

# APPENDIX A

## WAVERLEY BOROUGH COUNCIL

### SPECIAL EXECUTIVE - 22 JANUARY 2013

#### EXTRAORDINARY COUNCIL MEETING – 22 JANUARY 2013

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**Title:**

**LOCAL COUNCIL TAX REDUCTION SCHEME 2013-2014**

**[Portfolio Holder for Finance: Cllr Mike Band]**

**[Wards Affected: N/A]**

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**Note pursuant to Section 100B(5) of the Local Government Act 1972**

An annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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**Summary and purpose:**

The Government is localising Council Tax Benefit through the introduction of the Local Council Tax Reduction Scheme from 1 April 2013. This report builds on the report to the Executive in September 2012 and Corporate O&S Committee in November 2012 and recommends a local scheme for Waverley for 2013/14 to be approved which is based on the principles of the current council tax benefit scheme but incorporating changes to some specific elements for working age claimants.

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**Equality and Diversity Implications:**

The benefits service provides a service to vulnerable client groups. These include some of the protected characteristics as defined by the Equality Act 2010 such as people with a disability and older persons. An initial equality impact assessment was undertaken on the draft proposals that the Executive agreed would be the focus of the consultation. This equality impact assessment has been developed as the consultation has progressed.

Council Tax benefit currently received by pensioners will not be reduced as a result of the introduction of the new council tax support scheme. The Government also highlights that Councils need to consider protecting other vulnerable groups and, whilst they are not specific in their intentions, they point Councils to their responsibilities in relation to,

- The Child Poverty Act 2010
- Disabled Persons
- The Housing Act 1996, which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups.

## **Resource and legal implications:**

The Government is cutting funding for council tax support by 10%. Council tax benefit costs are around £6.1m in Waverley. Major precepting authorities will receive the equivalent to 90% of the estimated council tax benefit spend within their overall grant settlement amount when localised schemes are introduced in April 2013. This will leave an estimated ongoing funding gap of £610,000 in Waverley. The grant amount will be fixed for a number of years so councils will be subject to greater financial risk as a result of the changes. Councils will be responsible for the full risk of changes in benefit caseload in future and will need to foot the bill for any additional costs. This change in legislation could also reduce collection rates for council tax which would mean further pressures on the budget and additional administration costs. Financial implications of each option available to the Council are set out in [Annexe 7](#).

The Government has paid Waverley £84,000 to fund one-off implementation costs. Waverley's software system will need to be reconfigured to operate the new scheme and the one-off costs are £35,000 with an ongoing cost of £7,000pa. Temporary additional staff resources are also necessary as key officers are diverted from the benefits service to work on the implementation of the new scheme. The Executive considered a statement of costs as part of the budget monitoring report at its November meeting.

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## **Background**

1. As part of the Spending Review 2010 the Government announced that the current national Council Tax Benefit (CTB) system would be replaced by localised Council Tax Reduction schemes from 2013-14. As well as the transfer of responsibility from Central to Local Government, the Government is also proposing to cut the level of grant to local authorities by 10%. The total council tax benefit awarded in Waverley in 2011/12 was £6.1m; therefore the cut in grant for Waverley is likely to be £0.6m. Further background information and an explanation of the changes are included in [Annexe 1](#). Details of all of the components of the current council tax benefit scheme are included at [Annexe 2](#).
2. The following table provides a summary breakdown of the current Council Tax Benefit payments by client type in Waverley.

	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>
Total caseload	5,924	6,497	6,687
% of pensioners	53%	49%	47%
% of working age	47%	51%	53%
Total CTB expenditure	£5,868,169	£6,120,408	£6,147,149

3. The Council's scheme has to be approved by Council by 31 January 2013. Where billing authorities do not adopt their own local scheme by 31 January, the Government's default scheme is used which is set out in Regulations. This default scheme will retain the criteria and allowances in the current Council tax benefit scheme.

## **Waverley's Consultation on its Draft Scheme**

4. On the 4 September the Executive agreed a draft scheme for consultation purposes which is in line with much of the current council tax benefit scheme, with full protection for pensioners in accordance with Government requirements, but suggested a range of specific revisions which are set out in Annexe 3. This draft scheme was based on the following principles:
  - to meet the needs of the local community; and,
  - to protect the most vulnerable and low income households in the Borough; and,
  - to incentivise people back to work; and,
  - to be easy to understand and cost effective to administer; and,
  - to be seen as fair; and,
  - for the scheme to align with future Government funding levels,
5. Waverley stated its commitment to a full and meaningful consultation on all options open to the Council. The agreed Draft Scheme set out for consultation does not pre-determine the outcome and the Council said that it would endeavour to ensure that the final scheme reflects the feedback received.
6. As agreed, officers devised a web-based consultation questionnaire covering all options. A press release was issued at the start and mid-point of the 8-week consultation period which also encouraged anyone who does not have access to the internet to pick up a paper based questionnaire from one of Waverley's four offices to submit it in writing (Government figures indicate that 80% of benefit claimants have access to the internet).
7. In addition to launching the general questionnaire, officers specifically invited town and parish councils, Waverley's Tenants' Panel and 3-Counties debt advice to participate. Officers also held a consultation workshop with Waverley Citizens Advice and have discussed the proposals with the Disability Forum during the consultation period to get detailed feedback on the proposals. A detailed analysis of the consultation responses from the questionnaire will be published on Waverley's website. Consultation responses relating to the proposed changes to be incorporate in the draft new scheme are shown later in this report. The written response from Citizens Advice Waverley is attached at Annexe 4.
8. The views of Surrey County Council and Surrey Police Authority are also important to the decisions that the Surrey borough councils take about their local schemes and both organisations were consulted in line with statutory requirements.

## **Waverley's Proposed Local Scheme – With Changes**

9. The matrix at Annexe 5 provides a detailed breakdown of each of the changes to the existing council tax benefit scheme that have been included in Waverley's proposed Local Scheme for 2013/14. These changes only affect working age claimants. In response to sensitivity analysis and the results of the consultation exercise, the draft Local Scheme contains fewer changes compared to the initial draft scheme for consultation (set out in Annexe 3). The matrix also indicates

why it is proposed to exclude all of the other elements from the Waverley scheme at this stage.

The following table is a summary of Waverley's proposed Local Scheme:

2013/14 Waverley Local Scheme with Changes - based on current council tax benefit but with the following changes for working age claimants:	Estimated annual saving	Consultation Results		
		Agree	Disagree	Don't know
• No second adult rebate	£2,000	74%	24%	2%
• Restrict Maximum Benefit award to Band D property level	£79,000	61%	31%	8%
• Restrict Minimum payment to £5.00 per week	£12,000	57%	27%	16%
• Maintenance for children – disregard removed	£33,000	64%	33%	3%
• Increase additional earnings disregard criteria from 16 hrs to 24 hrs- in line with Government's change to Working Tax Credit	£17,000	59%	31%	10%
• Increase non dependant deductions	£56,000	71%	20%	9%
<b>Total saving</b>	<b>£199,000</b>			

10. The proposed new scheme would potentially affect 900 of the 3,500 working age claimants. Whilst the changes are broadly in line with Government indicators, the band reduction and the changes to non-dependent charges could impact on some claimants who currently receive 100% council tax benefit due to being in receipt of Job Seekers Allowance or Income Support. (Exempt) Annexe 6 illustrates how these changes could impact on a range of Waverley's claimants. This Annexe compares the impact of the Waverley Local Scheme with changes to the impact of the original draft scheme for consultation.

### **Financial Implications for Waverley**

11. A summary of the financial implications is included at Annexe 7. The proposed scheme would save £199k of the £610k estimated overall funding shortfall. Waverley's proportion of the unfunded balance would be £43k. Any funding shortfall will impact on the precepting organisations pro-rata to council tax precepts:
- Waverley 10.3%
  - Town and parish 2.8%
  - Surrey Police 13.1%
  - Surrey County Council 73.8%
12. The alternative to adopting Waverley's Local Scheme – With Changes, is to set a scheme with no changes to the current council tax benefit scheme. This would lead to an overall funding shortfall of approximately £610,000 next year. Waverley's proportion of this funding shortfall would be approximately £65,000.

13. Late in October 2012, the Government suddenly announced that it has set aside £100m to incentivise local authorities to conform to specified requirements in their local schemes that would limit the impact on certain claimants. For Waverley the one-off grant that is available is £19,000 and this can only be applied for after the 31 January 2013. Based on the proposed scheme above, Waverley would not be eligible for this grant. However a no-change option would qualify. The conditions attached to the grant would limit Waverley's options and not enable the Council to implement the scheme that the consultation responses supported. Also, as the Government's grant was announced after Members had agreed a scheme for consultation and after the consultation had been launched, a further consultation would have been necessary if the scheme was to be adjusted simply to meet the Government's grant conditions.

### **Hardship Fund**

14. Paragraph 10 sets out the potential impact of the proposed changes. Benefit systems are complex and, with a working-age caseload of around 3,500, it is possible that Waverley's scheme will create more financial pressure for some claimants depending on their individual circumstances. In order to address this risk, it is proposed that a hardship fund is created to offer discretionary payments to specific claimants who face severe financial hardship as a result of the introduction of Waverley's local council tax reduction scheme. Officers will make an assessment on a case by case basis and, to avoid unnecessary delays, it is proposed that a delegation is given to the Head of Finance to make discretionary payments.

### **Corporate Overview and Scrutiny Committee's Comments**

15. The Corporate O&S Committee considered this report at its meeting in November 2012 and made the following comments:

"Whilst some individual members of the Committee had reservations about particular elements of the proposed Local Scheme, including restricting the minimum payment to £5 per week and restricting the maximum benefit award to the Band D liability, overall the Committee RESOLVED to endorse the proposal to adopt the 'Local Scheme – with Changes', subject to confirmation of appropriate support from the other major precepting authorities, and had no further observations to pass onto the Executive."

### **Conclusion**

16. Waverley's policy aim is to protect working-age low-income families and those who are most vulnerable in the Borough. Therefore, the Council does not favour an across the board reduction in support as many other authorities have agreed. However, given the extent of the reduction in Waverley's overall government funding in 2013/14 and the impact that this has on the Council's budget, it is necessary to scale back the full financial impact of the reduced Government support for the council tax reduction scheme. Therefore, following thorough consideration of the impact on claimants of each element of the scheme and the results of the consultation, it is proposed that Waverley approves its 2013/14 scheme to be based on the current council tax benefit scheme but incorporating the changes set out in paragraph 9 above. The hardship fund should enable any

specific extreme impacts on claimants to be addressed. The proposed scheme, that has been reviewed by the Corporate O&S Committee and is broadly supported, will be reviewed during 2013/14.

### **Recommendation**

That the Executive recommends to the Council that

1. Waverley's local council tax reduction scheme for 2013/14 should be based on the current council tax benefit scheme but incorporating the changes set out in paragraph 9 above;
2. a hardship fund be created from the 2013/14 government grant, with the amount to be agreed as part of the budget setting report, with delegation given to the Head of Finance to assess and approve one-off payments from the fund to claimants during the year as set out in paragraph 14.

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### **Background Papers**

Summary of consultation responses – published on Waverley's website

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