



## CABINET

**Subject Heading:**

Update on the Council Tax Support Scheme 2019 and Council Tax Surcharge on Empty Homes

**Cabinet Member:**

Councillor Roger Ramsey

**SLT Lead:**

Jane West

Section 151 Officer

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**Policy context:**

This report provides an update on proposed changes to the Council Tax Support Scheme 2019 and Council Tax Surcharge on Empty Properties following a public consultation.

**Financial summary:**

It is anticipated the proposed changes to the Council Tax Support Scheme 2019 will generate additional income from Council Tax estimated at £597,000.

**Is this a Key Decision?**

Yes

**When should this matter be reviewed?**

February 2019

**Reviewing OSC:**

Overview & Scrutiny Board

**The subject matter of this report deals with the following Council Objectives**

Communities making Havering

Places making Havering

Opportunities making Havering

Connections making Havering

## **SUMMARY**

This report sets out the detail of the responses to the public consultation to change the Council Tax Support Scheme 2019 (CTS Scheme) and the Council Tax surcharge on properties empty for more than two years.

An overview of the existing Council Tax Support Scheme is attached to this report along with an Equalities Impact Assessment, proposed CTS Scheme, Risk Register and full version of the consultation outcomes.

## **RECOMMENDATIONS**

Cabinet are asked to:

- Consider the responses to the Council Tax Support Scheme and Long Term Empty Homes Premium consultation
- Approve and recommend to Council the adoption of the proposed Council Tax Support Scheme as summarised in Appendix C with effect from 1 April 2019.
- Approve and recommend to Council an increase from 50% to 100% as a surcharge rate of Council Tax for the properties that have been empty for more than two years with effect from 1 April 2019

## **REPORT DETAIL**

### **1 Background**

#### **1.1 The Council Tax Support Scheme 2019**

1.2 The Council Tax Support Scheme (CTS) has been in place since 1 April 2013. The CTS grant was rolled into the settlement funding allocation (SFA) which has been reduced annually in line with core funding. The consequence of less funding is that councils are left with choices as to whether to increase Council Tax, reduce other services, increase other sources of income or make amendments to the Council Tax Support Scheme to manage the financial shortfall.

## Cabinet, 29 November 2018

- 1.3 The precise figures for the reduction in the CTS grant are not exemplified as the CTS grant has been rolled in with the overall reduction in the RSG. The MTFS report reviewed by Cabinet Members on 25 July 2018 outlined a number of proposals to transform services to meet the financial pressures. Further reductions and changes could be made to other services to address the reduction in Government funding in relation to the Council Tax Support Scheme but these would be on top of the already significant savings and additional income proposals required to balance the Council's financial position in the medium term. It is therefore proposed that Council Tax Support Scheme is reduced as part of a range of proposals for balancing the Council's MTFS.
- 1.4 The review has highlighted options for change in line with other surrounding councils' existing schemes which have duly considered and protected claimants of pensionable age in accordance with law. Therefore the proposals for change would only affect working age applicants.
- 1.5 At Cabinet on 25 July 2018, eight options to change the Council Tax Support Scheme were considered that proposed changes to the CTS Scheme expenditure to varying degrees. Members recommended the option set out in paragraph 2.3 be considered for consultation.
- 1.6 Members recommended this option for consultation which proposes an additional 10% reduction in Council Tax Support for claimants without disabilities and only 5% reduction for claimants with disabilities. This will make the overall reduction 25% for working age claimants without disabilities and 20% for working age claimants with disabilities.
- 1.7 This option provided a proportionate contribution to balancing the Council's MTFS while at the same time being more affordable to claimants.
- 1.8 This option would mean that no single vulnerable group is unduly impacted by the change which is the equivalent of an estimated additional £1.15 per week to pay in Council Tax for claimants with disabilities. For working age claimants without disabilities, the estimated additional amount to pay in Council Tax would be £2.20 per week.
- 1.9 It has been proven through the Office of National Statistics that claimants with disabilities are less likely to be in employment than those claimants without disabilities. Therefore, it would be reasonable to maintain the CTS reduction at a lower level of 20% than for working age claimants without disabilities for whom the reduction is proposed at 25%.
- 1.10 In summary, the savings proposed through the CTS Scheme are considered reasonable and it is believed will not cause undue hardship to working age claimants.

## Cabinet, 29 November 2018

1.11 A summary of other Council Tax Support London local authority schemes is appended (G) to this report for comparison.

1.12 Following Members' consideration of the financial position and agreement to the basis on which a draft revised scheme should be consulted on, the Council has consulted with the Greater London Authority in advance of members of the public and other interested parties.

1.13 Council Tax Support caseload information:

|  |             |
|--|-------------|
| Date Council Tax Support Data extracted                | June 2018   |
| Total Working Age and Elderly CTS Caseload             | 15,161      |
|  |             |
| Total Working Age Caseload                             | 8,890       |
| Working Age Disable Caseload (included in total above) | 3,422       |
|  |             |
| Total Elderly Caseload                                 | 6,271       |
|  |             |
| Working Age Expenditure                                | £7,813,793  |
| Elderly Expenditure                                    | £6,708,676  |
| Total Expenditure                                      | £14,522,469 |

1.14 Council Tax Long Term Empty Homes Premium

1.15 Properties that are empty for more than two years are currently liable for a surcharge of 50%. Government has enacted legislation to provide the facility to increase the surcharge from 50% to 100% with effect from 1 April 2019.

1.16 The premium is important as an incentive to bring long term empty properties back into use, increasing the supply of housing. In June 2018, there were 187 properties in the borough that have been empty for two years or more and of which 70 are Council owned (eg they are being held vacant pending redevelopment).

1.17 An increase in the long term empty homes premium would generate additional income of £133,069 in 2019/2020. However, this proposal to increase the premium has been made to encourage owners to occupy their properties. Therefore, it is likely the additional income will reduce over time.

| <b>Owner</b> | <b>No. of Properties</b> | <b>Council Tax 2018/19<br/>50% Premium</b> | <b>Council Tax 2019/20<br/>100% Premium</b> |
|--------------|--------------------------|--|---|
| Havering     | 70                       | £121,833                                   | £162,444                                    |
| Private      | 117                      | £277,375                                   | £369,833                                    |
| <b>Total</b> | <b>187</b>               | <b>£399,208</b>                            | <b>£532,277</b>                             |

1.18 The increased income from the Collection Fund would be shared between the Council and the GLA at the ratio 82:18.

1.19 At the Ca

1.20 binet meeting held on 25 July 2018, Members agreed that a public consultation should take place to consider increasing the Empty Home surcharge from 50% to 100%.

## **2 Council Tax Support Scheme Proposed for 2019**

2.1 Proposals are being made to revise the scheme from 1 April 2019 for working-age claimants as part of the Council's overall budget strategy. The CTS Scheme for claimants of pensionable age is not subject to the proposed modifications and remains unchanged by the Council.

1.21 Previously on 25 July 2018, Cabinet considered several options for changing the CTS Scheme before noting their preference on which to consult and the details of the proposed changes are set out in point 2.3 below.

2.3

| <b>Proposed Changes to the CTS Scheme 2019</b>  |
|---|
| a) Increase the minimum Council Tax payment for Working Age claimants to 25% (currently 15%).<br>b) Increase the Council Tax payment for Disabled Working Age claimants to 20% (currently 15%).   |
| <b>Net Saving: £596,859</b><br>GLA element £149,215<br>BDP £82,897<br>Gross Savings £828,971  |
| <b>Who is affected:</b><br><b>All working age Non- Disabled claimants (Pension age protected)</b><br>2695 JSA/Income Support claimants: £295,385 Average £109 per year/£2.10 p/w loss to claimant.<br>2770 All other working age claimants: £334,262 Average £120 per year/£2.30 p/w loss to claimant.<br><b>Disabled Working Age 20%</b> |

|  |
|--|
| 2776 JSA/Income Support disabled claimants: £159,387 Average £57 per year/£1.10 p/w loss to claimant.<br>646 All other working age disabled claimants: £39,937 Average £61.82 per year/£1.19 p/w loss to claimant. |
|--|

2.4 An overall summary of the proposed CTS Scheme can also be found at Appendix C. Following Cabinet Members' recommendation, a full version of the scheme will be available for decision by Council and subsequent publication.

2.5 In summary, it is now proposed that the current CTS 2019 scheme is amended as follows:

- To reduce CTS for Working Age claimants to a maximum of 75% of their Council Tax liability.
- To reduce CTS for Working Age claimants with disabilities as defined in the CTS draft summary scheme, to a maximum of 80% of their Council Tax liability.

## **2 Consultation with the GLA and the Public**

2.19 Council has formally consulted the GLA and members of the public on the proposed revisions to the CTS 2019 scheme. The consultation period commenced on 1 August 2018 and ended on 30 September 2018.

2.20 This Consultation also formed part of a wider consultation about the Council's budgetary position and the CTS results are set out in full in Appendix D (note personal data has been redacted from the consultation feedback contained in Appendix D). A summary of the CTS consultation outcomes can also be found at Appendix A including the detailed comments from electronic and meeting notes.

2.21 Letters were posted to 8,908 working age CTS claimants and 120 Second Home Owners inviting them to have their say on the proposed changes. Consultation meetings were also held with residents across the borough and the survey was publicised and made available to everyone on the Council's website giving all opportunity to comment on the CTS proposals for 2019.

2.22 Members are asked to read and consider the full response to the CTS and Long Term Empty Homes Premium consultation outcome report and the EIA which are contained within Appendix B and D of this report.

2.23 The specific consultation posed four questions:

Q1. Is it reasonable to expect working age claimants without a disability to pay at least the minimum amount of 25% towards their Council Tax bill?

Q2 Should working age claimants who are disabled and less able to increase their household incomes, be protected and pay a minimum of 20% towards their Council Tax bill rather than 25%?

Q3. Are there any other realistic options available to manage the budget gap on the Council Tax Support Scheme that you think would produce a reasonable outcome, having regard to the needs of residents and the Council's budget position?

Q4. Should people who own property which has been empty for more than two years, be charged 200% Council Tax?

2.24 The proposals put the authority in line with 10 of the 33 London borough CTS Schemes which are summarised in Appendix G attached to this report.

2.25 It should be noted that the CTS consultation specifically targeted those currently in receipt of Council Tax Support by letter. Therefore, it is more likely that more comments would have come from CTS claimants than other residents. While data was made available on the other options to revise the Council Tax Scheme, no respondents suggested using one of the alternatives considered by Cabinet in its previous deliberations.

2.26 The summary of the individual responses show that 140 people responded to the CTS consultation.

2.27 In response to Question 1, 65% of respondents or 90 people were not in favour of the proposed reduction from 15% to 25% compared to 37 people (27%) who agreed. 8% (13 people) remained neutral. There was an overall majority of 40 people who disagreed with the proposed reduction in CTS.

2.28 With regard to Question 2, 53% of respondents or 73 people disagreed with the proposed reduction from 15% to 20% for disabled households compared to 50 people (36%) who agreed. A small majority of 6 respondents overall disagreed with this proposal. 17 people (11%) remained neutral.

2.29 With regard to Questions 1 and 2, some respondents felt that libraries and leisure centres should be reviewed to fund other services. These services are being included in the general budget proposals addressed in a report elsewhere on this Cabinet agenda. However, the Council still has a funding gap of £7 million to resolve for 2019/20.

- 2.30 Some responses indicated that people who are better off should pay more however, there is no provision in law to charge a higher Council Tax to only those properties in higher bands. Council Tax bands are not means tested but based on the property values at 1 April 1991.
- 2.31 A number of respondents wanted to know how people on a low income would pay the additional Council Tax. Where the CTS claimant continues to experience financial difficulties, there is a Council Tax Discretionary Policy that can assist depending on the claimant's individual circumstances.
- 2.32 Given the detailed consultation, though a small (in number) majority were against the proposal that everyone should pay at least 25% or 20% for households with disabilities, it is proposed to still proceed with these changes. Since 2013, the cost of Council Tax Support has been rolled into the Revenue Support Grant (RSG). However, the Council's RSG has been significantly reduced since then and is wholly to disappear from 2021. The original budget gap for 2019/20 was £14 million. There are proposals elsewhere on this Cabinet agenda which address £7 million but the Council still has a further £7 million gap in its budget for 2019/20.
- 2.33 If this change is not implemented other services would need to be cut or Council Tax levels would need to be considered. It is felt necessary to balance the overall views of where budget reductions will be made against the specific views of those in receipt of CTS, as they are more likely to oppose any changes as they will be personally affected by them. The recommendation was also based on a review of the other options available to change the CTS Scheme and the consequent preliminary view that this option is the best and fairest overall under the circumstances. The analysis of the options is set out in Appendix F Council Tax Support Scheme Options of this report.
- 2.34 In considering proposals to change the CTS Scheme 2019, it was noted that no changes have been made since 2015. However, since 2015, the Council has increased the Council Tax by more than 1.96% each year.
- 3.15 With regard to Question 4, 50% of respondents or 70 people disagreed with the proposed surcharge on properties empty for more than two years compared to 50 who agreed. In addition, eight respondents from the main budget consultation agreed the surcharge should be increased on empty homes. 20 respondents (14%) remained neutral. Therefore the number of respondents, who were in favour of or remained neutral, equalled those that were not in favour of increasing the empty property surcharge.
- 3.16 In view of this, it is also proposed to increase the long term empty property surcharge to 100% as it remains in the interest of the community



to bring these homes back into use. It should also be noted where a property has been left due to the liable person passing away, there is an exemption from Council Tax and the surcharge will not be applicable.

- 3.17 The GLA responded to the CTS Scheme 2019 and Empty Property Surcharge proposal and recognised the savings that the Council could use to apply to other proposals and services. They noted that vulnerable households or properties under stress would have access to an additional discretionary scheme to help reduce their Council Tax further. Further details can be found in Appendix A of this report.

## **REASONS AND OPTIONS**

### **4 Reasons for the decision:**

- 4.1 The Council has a statutory duty to provide a CTS Scheme and to consult the public and interested parties when considering changes to the CTS Scheme. This is set out in Schedule 4 of the Local Government Finance Act 2012.
- 4.2 There is a shortage in the housing market which Government has recognised and introduced legislation to enable local authorities to encourage the occupation of those empty properties by way of a further increase in the Council Tax surcharge.

### **5 Other options considered:**

- 5.1 At Cabinet on 25 July 2018, Members considered in detail a number of options with regard to the CTS Scheme and selected the scheme proposed in Appendix C for consultation. Details of the options considered can be found in the July Cabinet report and are set out in Appendix F Council Tax Support Scheme Options of this report.
- 5.2 With regard to the Empty Property Surcharge, the only other option is to do nothing.

5.3 The responses to the consultation have also set out a number of other alternatives and the Council's replies to those are reflected elsewhere in this report and Appendices.

**IMPLICATIONS AND RISKS**

**6 Financial implications and risks:**

6.1 The financial implications are set out in the body of this report and are reiterated in the table below.

| <b>Estimated additional income from Council Tax</b> |          |
|---|----------|
| Net saving  | £596,859 |
| GLA Element   | £149,215 |
| Bad Debt Provision                                  | £82,897  |
| Gross Savings                                       | £828,971 |

6.2 There is a risk of further delay in the collection of the additional Council Tax income from households in receipt of Council Tax Support. This is highlighted on the Risk Register set out in Appendix E to this report and the Service will continue to monitor and prepare mitigation for the impact of this change.

**7 Legal implications and risks:**

- 7.1 Under S151 of the Local Government Act 1972 a local authority has to make proper arrangements for the administration of its financial affairs and must deliver a balanced budget.
- 7.2 The budget consultation and approval process is separate from individual decisions which may need to be taken for example in relation to service delivery; these may require a separate consultation process and equality impact assessment before a final decision is taken.
- 7.3 Where consultation is undertaken it must comply with the ‘Gunning’ principles; namely it must be undertaken at a formative stage, sufficient information should be provided to enable feedback, adequate time should be given for consideration and responses and the feedback should be taken into account in any decision taken. The consultation process complies with these rules and Members must give conscientious consideration to the feedback when making a decision.
- 7.4 The Local Government Finance Act 1992 (as amended) provides at Schedule 1A paragraph 5 for revisions to a Council Tax Reduction Scheme. For each financial year the Council must decide whether to revise the scheme or replace it with another scheme. Any revision must be made no later than 11th March in the financial year preceding the year in which it is to have effect. Any revision invokes the consultation duties in paragraph 3 of the Schedule namely that:

**3 Preparation of a scheme**

- (1) Before making a scheme, the authority must (in the following order)—
- (a) consult any major precepting authority which has power to issue a precept to it,
  - (b) publish a draft scheme in such manner as it thinks fit, and
  - (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.

- 7.5 The Council has appropriately consulted in accordance with the above rules with regard to the CTS Scheme.
- 7.6 In making a decision the Council is required to take into account relevant considerations and act reasonably in the “Wednesbury reasonable” sense.
- 7.7 With regard to the empty property council tax surcharge, the Local Government Finance Act 1992 provided at 11B that a Council may determine an increase in percentage not more than 50. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018 increases that maximum amount to 100% from 1/4/19 for properties unoccupied for more than 2 years.

**8 Human Resources implications and risks:**

- 8.1 There are no implications and risks arising that impact on the Council's workforce as a result of this report.

**9 Equalities implications and risks:**

- 9.1 Havering has a diverse community made up of many different groups and individuals. The Council values diversity and believes it essential to understand and include the different contributions, perspectives and experience that people from different backgrounds bring.

- 9.2 The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:

- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
- (iii) foster good relations between those who have protected characteristics and those who do not.

- 9.3 Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity, and gender reassignment.

- 9.4 The Council demonstrates its commitment to the Equality Act in its decision-making processes, the provision, procurement and commissioning of its services, and employment practices concerning its workforce. In addition, the Council is also committed to improving the quality of life and wellbeing of all Havering residents in respect of socio-economics and health determinants.

- 9.5 The CTS Scheme is the subject of an Equalities Impact Assessment which is appended to this report. Members must consider the information set out in the Assessment in accordance with the statutory duty set out above, in reaching a decision on the Council Tax Support. In particular members must have due regard to the impact the proposals will have in relation to equality and any mitigating circumstances set out in the detailed assessment before making a decision.

- 9.6 Members should be aware that the duty is not to achieve the objectives or take the steps set out in s.149. Rather, the duty on public authorities is to bring these important objectives relating to discrimination into consideration when carrying out its public functions. “Due regard” means the regard that is appropriate in all the particular circumstances in which the authority is carrying out its functions. There must be a proper regard for the goals set out in s.149. At the same time, Members must also pay regard to any countervailing factors, which it is proper and reasonable for them to consider. Budgetary pressures will often be important. The weight of these countervailing factors in the decision making process is a matter for members. The report outlines the budget context and the proposed changes have been designed to have a lower impact on groups with disabilities.
- 9.7 The Equalities Assessment highlights a number of actions that will be taken to alleviate the effect of the changes to the CTS Scheme which inherently is designed to support the different groups with protected characteristics.
- 9.8 With regard to the Empty Property Surcharge, having considered the implications of the proposed change there is no apparent negative impact on any particular group and the potential effect of making more properties available has a positive effect for many.

**BACKGROUND PAPERS**

**Appendices**

- Appendix A: CTS Consultation Summary Outcome Report  
Letter template to Council Tax Support recipients and Second Home Owners of Long Term Empty Properties  
Equalities Data
- Appendix B: EIA for CTS Scheme 2019 Proposal
- Appendix C: Draft Summary CTS Scheme 2019
- Appendix D: CTS Consultation Full Version
- Appendix E: Risk Register for CTS
- Appendix F: Council Tax Support Scheme Options 2019/20
- Appendix G: Summary of other London LA Schemes 2017 & 2018