Executive Report
Report of Head of Revenue and Payments Services
Author: Steve White
Tel: 01483 444920
Email: steve.white@guildford.gov.uk
Lead Councillors responsible: Nigel Manning and Sarah Creedy
Tel: 01252 665999, 01483 449604
Email: nigel.manning@guildford.gov.uk, sarah.creedy@guildford.gov.uk
Date: 3 October 2013

Review of the 2013-14 Local Council Tax Support Scheme and changes for 2014-15

<table>
<thead>
<tr>
<th>Recommendation to Executive</th>
</tr>
</thead>
<tbody>
<tr>
<td>That the Executive agrees to conduct a consultation on a draft local council tax support scheme (LCTSS) for 2014-15, as outlined in this report and set out in Appendix 1.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reason for Recommendation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>To ensure that the Council complies with government legislation to review its LCTSS and implement any changes from 1 April 2014, following consultation.</td>
</tr>
</tbody>
</table>

1. Purpose of Report

1.1 The report sets out options for changes to the LCTSS for 2014-15. The changes will generate additional financial savings following the government’s decision to reduce the amount of money made available to support those with a liability for council tax.

1.2 The report asks the Executive to agree to consult with interested parties on the draft LCTSS attached at Appendix 1, and the proposed savings options for 2014-15, as set out in paragraph 6.4 of this report.

2. Strategic Priorities

2.1 The Council aims to keep council tax rises below inflation through balanced budgets. This report acknowledges the impact that a reduction in local council tax support (LCTSS) has on certain households and, to minimise such impact, suggests an alternative method of providing some financial support.

2.2 The Council is committed to dialogue and consultation with affected members of the community and this report recommends a six-week period of consultation with interested parties. The full Council will be invited to take into account the
responses to the consultation before it adopts and implements a final LCTSS for 2014-15.

3. **Background**

3.1 From 1 April 2013, as part of the government’s reform of the welfare system, the Council was required to introduce a local scheme to support those with a council tax liability. This scheme replaced the fully funded central system of council tax benefit (CTB).

3.2 To develop a common approach to a local scheme across Surrey and minimise the risks associated with such a significant change, we worked with Surrey County Council (SCC) and other boroughs and districts to develop a Surrey Framework. The draft scheme for 2014-15 will replace the Surrey Framework with the government’s default scheme with local amendments, but retain the five *micro saving* elements that featured in the Framework. Attached at Appendix 1 is the draft scheme for 2014-15, which incorporates options 1 and 2, set out in paragraph 6.4 below, as well as the *micro savings* from 2013-14.

3.3 The government decided on an overall 10 per cent reduction in expenditure on the national CTB bill. The government provided pensioners with full protection from the reduction in expenditure, which meant that all of the savings fell on working age claimants. The 10 per cent savings requirement resulted in approximately a £700,000 reduction in central government grant. We share this reduction in the fixed cash-limited grant with the major preceptors (SCC and Police and Crime Commissioner for Surrey), in the same proportion as the council tax. This meant that our share of the grant loss was £70,000.

3.4 Alongside the introduction of LCTS, the government also changed the rules relating to discounts on empty property and second homes. These changes provided councils with the opportunity to raise additional income through the council tax levied on such property. Councils can choose whether to absorb the reduction in CTB expenditure; pass on all or some of the cuts to claimants; use the additional income generated through charging for empty property or use a combination of all three.

3.5 For 2013-14, we chose to use a combination of two of these options: pass on some of the cuts and generate additional income with a view to reviewing our position in readiness for 2014-15. By adopting the Surrey Framework, we introduced a LCTSS that broadly mirrored the existing CTB system, but with five amendments known as *micro savings*. The *micro savings* accounted for approximately £230,000 of the required £700,000 target and affected approximately 550 people; the balance met by removing discounts for empty property and second homes. We estimated that removing and reducing discounts from empty property would generate additional council tax charges of approximately £800,000 after moderating for bad debts.
4. **Review**

4.1 The Council is under a statutory duty to review its LCTSS annually. If it wishes to revise or replace the scheme, it must first consult various groups. The Council must decide by 31 January 2014, on any revisions or replacement of the scheme, to be able to take effect in 2014-15.

4.2 The scheme implemented for 2013-14 minimised the impact on vulnerable people as much as possible. As we approach 2014-15, we need to review or replace the scheme and address the balance of the 10 per cent savings whilst considering the overall claimant experience of the first year.

4.3 At the time of drafting this report, we are only part of the way through the financial year. Therefore, officers have based the review on available data for the first five months of the year (April to August).

4.4 There are six elements to the review, which are set out below.

- The council tax collection rate. Although the collection rate has dropped by 0.93 per cent compared to last year, officers have no major cause for concern at this stage. Out of the 494 cases (originally estimated at 550) affected by the loss of CTB following the introduction of LCTS, officers considered 194 of these as high-risk non-payment cases, based on previous years’ records. At the end of August 2013, only 63 of these higher risk cases had paid one month’s instalment or less. It is possible, however, that we will experience a delayed reaction as the full effect of all of the welfare reforms start to bite during the latter part of the financial year.

  - Hardship fund claims. We included an estimate of £40,000 in the 2013-14 budget to support those most affected by the changes. To date we have received 14 applications for financial assistance, of which six secured support totalling £1,718. The hardship scheme is well publicised, with details on how to make a claim attached to every council tax bill that is issued.

  - Benefit service provision. We have seen a levelling out of new applications for benefit for the first time in five years. However, both benefits and council tax services have been under considerable strain following the issue of 2013-14 council tax bills due to the number of changes imposed upon us.

  - Empty property. We will collect liabilities from the raising of empty property charges over coming years, although the collection fund immediately benefits from raising extra debit, as set out below. The creation of new debts relating to empty property also affects the collection performance, as outlined above in the first bullet point. The Executive report scheduled for 5 December 2013, will provide more analysis of the overall collection position.

  - The collection fund. At 31 July 2013, the collection fund is showing a £1.2 million surplus relating to council tax due, which is largely because of the increase in empty property liability. Past experience, prior to the LCTSS, indicates that this will reduce during the rest of the year, but the current level is considerably more than in previous years. We will make a formal
projection of the surplus in January 2014, which we will share with the Police and Crime Commissioner and SCC in the 2014-15 budget.

- Scheme administration. In view of the limited amount of time available to implement a scheme last year, the Surrey Framework intended to simplify the change from CTB to LCTS as much as possible. Officers have now had the opportunity to review last year’s position and recommend using the government’s default scheme as a basis for year two, with local amendments, rather than the old CTB regulations. We will still retain the five micro saving elements of the first year’s scheme and include the recommended scheme options for year two set out below.

5. **Options**

5.1 Officers have modelled the effects of four options to enable us to make additional savings in 2014-15. A summary of the options is set out below.

1. The 2013-14 scheme restricts support for claimants living in bands E, F, G and H properties to the liability of a band D council tax. Officers propose that for 2014-15, the restriction remains for properties in band E, but we withdraw support completely for higher banded properties. Officers estimate this option will result in savings of approximately £74,000 and will affect 60 to 70 claimants. Of the affected claimants, 17 private tenants and owner/occupiers reside in band G and H properties. The remainder (57) are in band F properties, of which three are council tenants.

2. Officers also propose to increase the minimum amount of council tax support from £5 per week to £10 per week. This option will result in savings of approximately £101,000 and will affect 363 claimants. The aggregate of options 1 and 2 is £175,000. However, some households are affected by both options meaning that the combined savings total approximately £155,000.

3. Option 3 considers using child maintenance payments as income. We currently disregard 100 per cent of child maintenance income from the support calculation, as was the case under the old CTB system. This means more support is available to claimants in receipt of child maintenance payments than claimants without. If we include all of the income from child maintenance cases, we will save approximately £76,000, which is likely to affect 176 claimants. Officers do not recommend using child maintenance income to make savings however. Child maintenance directly affects single parent families and presents greater difficulties in managing the impact, than addressing savings that relate directly to property – property being the foundation of the council tax system.

4. In 2013-14, some councils chose to make savings by limiting the amount of support to a percentage of the actual council tax due (for example, 90 per cent). However, whilst this alternative produces significant financial savings, we would have to collect low sums of council tax, which means
that the cost of collecting these sums could be greater than the savings. Additionally, the restriction will affect all claimants in an arbitrary way, requiring a more complex system of individual support than currently exists.

5.2 With a 90 per cent across the board reduction, without protection for any vulnerable households, the savings amount to approximately £411,000. If we protect all claimants classed as vulnerable, the savings reduce to approximately £162,000. It would involve considerable complexity to identify and support households categorised as vulnerable, which means that savings would be anything between the higher and lower amounts set out. Limiting the amount of support to a maximum percentage is a blunt instrument to make savings and not recommended by officers.

6. Financial Implications

6.1 We achieved approximately £230,000 of the £700,000 target savings in benefit expenditure during 2013-14, leaving us a balance of £470,000 for passing on. When agreeing the LCTSS for 2013-14, councillors intended to pass on the additional savings up to the target amount in a phased way over the following two years, depending on the first year’s experience and the Council’s overall financial position.

6.2 The collection fund projection for 2013-14 shows a potential £1.2 million surplus and council tax collection rates are still relatively high when compared to the national average. As a result, there is a case for not passing on any additional savings in 2014-15. However, there are severe financial challenges looming for 2015-16. The overall grant position is currently unknown, but the Department for Communities and Local Government (CLG) will reduce its departmental spending by 10 per cent, which in some form or another will be passed on to councils. Additionally, the two year fixed CTB expenditure cash-limited grant terminates at the end of 2014-15.

6.3 To prevent additional financial burdens on the Council if we defer further savings from LCTS, officers recommend passing on approximately £150,000 to £170,000 of the £470,000 in 2014-15. This level of saving will continue to minimise the impact on the most vulnerable in the community, whilst preparing the Council to meet the financial challenges that lay ahead. Councillors may want to maintain a sufficient level in the hardship fund for 2014-15 (£40,000 in 2013-14), to support claimants adversely affected by these changes to the scheme.

6.4 In view of the Council’s financial position and considering the liabilities raised in council tax in respect of empty property and second homes during 2013-14, officers recommend that we should consult on options 1 and 2 being introduced as part of our draft scheme for 2014-15, as set out in Appendix 1. Options 1 and 2 working together will produce savings of between £150,000 and £170,000. If councillors feel that there is a need to produce savings greater than this amount, officers recommend that child maintenance income is taken into account in addition to options 1 and 2.
7. **Legal Implications**

7.1 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.

7.2 The Council is under a statutory duty to review its LCTSS annually. If we wish to revise or replace the scheme for 2014-15, we must first consult various groups and any revisions to or replacement of the scheme must be decided by a meeting of the Council by 31 January 2014.

7.3 We must publish our draft scheme as set out in Appendix 1 when we start consultation with interested parties, which we will do via the Council’s website. We will also promote the draft scheme through the press and social media.

7.4 Although we are under a duty to consult on the draft scheme there is no specified length of time this must take. This report recommends a six-week consultation period to enable us to gather feedback from the major preceptors, our citizens panel, the various welfare support agencies, parish councils and all current LCTS recipients.

7.5 The scheme, which we will consult upon, has taken account of the Council’s statutory duties, including:

- Equality Act 2010, public sector equality duties;
- Child Poverty Act 2010, the duty to mitigate the effects of child poverty;
- Housing Act 1996, the duty to prevent homelessness.

7.6 The proposals and outcome of the consultation will be subject to a full equality impact assessment (EIA) and the EIA will accompany our final scheme, scheduled for consideration by the Executive on 5 December 2013 and by the Council on 12 December 2013.

8. **Human Resource Implications**

8.1 The workload for the Benefits and Council Tax service has been considerable since the introduction of the LCTSS and other welfare reforms, although service performance has remained at a high level.

8.2 Councillors approved growth bids for additional resources at the start of the financial year, however recruitment has proven difficult and vacancies remain on the permanent establishment. Temporary agency staff are currently covering for unfilled posts. Although this is an expensive way to cover vacancies, it is necessary so that we maintain service levels whilst the welfare reforms bed down.
8.3 In 2014-15, we are likely to experience a further increase in workload because of the savings proposals contained in the new draft scheme. The changes mean that claimants will see an increase in the amount of council tax they have to pay. We will continue to keep staffing levels under close review over the next few months.

9. **Conclusion**

9.1 We have managed to minimise the adverse effect of a national reduction in CTB expenditure in the first year of the new scheme. In view of the Council’s relatively strong financial position, we can continue to minimise the impact on affected households in 2014-15, but it is inevitable that some will lose financial support as the welfare changes continue. However, the savings are necessary for the forthcoming financial year due to the uncertainty of future Council funding from 2015-16.

9.2 The recommended options 1 and 2 combined with the *micro savings* brought forward from 2013-14, will still present some difficulties for households. However, the continuation of a hardship fund for 2014-15 will support those suffering severe financial strain on their household budgets.

10. **Background Papers**

None

11. **Appendices**

Appendix 1 Draft summary of the Local Council Tax Support Scheme 2014-15