scheme 2016-17.

**13. Appendices**  
None