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Our Ref: PGH/Cabinet
Date: 30 July 2012

Notice of meeting

EXTRAORDINARY CABINET

Date: Tuesday 7 August 2012

Time: 5.00 p.m.

Place: Council Chamber, Council Offices, Knowle Green, Staines.

To: Members of Cabinet

Members of the Cabinet	Cabinet member areas of responsibility
F. Ayers (Chairman)	Leader of the Council/ Strategy and Corporate Governance
Mrs. J.M. Pinkerton (Deputy Leader)	Health, Well-being and Independent Living
Mrs C.A. Bannister	Communications
T.J.M. Evans	Finance and Resources
P.C. Forbes-Forsyth	Community Safety and Young People
G.E. Forsbrey	Planning and Housing
N. St. J. Gething	Economic Development
Mrs D.L. Grant	Parks and Assets
R.L. Watts	Environment

AGENDA

Description

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Number

1. Apologies for absence

To receive any apologies for non-attendance.

2. Disclosures of Interest

To receive any disclosures of interest from members in accordance with the Council's Code of Conduct for members.


3. Council Tax Benefit Reform

Councillor Forsbrey

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4. Urgent Items

To consider any items which the Chairman considers as urgent.

CABINET 7 August 2012			
Title	Council Tax Benefit		
Purpose	For decision		
Report of	Assistant Chief Executive	Confidential	No
Cabinet Member	Councillor Gerry Forsbrey	Key Decision	Yes
Report Author	Heather Morgan - Project Manager		
Summary	<ul style="list-style-type: none"> • The government is abolishing the national council tax benefit scheme from April 2013. • Councils have the option to create a local scheme. This needs to achieve a 10% saving, and will affect certain sections of the community. These are likely to be vulnerable groups. • Taking into account the protection of pensioners and other groups through existing protections, the 10% saving can only be achieved through between a 15-21% reduction in Council Tax support depending on which final option is implemented. 		
Financial Implications	<ul style="list-style-type: none"> • Grant received from central government reduced by an average of 10% from April 2013. • 10% reduction estimated to be £605,000 for Spelthorne Borough as a whole (£66,000 apportioned to us, and the remaining £539,000 to Surrey County Council and Surrey Police). • The new scheme may result in more write offs and require more resources for Council Tax collection. 		
Corporate Priority	Service and Support		
Recommendations	CABINET to: Note the timetable for implementation Note the options proposed for a local council tax support scheme Approve the options for ‘consultation’ That the Council consults on a set of proposals for a local council tax support scheme broadly based on the draft Surrey wide framework		

MAIN REPORT

1. Background

1.1 As part of the Local Government Finance Bill 2012, the government is proposing to replace the national council tax benefit scheme with localised council tax support schemes. The main issues are:

- The new scheme will come into effect from April 2013
- Local authorities will be able to create and administer their own schemes. This has to be adopted by 31 January 2013 (and it should be stressed that this is an annual process). If they do not, they will automatically default to a scheme which would mean savings necessary to offset the grant reduction could not be achieved.
- Central government grant will be reduced by 10% (an overall average) from 2013-14. The underlying reduction is a little more than 10% as the Government has made assumptions about falling claimant numbers and around levels of council tax increase. The Government has not provided for a council tax increase in 2012-13 which has an impact in Spelthorne where all three council tax setting bodies increased council tax.
- Local support schemes will be integrated into the council tax setting process and will be accounted for in the tax base calculation, effectively reducing the Band D equivalents.
- The government has stated that pensioners will be protected from these cuts (making up 41% of council tax benefit claimants in our Borough). However, this does mean that if the burden of the 10% cut has to be borne by the remaining working age benefit claimants, the overall cut will effectively be between 15-21% depending on which final option is implemented.
- Funding for the local scheme will be provided by central government, by way of a grant to billing and precepting (i.e. county councils and police) authorities in proportion to their share of the Council Tax payable. A 10% reduction in funding is estimated at approximately £605,000 for this borough, and Spelthorne's share would be £66,000 (11%). Surrey County Council's share would be £460,000 and Surrey Police £79,000.

- Councils are able to make contributions towards local schemes if they so wish, and may choose to meet the 10% through reserves, efficiency savings or via council tax levels. This would require Surrey County and Surrey Police to make contributions to offset their proportion of the 10% saving. This is not being put forward as an option by this Council.
- Local authorities should have regard to vulnerable groups and their responsibilities in respect of child poverty, disabled people, homelessness and equalities and ensure that we have evaluated the impacts on such groups. Schemes will need to be consistent with the Universal Credit principles and should provide an incentive to work.
- If authorities have not adopted a scheme by 31 January 2013 then the current council tax benefit scheme will continue as the default position. The 10% cut would fall to the Council and its preceptors to deliver. This would effectively mean an average 0.8% increase in council tax across Surrey for county, boroughs and the police to make up the £6 million shortfall.

- 1.2 In the absence of primary and secondary legislation, the Government has produced a 'Statement of Intent' explaining the policy intent of future regulations and providing local authorities with details of what they need to consider in constructing their schemes.
- 1.3 Bearing in mind the tight timescale for establishing a new local scheme, Surrey authorities have set up a Welfare Reform Steering Group to look at the possibility of developing a Surrey-wide Framework scheme. Modelling tools have been developed to provide information to the Steering Group, using the existing council tax benefit scheme as a base. This would enable Surrey Authorities to adopt a broadly similar scheme which would deliver a consistent approach for the preceptors and make it simpler to introduce within the deadline. The Framework would, however, allow flexibility which will enable the scheme to be tailored to the local circumstances of individual Councils (taking into account their financial and demographic pressures).
- 1.4 Surrey Leaders' Group supported this Surrey-wide approach. It should however be noted that no policy decisions have yet been made on the scheme details or level of funding of the local scheme(s). The Surrey Leaders considered the draft proposals on the 5th July and came to the view that we should be seeking to pass on the savings through reduced benefits rather than impacting on council taxpayers. However it was accepted that each authority may have modifications around elements of the framework.

2. Key issues

- 2.1 The overall aim is to create a fair and transparent localised scheme of Council Tax support for Spelthorne residents. It must take into consideration the needs of the whole community, whilst minimising the cost to Spelthorne and the County/Police. It will be a challenge to achieve this within the very tight deadlines given.
- 2.2 We will need to agree a draft scheme before we have the full detail of the legislation. This is because the timescale for adoption (including an 8 week 'consultation' period) has to fit in with Cabinet and Council dates. The Government do however recognise that consultation periods may have to be shortened due to tight timescales. We have had to do this, and are going out for 8 weeks (4 weeks with the County and Police and 4 weeks with other stakeholders and the general public) as opposed to the norm, which is 12.
- 2.3 Whatever option we choose, the overall message will be unwelcome. Many people who currently pay nothing at all, or a very limited amount, will be required to pay more. The changes also need to be seen in the light of wider reforms to welfare benefits on the immediate horizon, including the introduction of Universal Credit from October 2013, the £500 per week cap on benefits per household from April 2013 and the restrictions in the amount of housing benefit that can be paid to under occupied properties in the social sector. It is likely that these changes in conjunction with the move to a local council tax support scheme will affect the same groups of people at the same time. Implementing reductions in council tax support for the working families also affected by these other changes may create a risk that a greater number of such families will present themselves as homeless and become our responsibility. There will undoubtedly be an increase in workloads and an additional cost to the Council as a result.
- 2.4 In addition to this, we will have to ensure that any local scheme can deliver the savings. There is a very strong possibility that not everyone will pay and we will have to put more resources into collection, and debt management advice.

3. Options analysis and proposal

Options

- 3.1 As a result of the very limited time available for the implementation of a local scheme by April 2013, there is little choice but to base a local scheme on the current system. This report sets out a range of options, detailing the impact for the Council and its residents.
- 3.2 Option 1 - Replicate the current scheme, but reduce the amount of support by 18%. In this option the burden falls on all working age claimants. The current scheme includes
- Second adult rebate
 - Backdating of claimant delays

- Minimum weekly award of £0.50 per week
- Benefit considered for all Bands
- Capital limit of £16,000
- Disregard disability premiums in the income assessment

With this option the existing protections for the 'vulnerable' will be carried forward into the new scheme. These are set out in full in **Appendix 1**, and is Spelthorne Borough Councils' definition of 'vulnerability'. This covers:

- Disability premium
- Enhanced disability premium
- Severe disability premium
- Disabled child premium
- Enhanced disability premium for dependents
- Disabled earnings disregard
- War disablement pension

There will be 100% protection for the elderly (as they are excluded from the changes)

3.3 Option 2 – Reduce the amount of support by 15%, with eligibility criteria:

- no second adult rebate
- no backdating of claimant delays
- minimum weekly benefit award of £5.00 – currently £0.50 per week
- restrict maximum benefit award to council tax band F payment
- reduce upper capital limit from £16,000 to £6,000

There will be 100% protection for the elderly (as they are excluded from the changes)

In this option the burden falls on all working age claimants but brings in new more stringent eligibility criteria.

3.4 Option 3 – Reduce the amount of support by 21%, with eligibility criteria:

- no second adult rebate
- no backdating of claimant delays
- minimum weekly benefit award of £5.00 – currently £0.50 per week
- restrict maximum benefit award to council tax band F payment
- reduce upper capital limit from £16,000 to £6,000

and protection for the for following:

- 100% protection for the elderly (as they are excluded from the changes)

- 95% protection for the 'vulnerable'
- 85% protection for families with children under 5 years
- 85% protection for earners working more than 24 hours per week

In this option the burden falls on the least vulnerable working age claimants. The definition of 'vulnerable' is set out in **Appendix 1**.

3.5 Option 3a – Reduce the amount of support by 21%, with the following eligibility criteria:

- no backdating of claimant delays
- minimum weekly benefit award of £5.00 – currently £0.50 per week
- restrict maximum benefit award to council tax band F payment

and protection for the following:

- 100% protection for the elderly (as they are excluded from the changes)
- 95% protection for the 'vulnerable'
- 85% protection for families with children under 5 years
- 85% protection for earners working more than 24 hours per week.

In this option the burden falls on the least vulnerable working age claimants. It does not penalise those who have some capital in savings. The definition of 'vulnerable' is set out in **Appendix 1**.

3.6 A fundamental issue for a new cash-limited scheme, is that the more protection provided for vulnerable groups, the more council tax other working age claimants are going to have to pay.

4. Proposal

4.1 To go out to gauge views on the options above. No decision has been made on whether there is one specific option that the Council prefers at this stage.

4.2 The table below sets out the advantages and disadvantages of each of the options. It should be noted that all of the options achieve the necessary savings (based on modelling done to date) and will not require any contribution from the Council or precepting authorities (through savings or a general increase in the level of council tax) to achieve the 10% saving required. This may be subject to slight change once there is more detail from modelling the impacts.

Option	Reduction in current spend on council tax benefit	Advantages	Disadvantages
<p>1</p> <p>18% reduction across the board</p>	<p>£691,000, Based on 11.48% through detailed modelling</p>	<p>The reduction is shared equally amongst all working age claimants</p> <p>Element of work incentive is built in</p> <p>Councils duties in respect of child poverty, disabled, homelessness or equalities are covered by carrying forward built in protections from the current scheme</p>	<p>No additional support for the most vulnerable</p> <p>Non working households left with less money than they officially need to live on</p>
<p>2</p> <p>15% reduction but with eligibility criteria</p>	<p>£629,000</p> <p>Based on 10.44% through detailed modelling</p>	<p>Claimants currently in receipt of a very small award will be the only losers</p> <p>People in lower banded properties will be protected</p>	<p>No added protection for vulnerable groups</p> <p>Will be funded by low income families living in higher value properties</p> <p>Non working households left with less money than they officially need to live on</p> <p>No work incentives</p> <p>Penalise people with savings just above the £6,000 limit</p>
<p>3</p> <p>21% reduction, eligibility criteria and protection for vulnerable</p>	<p>£663,000</p> <p>Based on 11% through detailed modelling</p>	<p>Provide support for the most vulnerable</p> <p>Has additional regard to responsibilities for child poverty, disabilities and equalities</p>	<p>If no contribution made non working households will be left with even less money than they officially need to live on</p> <p>No work incentive built in as working age families are penalised hardest for being 'less vulnerable'</p> <p>Penalise people with savings just above the £6,000 limit</p>

<p>3a</p> <p>21% reduction, some eligibility criteria and protection for the vulnerable</p>	<p>£625,000</p> <p>Based on 10.39% through detailed modelling</p>	<p>Provide support for the most vulnerable but allows second adult rebate and higher capital limits to reward those who have saved</p> <p>Has additional regard to responsibilities for child poverty, disabilities and equalities</p>	<p>If no contribution made non working households will be left with even less money than they officially need to live on</p> <p>No work incentive built in as working age families are penalised hardest for being ‘less vulnerable’</p>
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4.3 Details of how the savings would be achieved for all the options are set out in **Appendix 2**. Detailed modelling has been done for the most affected groups in terms of number of claimants and level of vulnerability. These are set out in **Appendix 3** (this information is an exempt appendix on the basis of confidentiality)

4.4 There are two categories of council tax benefit claims – pension age and working age. 41% of claimants in Spelthorne are of pension age and therefore excluded from the scheme. 72% of the working age claimants are on maximum benefit (around 2,200 people). Currently they pay nothing, but will be required to pay at least 15% under the options proposed above (unless they fall in the vulnerable category).

5. Financial implications

5.1 The funding arrangements for the new scheme are out to consultation and the intention is that funding will be made available to billing and major precepting authorities based on 90% of the forecast council tax expenditure for 2013/14.

5.2 Based on the current caseload of £6.05 million in council tax benefit rebate, the net saving required from the new local scheme is £605,000. The risk associated with delivering the savings will be apportioned pro-rata across Spelthorne (11% £66,000), Surrey County Council (76% £460,000) and Surrey Police (13% £79,000).

5.3 In adopting a local scheme, Surrey County Council would need to be satisfied that what we are proposing would not result in additional work for adult and children’s social services, or in terms of housing/homelessness. It is virtually impossible to be able to give this assurance when viewing these changes alongside all the other welfare reform changes. We are required to

consult both the County Council and the Police as preceptors on the proposed scheme, before we gauge the views of the wider public.

- 5.4 Whilst provisional grant details were announced in May, final grant allocations will not be known until December 2012. This allows a very limited time in which to make any necessary adjustments for the 2013/14 budget.
- 5.5 There are no details as yet of the effect on the administration grant which is currently paid by the Department of Work and Pensions. However it is clear that will reduce as the housing benefit claims move to Universal Credit and Councils will become responsible for administering a local council tax reduction scheme.
- 5.6 The government has confirmed that £84,000 is available to each Council to help set up the new scheme. A contribution of £4,000 per authority has been agreed to fund the Steering Group who will assist in devising and communicating a Surrey wide scheme. The remaining monies have been allocated to IT and communications.

6. Other considerations

- 6.1 The Government plans to amend the Council Tax Base Regulations so that the new council tax reductions are taken into account in the calculation of the tax base. The council tax will be reduced as the billing authority will be foregoing council tax income from properties where support is given. This is similar to the way that existing Council tax discounts and exemptions are treated. There are risks around the accuracy of the forecasts and external pressures, such as a further economic downturn, which could lead to an unexpected increase in the number of people claiming reductions during the year, the financial impact of which would fall on the local authorities.
- 6.2 Before determining a local council tax support scheme, Councils are required to 'consult' with stakeholders such as precepting authorities (Surrey County and Surrey Police) and the public. Representations will be sought from groups representing those individuals most likely to be affected by decisions about the design of the scheme. The approach to consultation is not set in stone and the following methods are proposed:
- Borough bulletin
 - Website/E newsletter/Facebook and twitter
 - Individual letters once the scheme is agreed
 - Posters and leaflets in for example surgeries, voluntary sector, faith groups, job centres

- Stakeholder meetings through the Surrey Steering Group (County and Police) Surrey Communications Group have indicated that they will be able to assist in this process Countywide from the autumn onwards. As far as possible a consistent message will be sent out, in order to minimise confusion and possible challenge.

7. Risks and how they will be mitigated

7.1 There are a number of risks associated with implementing each of the options and these are set out below.

Option	Advantages	Disadvantages
Option 1	Ease of administration/reduced chance of human error Ease of collection Retains existing protections	Does not differentiate in terms of need
Option 2	Protects some through eligibility	Resources associated with dealing with appeals where we are asking for payment Potential reduction in collection
Option 3	Protects the vulnerable	Resources associated with dealing with appeals where we are asking for payment Some very small amounts which may not be worth collecting Potential reduction in collection rates
Option 3a	Protects the vulnerable and those with some savings	Resources associated with administering the new system Some resources associated with 'challenge' and dealing with appeals where we are asking for payment Some very small amounts which may not be worth collecting Potential reduction in collection rates

- 7.2 There are also a number of general risks in implementing this proposal which are set out below:

Resource

Risk – We are unable to find the resource to ensure work necessary to design and implement scheme.

Mitigation – Surrey wide Steering Group, backfilling, and filling vacant posts.

ICT

Risk - ICT supplier unable/fails to provide necessary software changes

Mitigation – robust dialogue with provider

Cost of ICT

Risk - Our supplier charges a significant amount to make software changes.

Mitigation – We have allocated £50,000 from government transitional grant fund to cover.

Communication

Risk – affected parts of our community do not understand the implications of the changes, and possible negative and potential reputational damage.

Mitigation - Effective, targeted communication. We have allocated £20,000 of the £84,000 government transitional grant fund to cover.

Lower Council Tax collection

Risk - We will be attempting to collect Council Tax from people who have previously not had to pay anything, with associated on-going costs.

Mitigation – Take account of possible increased bad debt in budget forecasting, and model impact of resulting Council Tax liabilities.

Homelessness

Risk - Those most affected are also likely to be hit by Universal Credit, and there may be conflicts between paying rent or Council Tax. This has the potential to increase homelessness budgets

Mitigation –effective debt management advice (resourced). This will be of limited effectiveness and there will undoubtedly be issues in terms of homelessness, and there will be a cost to the Council.

Adverse publicity

Risk - There is potential for adverse publicity if vulnerable clients are seen to be unfairly targeted.

Mitigation – Liaise closely with welfare groups.

Equalities

Risk - Risk of an equalities challenge.

Mitigation - Equalities impact assessment and evaluation will need to be embedded into the process of modelling and drafting a new scheme.

Staffing

Risk – Impact of this work in combination with other changes in welfare reform. This will almost inevitably result in uncertainty for staff and low morale.

Risk –No detail on how and what level of grant/funding will be forthcoming to cover staffing from April 2013.

Mitigation – Through effective change management, and considering budget/staff implications as soon as the detail on grant delivery is certain.

8. Timetable for implementation

8.1 There is a set timetable that government are working to for the implementation of the local schemes, which is 1 April 2013. In order to deliver the project there are a number of critical gateway review points. These are:

- Cabinet agree proposed options for local scheme (7 August 2012)
- 4 week period of ‘consultation’ with preceptors (8 August – 31 August 2012)
- 4 week period of information sharing/consultation with all other stake holders (3 September – 1 October 2012)
- Cabinet agree final local scheme (20 November 2012)
- Council agree final local scheme (20 November 2012)
- Government deadline to agree local scheme (31 January 2013)
- Implementation (1 April 2013)

8.2 It should also be noted that there is no primary or secondary legislation in place requiring preparation in anticipation of the new scheme arrangements.

8.3 More detail is provided in the high level project timetable (**Appendix 4**)

Background papers: None

Appendices:

Appendix 1	Definition of vulnerability (qualifying premiums)
Appendix 2	Detail of options 1, 2, 3, 3a
Appendix 3	Detailed modelling and case studies (this is an exempt appendix on the basis of confidentiality)
Appendix 4	Project Timetable

APPENDIX 1

Unable to work due to vulnerability

Qualifying Premiums	Qualifying Criteria / Qualifying Benefits
<p>Disability Premium</p> <p>Either as a standard case or as part of the calculation of entitlement to Income Support (IS), Employment and Support Allowance (ESA) or Job Seekers Allowance (JSA)</p>	<p>Where person claiming or their partner receives:</p> <ul style="list-style-type: none"> ❑ Disability Living Allowance (DLA) ❑ Severe Disability Allowance ** ❑ Incapacity Benefit ** - Long term rate ❑ Income Support – Incapacity ** ❑ Working Tax Credit - Disability or Severe Disability element
<p>Enhanced Disability Premium</p> <p>Either as a standard case or as part of the calculation of entitlement to IS, ESA or JSA</p>	<p>Where person claiming or their partner receives:</p> <ul style="list-style-type: none"> ❑ Disability Living Allowance (DLAC) High rate of Care component ❑ Employment Support Allowance (ESA) Support group component
<p>Severe Disability Premium</p> <p>Either as a standard case or as part of the calculation of entitlement to IS, ESA or JSA</p>	<p>Where person claiming receives:</p> <ul style="list-style-type: none"> ❑ Disability Living Allowance (DLAC) Middle or High rate of Care component. ❑ Attendance Allowance at Middle or High rate ❑ Must not be in receipt of a Carers allowance
<p>Disabled Child Premium</p>	<ul style="list-style-type: none"> ❑ Disabled child premium for a child who is blind ❑ Receives Disability Living Allowance
<p>Enhanced Disability Premium for Dependants</p>	<ul style="list-style-type: none"> ❑ In respect of a child in receipt of DLAM High
<p>Disabled Earnings Disregard</p>	<ul style="list-style-type: none"> ❑ Employment Support Allowance (ESA) Work related component ❑ Incapacity Benefit ❑ Severe Disablement allowance ❑ Permitted to work up to £95 per week
<p>War Disablement Pension</p>	<ul style="list-style-type: none"> ❑ Disabled during the war ❑ Disabled serving for HM Armed Forces

APPENDIX 1

Unable to work due to vulnerability

To follow

HIGH LEVEL PROJECT TIMETABLE FOR IMPLEMENTATION

LOCALISATION OF COUNCIL TAX BENEFIT (as of 10.07.12)														
Lead	April	May	June	July	August	September	October	November	December	January	February	March	April	
Communications Strategy	RD	[Shaded]												
Coactiva - final report - 16.05.12	Con		[Shaded]											
Cabinet Briefing (including findings of Coactiva report)- 21.05.12	HM		[Shaded]											
Detailed comms strategy for 'consultation'	RD			[Shaded]										
Cabinet Briefing - 02.07.12	HM				[Shaded]									
workshop/briefing for all councillors	HM				[Shaded]									
Cabinet report - proposed scheme - 07.08.12	HM					[Shaded]								
Information giving' proposed scheme - 10.08.12 - 11.10.12	RD				[Shaded]	[Shaded]	[Shaded]	[Shaded]						
Primary legislation passed - (no date)					[Shaded]									
Cabinet Briefing - 05.11.12	HM							[Shaded]	[Shaded]					
Cabinet to agree local scheme - 20.11.12	HM							[Shaded]	[Shaded]					
Council to agree local scheme - 20.11.12	HM							[Shaded]	[Shaded]					
Grant allocations published - December (no date)									[Shaded]	[Shaded]				
Deadline for adopting localised scheme - 31.01.13										[Shaded]	[Shaded]			
Communication with affected groups on agreed scheme	RD									[Shaded]	[Shaded]	[Shaded]	[Shaded]	
New scheme goes live - 01.04.13													[Shaded]	
KEY														
Gateway review points		[Shaded]												
Communications		[Shaded]												
LEAD OFFICERS														
HM - Heather Morgan														
RD - Rowena Davison														
Con - Coactiva														

