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Our Ref: PGH/Cabinet  
Date: 27 August 2013

**Notice of Meeting**

**EXTRAORDINARY CABINET**

**Date:** Monday 9 September 2013

**Time:** 19.00hrs

**Place:** Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames.

<b>Cabinet members</b>	<b>Cabinet members' areas of responsibility</b>
R.L. Watts (Chairman)	Leader of the Council, Strategy and Corporate Governance
P. Forbes-Forsyth (Vice-Chairman)	Deputy Leader, Community Safety, Young People, Leisure and Culture
T.J.M. Evans	Finance
N. St. J. Gething	Economic Development and Fixed Assets
V. J. Leighton	Corporate Development
A. J. Mitchell	Environment (including Parks and Waste Management)
J. M. Pinkerton OBE	Health, Wellbeing and Independent Living
J. R. Sexton	Communications, ICT and Procurement
S. Webb	Planning and Housing



# AGENDA

Description	Page Number
<b>1. Apologies for absence</b>	
To receive any apologies for non-attendance.	
<b>2. Disclosures of Interest</b>	
To receive any disclosures of interest from members in accordance with the Council's Code of Conduct for members.	
<b>3. Technical Reforms to Council Tax Discounts and Premiums (consultation) - Key Decision</b>	
To receive a report on the proposed options for consultation on technical reforms to Council Tax discounts and premiums.	1 - 11
<b>4. Localisation of Council Tax Support (consultation) - Key Decision</b>	
To receive a report on a revised Local Council Tax support scheme.	12 - 28



# Cabinet

## 9 September 2013



<b>Title</b>	Technical Reforms to Council Tax Discounts and Premiums (consultation)		
<b>Purpose</b>	Resolution required		
<b>Report of</b>	Assistant Chief Executive	<b>Confidential</b>	No
<b>Cabinet Member</b>	Councillor Tim Evans	<b>Key Decision</b>	Yes
<b>Report Author</b>	Heather Morgan - Project Manager		
<b>Summary</b>	<ul style="list-style-type: none"> <li>Income from discounts and premiums <b>will not</b> be used to cross subsidise the savings which need to be made from the Local Council Tax Support Scheme</li> <li><b>Option 1 (preferred)</b> – 25% discount on uninhabitable properties and maximise income from unfurnished and empty properties (100% discount month one, 0% discount from month two)</li> <li><b>Option 2</b> – 0% discount on uninhabitable properties and maximise income from unfurnished and empty properties (100% discount month one, 0% discount from month two)</li> <li>Continued risk around collection on long term empties and new risk regarding uninhabitable properties</li> </ul>		
<b>Financial Implications</b>	<ul style="list-style-type: none"> <li>As at annual billing (February 2013) an additional <b>£420,000</b> was levied on empty homes</li> <li>There are risks around collection of up to £200,000 for 2013/14 (i.e. net collectable might be as low as £220,00) on empty homes</li> <li>Local decisions on discounts and premiums could deliver in 2014/5 an additional maximum <b>£136, 068</b> of income (Option 2) but there are risks around collection of £61,722</li> <li>No additional resources would be required to recover the monies</li> </ul>		
<b>Corporate Priority</b>	Service and Support		
<b>Recommendations</b>	<p>Cabinet is asked to:</p> <p>Approve the two options proposed for council tax discounts and premiums, including preferred Option 1</p> <p>Approve a formal six week consultation period to consult on the options for council tax discounts and premiums.</p> <p>Note the timetable for implementation</p>		

## 1. **Background**

- 1.1 The Local Government Finance Act 2012 (passed 31 October 2012) covered a wide range of issues, including making changes to council tax rules to allow further flexibility on what councils can charge on empty properties, and other small changes aimed at modernising the system.

### Current position - National

- The new scheme came into effect on 1 April 2013
- Reforms centred on providing more flexibility on second homes and certain empty properties.
- The reforms provided a strong lever to make sure that housing stock is effectively used
- Extra revenue can be used either to reduce the impact of council tax increases or to offset some of the impact of the changes to council tax support
- Councils are now able to determine discounts for uninhabitable (class A), empty and unfurnished (class C)
- Second homes discount can now be reduced to 0% and there is the potential to charge 150% premiums on long empty properties
- The single person discount (25%) cannot be altered
- The government has not reduced grant as a result of the changes

### Current position – Spelthorne’s approach to discounts and premiums

- 1.2 On 21 January 2013 the Council adopted its own local scheme after extensive public consultation.
- 1.3 **The scheme which was adopted is set out below:**
- **No discount for second homes**
  - **50% discount for uninhabitable properties (class A)**
  - **Progressive discount for empty homes (class C) - 100% month one, 50% month two, 25% month three, 0% from four months onwards**
  - **50% premium for long term empties**
- 1.4 As at February 2013, an additional £420,000 was raised on empty homes as follows:
- £42,000 Uninhabitable properties
  - £283,000 Unfurnished properties
  - £95,000 Long term empty properties subject to a premium
- 1.5 A further £139,000 has been raised through the removal of the 10% discount from second homes.
- 1.6 Based on 31 July 2013 figures, the impact of the scheme has been as follows:

- Reduction in number of empty homes from 932 (July 2012) to 684 out of a total dwellings base of 42,000
- Long term empty properties have reduced from 131 down to 59 which is a drop of 72
- As at 1 April 2013, the discounts and premiums scheme generated an additional £559,000
- As at 31 July 2013, this has fallen to £306,000 due to changes in occupation (£253,000 of the £559,000 could not be collected as properties were no longer long term empty or being used as a second home)
- Loss of income from the long term empties premium is offset by monies from New Homes Bonus (NHB) which will be around £89,500 pa for the remaining three years of the six year scheme (assuming the 72 properties now back in use are Band D properties and the NHB is 80% of the council tax). However, it should be noted that from 2015/16, 35% of every Councils NHB is proposed to be 'top sliced' for Local Enterprise Partnerships to deliver strategic housing.
- Each of these previously long term empty properties will also have paid 100% council tax. Working on the basis of a Band D property this would equate to £111,960 pa.
- No issues from second home owners and very few appeals from others

#### Current position – funding the local council tax support scheme

- 1.7 In 2013/14 the Council had to make estimated savings of £700,000 to cover the 10% reduction in government grant for council tax support.
- 1.8 The local council tax support scheme which the Council adopted took advantage of a one off transitional grant from central government. This was designed to "support local authorities in developing well designed Council Tax Support Schemes and maintain positive incentives to work". As a result we received £142,000 towards the estimated £700,000 savings we needed to make (£16,000 for Spelthorne, £19,000 for Police and £107,000 for Surrey County)
- 1.9 However this did mean that the Council could only require new claimants to pay a maximum of 8.5% of their council tax. This quite significantly limited how much money we could expect to collect (setting aside what percentage we might actually be able to recover). It was estimated that we would collect £253,000 from this 8.5% 'cap' which even with the £142,000 grant fell well short of the required £700,000.
- 1.10 At Cabinet on 21 January 2013 it was therefore decided that the £306,000 which could be collected from the discounts and premiums (which was not at risk) would be:
- "used to offset part of the loss of government funding in 2013/14 and therefore reduce the level of savings required from the local council tax support scheme".**

## **2. Key issues**

- 2.1 There are a number of key changes for 2014/15 onwards which have a bearing on the revised discounts and premiums which the Council eventually adopt.
- 2.2 Firstly, the transitional grant of £142,000 for council tax support referred to in paragraph 1.6 above was a 'one off'. Secondly, there has been a significant (but not unexpected) reduction in long term empty properties and the income that this would generate. For 2013/14 this has meant that we have not been able to collect £253,000 from the original estimate of £559,000 (as people have said their properties were occupied and therefore paid 100% council tax instead of 150%).
- 2.3 The effect of these key changes is that were the Local Council Tax Support Scheme and the discounts and premiums to remain unchanged the Council would be looking at a potential shortfall in 2014/15 of around £306,000 (ie £559,000 less £253,000 now no longer collectible) out of a required £630,000 which needs to be found (council tax support). In addition we will no longer be receiving the £142,000 from the grant.
- 2.4 There is also a more fundamental issue, which is whether or not the council tax support savings which have to be made should be entirely borne by the housing benefit claimants or not. The withdrawal of government funding and the increasing pressure on council tax means that the Council has had to re-evaluate its position. Consideration has been given to a 'do nothing' option or a revised scheme which allows for what is called 'transitional protection' (i.e. a phased scheme over two years).
- 2.5 Neither of these are deemed acceptable and from 2014/15 onwards the Council will therefore require housing benefit claimants to cover the whole cost of the 10% government savings (i.e. £630,000).
- 2.6 This will free up the income from discounts and premiums to be used for other purposes, including helping offset the impact of council tax increases. The options in section 3 therefore look at ways for maximising this income for those purposes.
- 2.7 It should be recognised that whilst the Council can choose not to use its proportion (11%) of the additional income generated from the council tax discounts/premiums adjustments, it does not control how the County Council and the Police choose to use their share of the income generated. In practice they may choose to use to offset the impact of council tax support. However, if Spelthorne Borough Council chooses to close the council tax support funding gap without use of the council tax discounts/premiums then there would be no council tax support funding gap either for the two major precepting bodies.

## **3. Options analysis**

- 3.1 The options below are variations on the current scheme, and it is proposed that the following existing elements are retained:
- No discount for second homes
  - 50% premium for long term empties



3.2 The options will therefore focus on two areas. Firstly, the level of discount on uninhabitable properties and secondly, the discount given to unfurnished and empty properties.

**Option 1 (preferred)**

3.3 This option would give:

- **25% discount from day one for uninhabitable properties (class A)**
- **100% discount for the first month on unfurnished and empty properties which would drop to 0% from month two (class C)**

**Option 2**

3.4 This option would give:

- **0% discount from day one for uninhabitable properties (class A)**
- **100% discount for the first month on unfurnished and empty properties which would drop to 0% from month two onwards (class C)**

**4. Proposal**

4.1 To go out to gauge views on the options above, noting that the Option 1 is the preferred approach of the Council. The table below sets out the advantages and disadvantages of each of the options. The figures are based on 2012/13 but have been modified to reflect the current in year position as far as possible.

<b>Option</b>	<b>Additional income</b>	<b>Advantage</b>	<b>Disadvantage</b>
<b>100% discount in month 1 and 0% discount in month 2 (class C)</b> <b>Both Options</b>	£74,346	Adopts the same approach as other Surrey authorities  Gives one month discount to allow for changeover of lettings  Easier to explain and administer	Collection rate would be 95%  Need to get a clear communications message out about the change
<b>25% discount from day one (class A)</b> <b>Option 1</b>	£30,861	Adopts a more stringent but proportionate approach  Opportunity to recover at least a proportion of the	It will not necessarily maximise the potential in terms of income

<b>(preferred)</b>	monies		
<b>0% discount from day one (class A)</b>	£61,722	Adopts the same approach as other Surrey authorities Easy to explain	Very high risk that virtually no income would be collected (people will not tell us it is uninhabitable)
<b>Option 2</b>			

- 4.2 Option 1 is the preferred option as it is considered to be a realistic approach based on the experience of other authorities. Where there has been no discount, other Councils have found that people have not said that their property is uninhabitable. As a result, no additional income has been forthcoming.
- 4.3 There is a very stringent definition around what constitutes an uninhabitable property (**Appendix 1**) and the Council would have to invest a significant amount of time and resources to individually assessing each property in order to chase down non- payment. It is also worthwhile noting that there are only 70 uninhabitable properties in the borough, and the resource effort required is unlikely to be justified.
- 4.5 The benefits and challenges which were considered when the original scheme for discounts and premiums were adopted in January 2013 are set out in **Appendix 2**.

## **5. Financial implications**

- 5.1 Modelling has been undertaken on 2012/13 data (which has been modified to reflect the current in year position as far as possible) to estimate what the income generated by these options might be. Details of the income likely to be achieved are set out in **Appendix 3**.
- 5.3 It is not anticipated that any additional staff resources will be required to collect these monies.

## **6. Other considerations**

### **Equalities Impact Assessment**

- 6.1 Any scheme will need to have an Equalities Impact Assessment (EIA) undertaken. A detailed EIA was done last time and the same approach will be taken this time.

### **Communications**

- 6.2 There is no statutory requirement for the Council to consult on changes to its discounts and premiums. However, we chose to do so in 2012/13 and it has proved to be highly effective in rejecting claims. It has also been successfully used in those few cases which have proceeded to appeal.
- 6.3 We will need to be very clear why we are revising the scheme further. Those directly affected will need to be consulted for their views, alongside a wider

cross section of the tax paying public. Once the final scheme is adopted a detailed communications timetable/plan will be developed to ensure that we get the right message out at the right time. The Cabinet Member for Communications will be involved throughout this process.

## **7. Risks and how they will be mitigated**

- 7.1 The main risks to the proposed changes are the additional adverse impacts brought about by further changes. It is considered that there is a very significant risk around Option 2 in relation to uninhabitable properties (paragraph 3.4). Evidence from other Councils has shown that people will instead opt for one month for an unfurnished and empty property (class C) and not tell the Council that the property is uninhabitable. This could mean that with Option 2 virtually none of the anticipated income is collected, whereas with Option 1 there is a realistic chance that the estimated income could be collected.
- 7.2 As we have seen from the current scheme, there will continue to be a general risk around avoidance (although the risk regarding houses which have been empty for more than two years is now somewhat reduced). There will continue to be difficulties in recovering some money. To mitigate this, the modelling makes realistic assumptions about collection rates.
- 7.3 The assumptions which have been made are:
- 95% collection for second homes (0% discount) which has been borne out by 2013/14 scheme
  - 50% collection for long term empty properties (150% premium) which has been borne out by 2013/14 scheme
  - 70% collection for uninhabitable class A (25% discount - Option 1 paragraph 3.3)
  - 70% collection for uninhabitable class A (0% discount - Option 2 paragraph 3.4)
  - 95% collection for unfurnished and empty properties class C (100% discount month one and 0% discount from month two onwards – Options 1 and 2)
- 7.4 There is a risk of legal challenge if the Equalities Impact Assessment (EIA) is not deemed sufficient. No challenge arose in 2012 and we propose to adopt the same approach this time.

## **8. Timetable for implementation**

- 8.1 There are a number of key dates which need to be met:
- |              |  |
|--------------|--|
| 9 September  | Cabinet decision to go out to consultation |
| 13 September | Start targeted public consultation         |
| 25 October   | End targeted public consultation           |
| 17 December  | Cabinet agree final schemes                |

19 December	Council agrees final schemes
31 January	'Cut-off' date for agreeing revised schemes
1 April	Local scheme for Empty Homes implemented

**Background papers:**

None.

**Appendices:**

1. Definition of Uninhabitable
2. Benefits and challenges of adopted discounts and premiums scheme
3. Details of likely income achieved from Options 1 and 2

## **GUIDANCE NOTES – UNINHABITABLE PROPERTY DISCOUNT (PREVIOUSLY CLASS A EXEMPTION)**

### **Definition**

The dwelling requires/is undergoing major repair works to render it habitable. The dwelling is undergoing structural alteration which has not been substantially completed.

Major repair works include structural repairs and **will** include:

### **Roofs**

- Major repairs to roof structures.
- Rebuilding defective chimney stack(s).

### **External walls**

- Rebuilding defective walls.
- Provision of dpc following rebuilding of defective walls.

### **Foundations**

- Repair/renewal of foundations.
- Underpinning substandard foundations.

### **Floors**

- Replacing defective solid floors.
- Replacing defective floor joists.

### **Internal**

- Replacing defective staircase.
- Replacing defective ceiling joists.
- Rebuilding defective walls.
- Property totally gutted including removing most internal walls
- Replacing defective ceiling joists
- Rebuilding defective walls

This definition does **not** include the following singularly, although a combination of these may be considered:

- Plumbing or heating.
- Replacement/repairs to sanitary fittings.
- Replacement/repairs to any other fittings/fixtures.
- Replacement/repairs of bathroom and kitchen or any other fitting/fixtures
- Rewiring.
- Timber/damp proof treatments.
- Replastering (walls or ceilings).
- Drainage.
- Repairs or renewals of services.

## COUNCIL TAX DISCOUNTS AND PREMIUMS – THE ADOPTED SCHEME

### Benefits and Challenges

<b>The Local Scheme (adopted scheme )</b>
<p><b>Description</b></p> <ul style="list-style-type: none"> <li>• Scheme based on (1) no discount for second or re-possessed homes (2) 50% discount for uninhabitable properties (3) progressive discount for empty homes - 100% month one, 50% month two, 25% month three, 0% month four onwards (4) 50% premium for long term empties</li> </ul>
<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• Realistic chance of maximising income generation whilst reducing the risk of non payment (government will not reduce grant as part of changes)</li> <li>• Provides an incentive to get homes back into a habitable state and use</li> <li>• Increase number of empty homes brought back into use and eligible for New Homes Bonus</li> <li>• Reduces the impact on small scale developers and builders who buy and renovate properties by applying a phased reduction in discounts for empty homes</li> <li>• Encourage long term empty homes to be brought back into use</li> <li>• In line with other Surrey Councils in applying the 50% premium for long term empty properties</li> </ul>
<p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>• Difficult to recover council tax until property is in use and bringing in an income.</li> <li>• In the current climate houses are taking longer to sell</li> <li>• Owners may find it difficult to repair properties prior to re-letting</li> <li>• Difficult to get money from mortgage companies who have re-possessed houses until they are sold</li> <li>• Risk of avoidance with long term empties by claiming occupation</li> <li>• For long term empties the government is considering excluding homes genuinely for sale, main homes for armed forces and annexes used as part of the main home</li> </ul>

### Council Tax Discounts and Premiums - Modelling

Option	Modelling	Class A @ 70% (70 properties)	Class C @95% (210 properties)	Premium @ 50% (59 properties)	Total
1.	No discount for second homes 25% discount for uninhabitable properties (class A) Empty homes (discount by month) <ul style="list-style-type: none"> <li>• 100% month one</li> <li>• 0% month two onwards (class C)</li> </ul> Premium for long term empties 50%	£30,861	£74,346	£24,236	£105,207
2.	No discount for second homes 0% discount for uninhabitable properties (class A) Empty homes (discount by month) <ul style="list-style-type: none"> <li>• 100% month one</li> <li>• 0% month two onwards (class C)</li> </ul> Premium for long term empties 50%	£61,722	£74,346	£24,236	£136,068





# Cabinet

## 9 September 2013



<b>Title</b>	Localisation of Council Tax Support (consultation)		
<b>Purpose</b>	Resolution required		
<b>Report of</b>	Assistant Chief Executive	<b>Confidential</b>	No
<b>Cabinet Member</b>	Councillor Suzy Webb	<b>Key Decision</b>	Yes
<b>Report Author</b>	Heather Morgan - Project Manager		
<b>Summary</b>	<ul style="list-style-type: none"> <li>Income from council tax discounts and premia <b>will not</b> be used to cross subsidise the savings which need to be made from the Local Council Tax Support Scheme</li> <li><b>Current scheme</b> – 91.5% protection for working age claimants and 100% protection for people with a disability</li> <li><b>Option 1</b> - 70% protection for working age claimants and 100% protection for people with a disability</li> <li><b>Option 2 (preferred)</b> – 75% protection for working age claimants and 90% protection for people with a disability</li> <li>Continued risk around collection (assumption is a 70% collection rate if claimants have to pay 30% of total council tax bill)</li> <li>Consultation will be conducted in the same way as 2012/13</li> </ul>		
<b>Financial Implications</b>	<ul style="list-style-type: none"> <li><b>Ongoing 10% reduction</b> in central government grant would be <b>£630,000</b></li> <li>There is a potential shortfall of around £240,000 for 2014/15 if the Local Council Tax Support Scheme and the council tax discounts and premia remain unchanged</li> <li>The proposed Local Council Tax Support Scheme could deliver a <b>maximum £631,000 of savings</b></li> <li>There are <b>risks around collection of up to £260,000</b> (excluded from savings figure above)</li> <li>Additional recovery staff resources may be required (£28,000 pa)</li> </ul>		
<b>Corporate Priority</b>	Service and Support		
<b>Recommendations</b>	<p>Cabinet is asked to:</p> <p>Approve the options for a revised Local Council Tax Support Scheme, including preferred Option 2</p> <p>Approve a formal six week consultation period to consult on the options for a revised Local Council Tax Support Scheme</p> <p>Note the timetable for implementation</p>		

## 1. Background

- 1.1 As part of the Local Government Finance Bill 2012 (which received Royal Assent on 31 October 2012), the government decided to replace the national council tax benefit scheme with localised council tax support.

### Current position - National

- Localised council tax support came into effect on 1 April 2013
- Spelthorne adopted its own local scheme on 21 January 2013
- The ongoing 10% reduction (relative to the council tax benefits regime in place prior to 2013-14) in central government funding for 2014/15 is around £630,000 for this borough. Spelthorne's share would be £69,300 (11%). Surrey County Council's share will be £479,000 and Surrey Police £81,900
- The local scheme transferred the financial risk from central to local government. Surrey councils are, as billing authorities, facing additional collection and recovery costs
- Our adopted local support scheme has been integrated into the council tax setting process. It is being accounted for in the tax base calculation, effectively reducing the Band D equivalents
- The government kept its promise of protecting pensioners from these cuts (43% of council tax benefit claimants in our Borough). This meant the burden of the 10% cut was borne (in part) by the remaining working age benefit claimants

### Current position – Spelthorne's local council tax support scheme

- 1.2 On 21 January 2013 the Council adopted its own local scheme after extensive public consultation.
- 1.3 **The scheme which was adopted is set out below:**
- **100% protection for pensioners (outside the scheme altogether)**
  - **100% protection for people with a disability**
  - **91.5% protection for everyone else**
  - **Retain second adult rebate**
  - **Capital limit £16,000**
  - **Three months backdating of claims**
  - **Continue 100% disregard for war widows pensions**
- 1.4 The Council has rigorously followed a policy of pursuing non-payment of Council Tax. Payment is a statutory requirement, and the Council has stated that there should not be any exceptions. This has meant pursuing everyone, no matter how small the payment. This policy will continue in future years.

- 1.5 The impact of the scheme has been as follows:
- 1,470 residents have had to pay some level of council tax, where previously they paid nothing
  - 200 summons were issued early July and are being pursued through the courts
  - It was estimated that the local council tax support scheme would generate £253,000 (with £90,000 at risk)
  - £63,000 has been collected to date (with £110,000 at risk)
  - The 'average' bill that had to be paid on a Band D property was £132 pa.
  - The overall collection rate in July 2013 was 45.5% as compared to 45.8% in July 2012. The collection rate for council tax support only clients was 24.9% for July 2013.

## **Funding**

### Current position – funding the local council tax support scheme

- 1.6 In 2013/14 the Council had to make estimated savings of £700,000 to cover the 10% reduction in government grant for council tax support.
- 1.7 The local scheme which the Council adopted took advantage of a one off transitional grant from central government. This was designed to “support local authorities in developing well designed Council Tax Support Schemes and maintain positive incentives to work”. As a result we received £142,000 towards the £700,000 savings we needed to make (£16,000 for Spelthorne, £19,000 for Police and £107,000 for Surrey County)
- 1.8 However this did mean that the Council could only require new claimants to pay a maximum of 8.5% of their council tax. This quite significantly limited how much money we could expect to collect (setting aside what percentage we might actually be able to recover). It was estimated that we would collect £253,000 from this 8.5% 'cap' which even with the £142,000 grant fell well short of the required £700,000.
- 1.9 At Cabinet on 21 January 2013 it was decided that the £306,000 which could be collected from the discounts and premia (which was not at risk) would be:
- “used to offset part of the loss of government funding in 2013/14 and therefore reduce the level of savings required from the Local Council Tax Support Scheme”.**

## **2. Key issues**

- 2.1 There are a number of key changes for 2014/15 onwards which will have a direct bearing on the revised Local Council Tax Support Scheme the Council eventually adopts.

- 2.2 Firstly, the transitional grant of £142,000 referred to in paragraph 1.7 above was a 'one off' and cannot be relied on. Secondly, there has been a significant (but not unexpected) reduction in long term empty properties and the income that this would generate. For 2013/14 this has meant that we have not been able to collect £253,000 from the original estimate of £559,000 (as people have said their properties were occupied and therefore paid 100% council tax instead of 150%).
- 2.3 The effect of these key changes is that were the Local Council Tax Support Scheme and the discounts and premia to remain unchanged we would be looking at a potential shortfall of around £377,000 out of a required £630,000.
- 2.4 There is also a more fundamental issue, which is whether or not the council tax support savings which have to be made should be entirely borne by the council tax support claimants or not. The withdrawal of government funding and the increasing pressure on council tax means that the Council has had to re-evaluate its position. Consideration has been given to a 'do nothing' option or a revised scheme which allows for what is called 'transitional protection' (i.e. a phased scheme over two years).
- 2.5 Neither of these are deemed acceptable and from 2014/15 onwards the Council will therefore require council tax support claimants to cover the whole cost of the 10% government savings (i.e. £630,000).
- 2.6 The options set out below will consider whether or not people with a disability should continue to benefit from 100% protection. The current locally adopted scheme does not differentiate between levels of disability (e.g. severe disability which prevents an individual from working to those with a slight disability which does not preclude them from undertaking some types of work). Consideration needs to be given as to whether or not a reduction in protection for working age claimants should be mirrored by a lesser reduction for those people with a disability.

### 3. Options analysis

- 3.1 The two options below are a variation of the current Local Council Tax Support Scheme. It is proposed that the following elements of the current scheme will be retained:
- 100% protection for pensioners (outside the scheme altogether)
  - Retain second adult rebate
  - £16,000 capital limit
  - Three months backdating of claims
  - Continue 100% disregard for war widows pensions
  - No change to the definition of those with a disability (**Appendix 1**)
- 3.2 The options will therefore focus on two areas. Firstly, the level of protection that will be given to benefits claimants, by applying the principle that any revised scheme should 'wash its own face'. Secondly, whether people with a disability should continue to receive 100% protection.

**Option 1**

3.3 This option would:

- **Decrease the level of protection for working age claimants from 91.5% to 70% from 2014/15 onwards**
- **Retain 100% protection for people with a disability from 2014/15 onwards**

**Option 2 (preferred)**

3.4 This option would:

- **Decrease the level of protection for working age claimants from 91.5% to 75% from 2014/15 onwards**
- **Decrease the level of protection for people with a disability from 100% to 90% from 2014/15 onwards**

**Proposal**

4.1 To go out to gauge views on the options above, but noting that Option 2 is the Councils preferred approach. The table below sets out the advantages and disadvantages of each of the options.

<b>Option</b>	<b>Savings achieved (excluding at risk)</b>	<b>Advantage</b>	<b>Disadvantage</b>
<b>Option 1</b>			
<b>70% protection for working age claimants</b>	£604,000	<p>Equality of treatment in so far as everyone who does not have a disability will have to pay</p> <p>Will ensure that the monies collected will largely cover the savings required</p>	<p>Significant increase in level of payment (21.5% over and above what people currently pay)</p> <p>Collection rate may only be 70%</p> <p>Relying completely on one group of people to deliver the savings</p> <p>Challenge around recovery may require an additional resource</p>
<b>100% protection for claimants</b>	£00,000	<p>No change from the current scheme</p> <p>Everyone will be protected (whether they</p>	<p>Fails to recognise the fact that other claimants who may be working will face a significant increase and that the burden</p>

<b>with a disability</b>		are able to work or not)	needs to be spread more fairly across all of those claiming council tax support
<b>Option 2</b>			
<b>75% protection for working age claimants</b>	£542,250	Equality of treatment as everyone will have to pay Will ensure that the vast majority of monies collected will cover the savings required	Significant increase in level of payment (16.5% over and above what people currently pay) Collection rate may only be 75%
<b>90% protection for claimants with a disability</b>	£89,300	Recognises the fact that other claimants will face a significant increase. This should be reflected in some payment from people with a disability (principle of fairness)  Combined with the 75% protection for working families it will ensure that monies collected will cover the savings required	Claimants will have to pay a small proportion towards their council tax (577 low value bills) Challenge to get out the communications message out Collection rate may only be 75%  Chasing collection on low value bills of under £150

- 4.2 Option 2 is the preferred option for a number of reasons. In 2013/14 the Council was in a position to protect those with a disability because of the final scheme that was chosen (where working age claimants were paying 8.5% of the council tax bill). The financial climate has now changed (as set out in paras 2.2 and 2.3) and the Council will be requiring everyone to pay considerably more.
- 4.3 There are around 857 people in the Borough with a disability who claim council tax support. Whilst it is fully recognised that they have different needs and requirements, there is nevertheless a question around the principle of fairness and everyone having to make some level of payment. Option 2 balances these issues and sets out what is considered a proportionate and reasonable approach. It is on this basis that a figure of 10% has been established, which as set out in paragraph 5.5 below equates to an average of £2.99 per week for a Band D property.
- 4.4 Consideration was given to whether it was feasible to revise the current scheme and apply a sliding scale of protection to those with differing levels of disability support (for example from 0% to 15%). This has not been pursued as

it would make the scheme very complex and resource intensive to deliver, and require staff to make decisions on the basis of medical assessments (relating to the category of disability benefit they can claim) which they are not qualified to do.

- 4.5 The benefits and challenges which were considered when the original scheme for local council tax support was adopted in January 2013 are set out in **Appendix 2**.
- 4.6 There will be no significant change in distribution of claimants across the borough from the adopted local scheme. A map showing ward impact is included at **Appendix 3**.

## 5. **Financial implications**

- 5.1 Funding will be based on 90% of the forecast council tax expenditure for 2014/15. The net saving required from the new local scheme will be £630,000. The risk associated with delivering the savings will be apportioned pro-rata across Spelthorne (11% £69,300), Surrey County Council (76% £478,800) and Surrey Police (13% £81,900).
- 5.2 Modelling has been undertaken to estimate what money could be achieved through these options. More detailed work will need to be done once we are in a position to assess against 2014/15. Detailed modelling and case studies are set out in **Appendix 4**.
- 5.3 The Council will need to find £630,000 savings for 2014/15 and £643,000 for 2015/16. These figures reflect the reduction in government grant for council tax support assuming the government do not increase the reduction above 10%. They also assume a 1.99% increase in council tax in 2014/15 and 1.94% for 2015/16.
- 5.4 **Appendix 4** makes it clear that Option 2 (75% protection for working age and 90% protection for those with a disability) will cover the shortfall in 2014/15 and in 2015/16. On the other hand, Option 1 (70% protection for working age and 100% protection for those with a disability) will not quite cover the gap. This is shown in the table below

Year	Target collection figure	Option 1	Option 1 shortfall	SBC share	Option 2	Option 2 shortfall	SBC share
2014/2015	£630,000	£604,000	£26,000	£2,938	£631,000	£00	£00
2015/2016	£643,000	£617,000	£33,000	£3,729	£643,000	£00	£00

- 5.5 The shortfall in Option 1 would be split across the precepting authorities with 76% being borne by Surrey County Council, 13% by Surrey Police and 11% by Spelthorne Borough Council. A balanced view needs to be taken as to what level of reduction is achievable through reducing the council tax

percentage (which may appear to reduce the shortfall against the risk that the greater the reduction the higher the risk of lower collection) and more costs incurred in chasing council taxpayers.

- 5.5 It will be a considerable challenge to collect the additional money from council tax support claimants. The table below sets out what the annual/weekly payments will be for each of the options for a Band D property (based on 2013/14 council tax figure of £1,555):

Percentage	Average annual payment (Band D)	Average weekly payment (Band D)	Collection rates
8.5% working age (current scheme)	£132	£2.54	90%
30% working age (Option 1)	£467	£8.98	70%
25% working age (Option 2 - preferred)	£389	£7.48	75%
10% people with a disability (Option 2 - preferred)	£156	£2.99	95%

- 5.6 The challenge of recovery is reflected in the percentage which we are expecting to achieve (section 7 below). The Head of Customer Services has already indicated that an additional resource may be required to help maximise recovery. The cost of this post (if it were in the form of a full time member of staff) would be £28,000 pa (including on costs). This will be the subject of a separate growth bid and a full business case would need to be submitted for consideration.
- 5.7 As part of the 2013/14 scheme, Surrey County Council agreed to give each authority in Surrey money towards a hardship fund. This money is not ring fenced and does not have to be spent in 2013/14. The £26,000 has not been received as yet. To date we have not had any hardship claims. The money will only be given out where the Council considers the individual concerned meets all the relevant criteria (and has been through a very robust assessment process).

## 6. **Other considerations**

### **Equalities Impact Assessment**

- 6.1 Any scheme will need to have an Equalities Impact Assessment (EIA) undertaken. A detailed EIA was done last time and the same approach will be taken this time

### **Communications**



- 6.2 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.
- 6.3 How we communicate the message about these further changes is absolutely essential, and our reputation will depend on how well we get this very difficult message across. This will be critical if the final scheme requires those with a disability to pay 10% of their council tax bill.
- 6.4 Having gone through this process already we know our communication has to be done in a way that everyone understands. Targeting those directly affected by the changes as part of the consultation worked very well, as did the individual letters advising them that changes were on the way. Advice was also given once the bills 'landed on the mats'. We will apply the same principles this time, but with a particular focus on those people with a disability (depending on the final scheme).
- 6.5 We will need to be very clear about why we are revising the scheme further. A detailed communications timetable/plan will be developed closer to the time to ensure that we get the right message out. The Cabinet Member for Communications will be involved throughout this process.

## **7. Risks and how they will be mitigated**

- 7.1 The main risks to the proposed changes are the additional adverse impacts on individuals brought about by the further changes. The collection rate for the current scheme (8.5% reduction) is 90% and setting a modest reduction has ensured we have maximised collection. Common sense dictates that the higher the payment, then greater the risk of non-payment or of falling behind with payments.
- 7.2 There will continue to be a risk around avoidance, and in recovering some money. To mitigate this, the modelling makes realistic assumptions about collection rates.
- 7.3 The assumptions which have been made are:
- 75% collection rate for claimants with a 25% reduction in protection
  - 70% collection rate for claimants with a 30% reduction in protection
  - 95% collection rate for claimants with a disability with a 10% reduction in protection
- 7.4 Depending on which scheme is adopted, there may be additional challenges in collecting the tax due. If Option 2 is chosen (with 10% payment from people with a disability), there would be 577 small value bills (less than £150). These will need to be collected and the cost of doing so may exceed the value of the bill.
- 7.5 The challenges around entitlement and collection will mean we will need to retain staff with the necessary skills. This will be an issue, particularly with the abolition of housing benefit by 2017. More resources are likely to be required

to ensure we maximise recovery if the 30% reduction option is finally adopted (and is covered in paragraph 5.5 above).

- 7.6 There is a risk of legal challenge if the public consultation or equalities impact assessment (EIA) is not deemed sufficient. No challenge arose as a result of the consultation undertaken in 2012 or the EIA and we propose to adopt the same approach this time.
- 7.7 The changes also need to be seen in the light of wider reforms to welfare benefits. These include restrictions in the amount of housing benefit that can be paid to under occupied properties in the social sector which came in on 1 April 2013, the £500 per week cap on benefits per household which came in on 15 July 2013 and the phased introduction of Universal Credit from October 2013 (although on current estimates this is unlikely to affect Spelthorne until closer to April 2014).
- 7.8 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. All these changes combined may create a risk that a greater number of families will present as homeless and become our responsibility (with increased workloads and additional costs as a result).

## **8. Timetable for implementation**

- 8.1 There are a number of key dates which need to be met:

9 September	Cabinet decision to go out to consultation
13 September	Start targeted public consultation
25 October	End targeted public consultation
17 December	Cabinet agree final scheme
19 December	Council agrees final scheme
31 January	'Cut-off' date for agreeing revised scheme
1 April	Local Scheme for Council Tax Support implemented

### **Background papers:**

A copy of the current Local Council Tax Support Scheme is available in the Members Room.

### **Appendices:**

1. Definition of people with a disability (qualifying premiums)
2. Benefits and challenges of adopted Local Council Tax Support Scheme
3. Ward impact of Local Council Tax Support Scheme
4. Detailed modelling and case studies for council tax support

## Appendix 1

## Unable to work due to disability

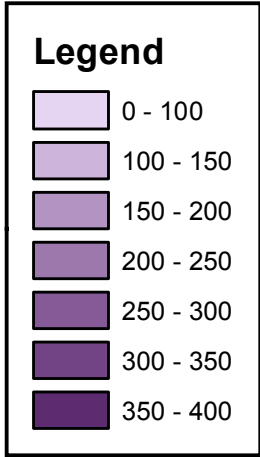
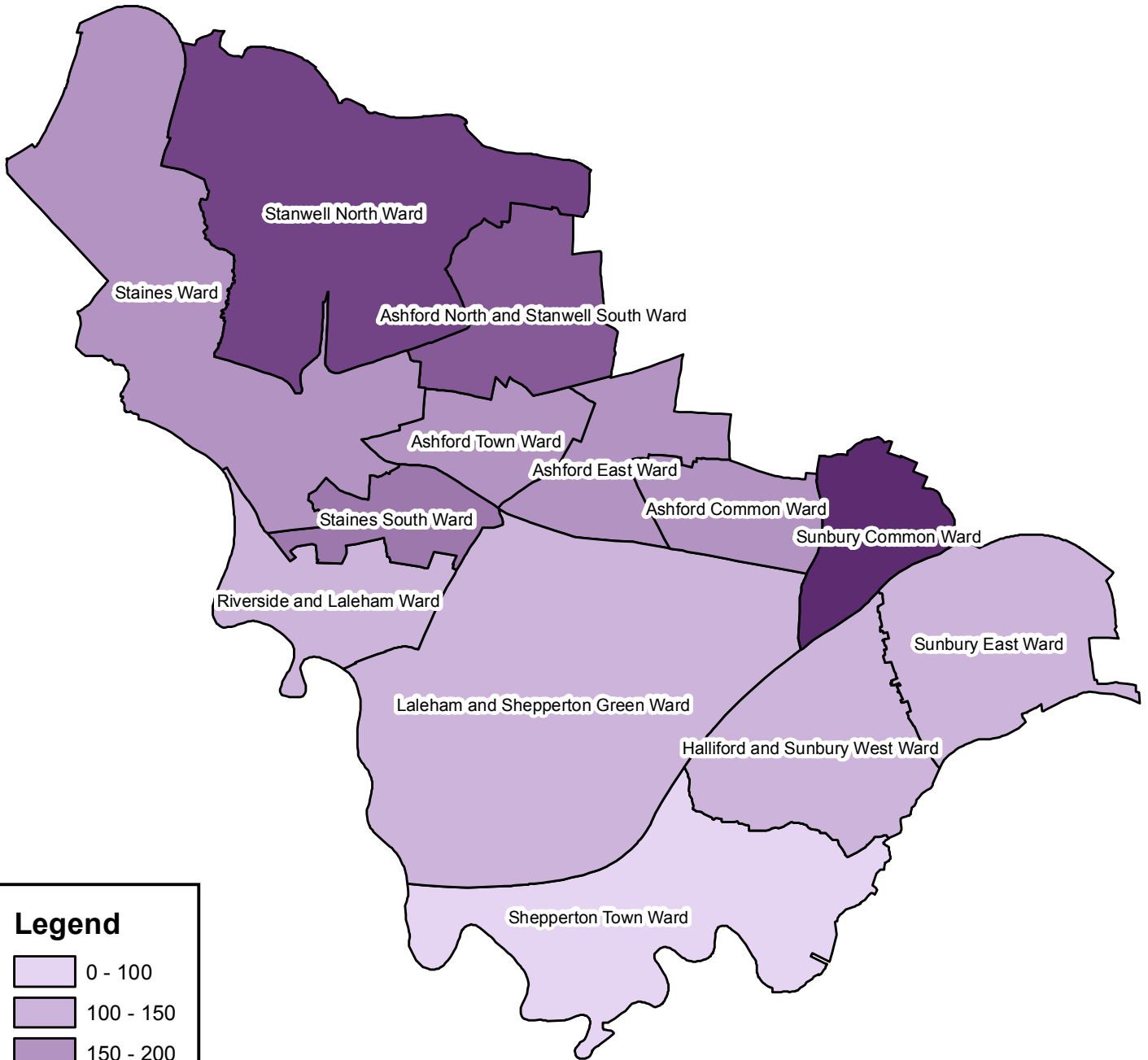
Qualifying Premiums	Qualifying Criteria / Qualifying Benefits
<p><b>Disability Premium</b></p> <p>Either as a standard case or as part of the calculation of entitlement to Income Support (IS), Employment and Support Allowance (ESA) or Job Seekers Allowance (JSA)</p>	<p>Where person claiming or their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

## Appendix 2

## LOCAL COUNCIL TAX SUPPORT OPTIONS

## Benefits and Challenges

<b>The Local Scheme</b>
<b>Description</b>
<ul style="list-style-type: none"> <li>• Implement a local council tax support scheme based on the current national council tax benefit scheme but with all working age households expected to make a contribution. Where no contribution is currently paid this will be capped at 8.5%, subject to specific changes to criteria used (100% protection for vulnerable people, retain second adult rebate, retain £16,000 capital limit, three month backdating)</li> </ul>
<b>Benefits</b>
<ul style="list-style-type: none"> <li>• Reduction in council tax support is spread across all claimants other than pensioners</li> <li>• The scheme ties in with the proposal from central government and would receive CLG transitional funding (for Surrey County Council, Surrey Police and Spelthorne Borough Council)</li> <li>• Everyone contributes to council tax, but there would be full 100% protection for vulnerable people</li> <li>• The 8.5% payment will ensure that working families are not unduly penalised by the scheme</li> <li>• Retaining second adult rebate means that adult carers who provide vital support will not be adversely affected</li> <li>• Those with savings will not be required to use those savings to pay council tax which would penalise those who work hard and save. It also ensures that people do not move constantly in and out of the council tax support scheme</li> <li>• There may be cases when individuals, for a number of reasons, are not immediately in a position to claim for council tax support. Restricting backdating to three months ensures that such eventualities are accounted for, and brings the timescales in line with those of pensions.</li> </ul>
<b>Challenges</b>
<ul style="list-style-type: none"> <li>• Small number of households affected but for those households loss of support will be higher</li> <li>• Reduction in government funding support still impacts on Surrey County Council, Surrey Police and Spelthorne Borough Council providing less income for services or requiring income to be raised from other sources to prevent cost falling on general tax payer</li> <li>• Only achieves partial reduction in expenditure on welfare benefits falling short of central government spending plans</li> <li>• Potential for harder reductions for those on low income in future years with more public spending cuts</li> <li>• Some additional protection may be required for the most vulnerable households</li> <li>• Challenges around collection rates on small value bills</li> </ul>



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## Appendix 4

## Council Tax Modelling examples 2014/15 onwards

There are currently 5486 council tax benefit claimants.

These are broken down into 55 separate categories. Detailed below is a sample of the top 7 categories affecting 1784 working age claimants.

2 further categories identify the most vulnerable groups which affect 199 claimants.

GROUP	NUMBER OF CLAIMANTS EFFECTED	CURRENT ENTITLEMENT £5.7m 91.5% working age 100% disabled	OPTION 1 30% working age 0% disabled	OPTION 2 25% working age 10% disabled
<b>SAVINGS</b>	Target £610k 13/14 Target £630k 14/15 Target £643k 15/16	£318k Council Tax Support (CTS) £236k Empty Homes £142k Government Transition Grant £696k Total	£864k CTS	£817k CTS
<b>Working age Passported (Group 39)</b>	<b>503</b> Job Seekers Allowance (JSA) Employment Support Allowance (ESA)			
Ashford Band C £1382.78 £1037.08 spd	Ms C IS	£948.93 Instalments £9	£723.97 Instalments £31	£775.68 Instalments £26
Stanwell Band D £1555.63	Mr T ESA (IR)	£1423.40 Instalments £13	£1085.93 Instalments £47	£1163.53 Instalments £39
Ashford Band D £1555.63	Ms T ESA (IR)	£1423.40 Instalments £13	£1085.96 Instalments £47	£1163.53 Instalments £39
<b>Lone Parent with children U5 Passported (Group 19)</b>	<b>354</b> Income Support (IS)			
Stanwell Band C £1382.78 £1037.80 spd	Miss P IS 1 child (8) 1 child (2)	£948.93 Instalments £9	£723.97 Instalments £31	£775.68 Instalments £26
Ashford Band D £1555.63 £1162.72	Ms W IS 1 child (3) 1 child (5)	£1067.55 Instalments £10	£814.47 Instalments £35	£872.65 Instalments £29
Stanwell Band D £1555.63	Mrs H IS 2 children (1,3) 2 non deps	£1423.40 Instalments £13	£1085.96 Instalments £47	£1163.53 Instalments £39
<b>Working age Non passported 1 child (Group 65)</b>	<b>210</b>			
Shepperton	Ms H	£466.03	£167.95	£245.52

## Appendix 4

Band D £1555.63	Working 25 hr 1 child (14) 1 non dep (19) Weekly income £351	Instalments £109	Instalments £139	Instalments £131
Stanwell Band D £1555.63 £1166.72 spd	Mrs R Tax Credits 1 child (9) Weekly income £290	£302.94 Instalments £86	£49.86 Instalments £112	£108.04 Instalments £105
Sunbury Band D £1555.63 £1166.72	Ms P Tax credits Capital £6754 2 children (13,15) Weekly income £257	£1067.55 Instalments £10	£814.47 Instalments £35	£872.65 Instalments £29
<b>Working age Passported 1 child Group 31</b>	<b>173 Income Support (IS)</b>			
Stanwell Band E £1901.32 £1425.99 spd	<b>Mrs B ESA (IR) 2 children (15,16)</b>	£1304.78 Instalments £13	£995.46 Instalments £43	£1066.57 Instalments £36
<b>Sunbury Band C £1382.78</b>	<b>Mrs H ESA (IR) 1 child (6) 1 non dep (24)</b>	£1265.24 Instalments £12	£965.30 Instalments £41	£1034.25 Instalments £35
<b>Sunbury Band C £1382.78 £1037.08 spd</b>	<b>Mrs O JSA 1 child (7)</b>	£948.93 Instalments £9	£723.97 Instalments £31	£775.68 Instalments £26
<b>Working Age Passported Disability Group 13</b>	<b>209 Employment Support Allowance (ESA) Job Seekers Allowance (JSA) Income Support (IS) Disability Living Allowance (DLA/DLL/DLH)</b>			
Ashford Band D £1555.63	Miss M ESA & DLL Capital 1 non dep (42)	£1555.63 Instalments £0	£1555.63 Instalments £0	£1396.24 Instalments £16
Laleham Band C £1382.78	Mr & Mrs H Mrs on IS & DLA Capital 1 child (2)	£1382.78 Instalments £0	£1382.78 Instalments £0	£1241.10 Instalments £14
Staines Band C £1382.78 £1037.08 spd	Mr K ESA (IR) DLA DLL	£1037.08 Instalments £0	£1037.08 Instalments £0	£930.82 Instalments £10
<b>Working Age Non Passported Child Under 5 (Group 55)</b>	<b>173</b>			
Stanwell Band C £1382.78	Miss G Tax Credits 1 child (2) Working 20hrs	£1265.24 Instalments £12	£965.30 Instalments £42	£1034.25 Instalments £35

## Appendix 4

	Weekly income £226			
Shepperton Band C £1382.78	Miss C Tax Credits Working 36 hours 2 Children (1,4) Weekly Income £409	£341.58 Instalments £104	£50.93 Instalments £133	£119.88 Instalments £126
Shepperton Band D £1555.63	Mr R & Ms S Working 24hr 2 children (6,4) Weekly income £428	£1200.93 Instalments £35	£864.23 Instalments £69	£941.80 Instalments £61
<b>Working Age Non Passported 2 Child (Group 63)</b>	<b>162</b>			
Sunbury Band C £1382.78	Ms H Working 17 hr 2 children (13,9) Non dep (22) Weekly income £342	£821.14 Instalments £56	£538.90 Instalments £84	£607.85 Instalments £77
Sunbury Band D £1555.63	Mr & Mrs B Working 40 hr 2 children (17,8) 1 non dep(20) Weekly income £400	£638.13 Instalments £92.00	£304.09 Instalments £125	£381.66 Instalments £117
Staines Band D £1555.63	Ms S & Mr R Working 35 hr 3 children (8,9,17) Weekly income £490	£382.21 Instalments £117	£48.56 Instalments £151	£126.13 Instalments £143
<b>Working Age Passported Severe disability (Group 9)</b>	<b>167 Income Support (IS) Disability Living Allowance (DLA/DLM/DMH) Incapacity Benefit (IBN)</b>			
Stanwell Band D £1555.63 £1166.72 spd	Mrs H IS DLA DLM IBN	£1166.72 Instalments £0	£1166.72 Instalments £0	£1047.18 Instalments £12
Stanwell Band E £1901.32 £1425.99 spd	Mrs O IS DLA DMH 1 Child (15) Severe Disability	£1425.99 Instalments £0	£1425.99 Instalments £0	£1279.88 Instalments £14
Stanwell Band B £1209.94 £907.45 spd	Ms N IS DLH DMH	£907.45 Instalments £0	£907.45 Instalments £0	£814.47 Instalments £9
<b>Working Age Non Passported Severe Disability</b>	<b>32 Disability Living Allowance (DLA/DLM/DLH) Incapacity Benefit</b>			



## Appendix 4

<b>Group 43</b>	<b>(IBN/IBB)</b>			
Stanwell Band B £1209.94 £907.45	Mr I DLA DLA IBN	£907.45 Instalments £0	£859.72 Instalments £5	£814.47 Instalments £9
Stanwell Band D £1555.63	Mr & Mrs S Mr Blind & Severally disabled Capital DLH DMH IBN IIB	£716.23 Instalments £84.00	£636.71 £92	£559.14 Instalments £100
Staines Band C £1382.78 £1037.08 spd	Mr S Severally disabled DLA Working Weekly income £311.60	£372.04 Instalments £67	£320.16 £72	£268.44 Instalments £77
<b>Number of small value bills issued &lt; £150</b>			<b>0</b>	<b>577</b>
<b>Collection rate risks</b>	Target £610k 13/14 Target £630k 14/15 Target £643k 15/16		<b>£864k CTS @ 70%</b>  <b>£604 (2014/15)</b>  <b>£617k (2015/16)</b>	<b>£723k CTS @ 75%</b> <b>£94k (disa) @ 95%</b>  <b>£631k (2014/15)</b>  <b>£643k (2015/16)</b>

- ❖ Target collection rates assume 1.99% increase in council tax for 2014/15 and 1.94% for 2015/16
- ❖ Target collection rate assumes 10% cut in council tax benefit subsidy from central government

