

North Tyneside Council Report to Cabinet Date: 28 January 2013

ITEM 5

Title: Local Council Tax
Support Scheme

Portfolio(s): Finance
Housing

Cabinet Member(s): Councillor Judith
Wallace
Councillor Paul
Mason

Report from Directorate: Finance and Resources

Report Author: Fiona Rooney, Strategic Director of Finance and Resources (Tel: (0191) 643 5724)

Wards affected: All

PART 1

1.1 Purpose:

At the meeting of Council on 24 January 2013, following determination of the level of Council Tax exemptions and discounts to be awarded in 2013, Council agreed that Cabinet consider further options for providing a Local Council Tax Support Scheme.

1.2 Recommendation(s):

It is recommended that Cabinet:

(a) consider the options for a Council Tax Support Scheme set out at paragraph 1.6; and
(b) agree Option 4 as the scheme for referral to Council at its meeting on 30 January 2013, for consideration and adoption as the Local Council Tax Support Scheme for North Tyneside with effect from 1 April 2013.

1.3 Forward Plan:

This report does not appear on the Forward Plan as the decision to refer this matter back to Cabinet was not taken until 24 January 2013.

1.4 Council Plan and Policy Framework

This report does not directly relate to priorities identified in the Council Plan 2012-15 or the Sustainable Community Strategy 2010-2013.

1.5 Information:

1.5.1 Background

- 1.5.2 The Local Government Finance Act 1992 (as recently amended by the Local Government Finance Act 2012) requires local authorities to have an agreed Council Tax Reduction Scheme (referred to in this report as a Local Council Tax Support Scheme) in place by 31 January 2013. Such a scheme is required to be adopted by that date to take effect in relation to the financial year beginning 1 April 2013, replacing the current Council Tax Benefit scheme.
- 1.5.3 Under Section 67 of the Local Government Finance Act 1992, responsibility for determining such a scheme (and for reviewing it on an annual basis) falls to full Council.
- 1.5.4 At its meeting on 24 January 2013 the Council considered a report on the Technical Reforms of Council Tax, in which Officer recommendations would create additional funding for the Council.
- 1.5.5 Council agreed recommendations made by Officers in the report on the Technical Reforms of Council Tax, and this decision provided additional funding. Council requested that Cabinet consider further options for the Council Tax Support Scheme based upon this additional funding. Cabinet were asked to make recommendations to Council for consideration at the Council meeting on 30 January 2013.

1.6 Decision options:

The following decision options are available by Cabinet. (The Tables referred to in this section are references to Tables in the Cabinet report dated 16 January 2013.)

Option 1

- a) All those working age claimants in receipt of Council Tax Benefit will receive Council Tax Support based on **80%** liability rather than the current 100%; approximately 11,700 claimants would be affected by this. See Table 1 for reductions to entitlements.
- b) There would be no Second Adult Rebate. Approximately 140 people claim this. Generally the Council Tax payer has sufficient income to pay their Council Tax themselves. If they do not, they can apply for Council Tax Support in their own right.
- c) Non-dependant deductions will increase by 20% for working age claimants. Approximately 350 claimants are affected by this (see Table 2). Non-dependant deductions were scheduled to increase in April 2013 under the national Council Tax Benefit Scheme, and have increased under amended regulations for pensionable age claimants under prescribed requirements and also under the default scheme.

This is the option agreed by Cabinet for which consultation was undertaken and upon which the current 2013/14 budget proposals are based. This option would result in current Council Tax Benefit recipients who currently pay no charge, having to pay £3.80 per week (or £2.85 for a single occupant).

Additional costs associated with implementing this option are set out in the Financial Implications in section 2.1.

Option 2

- a) All those working age claimants in receipt of Council Tax Benefit will receive Council Tax Support based on **91.5%** liability rather than the current 100%; approximately 11,700 claimants would be affected by this. See Table 6 for reductions to entitlements.
- b) There would be no Second Adult Rebate. Approximately 140 people claim this. Generally the Council Tax payer has sufficient income to pay their Council Tax themselves. If they do not, they can apply for Council Tax Support in their own right.
- c) Non-dependant deductions will increase by 20% for working age claimants. Approximately 350 claimants are affected by this (see Table 2). Non-dependant deductions were scheduled to increase in April 2013 under the national Council Tax Benefit Scheme, and have increased under amended regulations for pensionable age claimants under prescribed requirements and also under the default scheme.

This option would result in current Council Tax Benefit recipients who currently pay no charge, having to pay £1.61 per week (or £1.21 for a single occupant).

Additional costs associated with implementing this option are set out in the Financial Implications in section 2.1.

Option 3

Cabinet may decide not to pass any charge on to the Council Tax Benefit recipient, which by its nature is the default scheme. Should Council not agree a Council Tax Support Scheme by 31 January 2013, by operation of law a “default scheme” would take effect.

Under the default scheme:

- a) All those currently in receipt of Council Tax Benefit would see no change to the way their Council Tax Support is calculated.
- b) The Authority would qualify for the Transitional Grant, as a fully funded scheme would meet the Transitional Grant conditions.
- c) Additional funding from other sources would be necessary to meet the gap in Government funding (see Table 9).
- d) There would be no additional costs incurred for collection.
- e) There would be no additional impacts on collection rates.

Additional costs associated with implementing this option are set out in the Financial Implications in section 2.1.

Option 4 (Officer Recommendation)

Having considered the discussion at full Council on 24 January 2013 with regard to a motion around providing additional support to residents impacted by the Welfare Reform changes, this option proposes a scheme which could increase the support to working age claimants up to 93% of their Council Tax liability. In addition it would allow for the increase in provision within the Discretionary Housing Payment Fund (D.H.P) to the maximum permitted level.

In 2012/13 the Council received a D.H.P. grant from Government of £117,000 to assist Housing Benefit claimants whose Housing Benefit did not meet their rental liability. Government announced an increase for North Tyneside to £331,000 for the financial year 2013/14. The Council have the option to add funding to this pot up to a maximum permitted level of £829,000 for 2013/14 (including the £331,000 referred to above).

The Criteria for awarding D.H.P. are set out Appendix A.

With the remaining funding from the changes to exemptions and discounts agreed by Council on 24 January 2013, Cabinet can recommend that the maximum level of funding be made available in the D.H.P. fund whilst still providing Council Tax Support for up to 93% of Council Tax liability for Working Age claimants.

This option would result in current Council Tax Benefit recipients who currently pay no charge, having to pay £1.33 per week (or £1.00 for a single occupant).

The Task and Finish Group in respect of Welfare Reform announced by the Mayor at the Council meeting could monitor the effectiveness of the additional D.H.P. support and review the criteria to be adopted by Officers.

Additional costs associated with implementing this option are set out in the Financial Implications in section 2.1.

1.7 Reasons for recommended option:

1.7.1 Option 4 is the recommended option for the following reasons;

- It would increase the support to Working Age Council Tax claimants to up to 93% of their Council Tax liability.
- It would provide a significant amount of additional support to residents impacted by the Welfare Reform changes.
- Specifically it would support the residents impacted by the reduction in Housing Benefit Support due to the changes in under occupancy rules.
- The Council is aware that £1.7m less Housing Benefit is available in 2013/14 to North Tyneside Homes residents, as well as a further reduction of approximately £0.5m Housing Benefit being available to other social landlords.
- The £0.8m D.H.P. funding could provide greater flexibility and support in keeping residents in their homes and reducing the level of rent arrears and the risk of homelessness.

1.8 Appendices:

Appendix A - Discretionary Housing Payment procedural document

Appendix B - Cost of Schemes

Appendix C – Cost of collection

1.9 Contact officers:

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Geoff Huzzard – Financial Development Officer, Financial Strategy and Planning, Tel. (0191) 643 5716

Tracy Vasey – Client Manager Benefits and Customer Services, Tel. (0191) 643 7228

1.10 Background information:

- 1 Council Report Local Council Tax Support Scheme 24 January 2013
- 2 Cabinet Report Local Council Tax Support Scheme 16 January 2013
- 3 Cabinet Report, Localised Council Tax Support, 13 August 2012
- 4 Cabinet Report Minutes, 13 August 2012
- 5 Council Report, Local Council Tax Support, 29 November 2012
- 6 Welfare Reform Act 2012
- 7 Local Government Finance Act 2012
- 8 Communities and Local Government – Localising Support for Council Tax – Transitional Grant Scheme, October 2012
- 9 The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012
- 10 The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012
- 11 Consultation comments
- 12 Draft Council Tax Support Scheme for North Tyneside (Option1) upon which consultation was undertaken
- 13 The Council Tax Reduction Schemes (Prescribed Requirements and Default Scheme) (England) (Amendment) Regulations 2012

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The Government has released proposed funding allocations for the Council Tax Support Scheme in the Provisional Local Government Settlement, and as such the funding implications of all of the proposals contained in this report are based on those allocations.
- 2.1.2 An associated implication in relation to the Council Tax Support scheme is in relation to the impact on the Council Tax Base. As the Council Tax Support scheme replaces benefit subsidy with a discount under the new scheme, then this will result in a reduction in the Council's Council Tax Base. The consequential loss of income this causes is expected to be offset by the receipt of the replacement Council Tax Support grant funding. The full implications on the Council Tax Base have been considered in preparing this report. The implications for the tax base will be reported to Cabinet on 31 January 2013 as part of setting the North Tyneside Council Tax Base for 2013/14.
- 2.1.3 As shown with each option the Council Tax Support scheme will impact on the Collection Fund. The exact implications for the Collection Fund are not yet known, for the reasons stated previously in relation to estimated figures, and also as the behaviour of the claimants now expected to pay cannot be analysed until the scheme is in place. That said, estimates in relation to non-collection for those individuals now having to pay has been provided earlier in this document. The impact of the Council Tax Support scheme on the Collection Fund will be continuously monitored.
- 2.1.4 With regard to specific options, Table 1 below is a summary of all impacts set out in detail in Appendix B (Cost of Schemes) and C (Cost of Collection).
- 2.1.5 As mentioned in the report to Cabinet on 16 January 2013 there are estimated additional costs in setting up and administering the new scheme. The Council received initial funding of around £80,000 in April 2012 towards establishing a local scheme. Included in the Provisional Settlement a new burdens grant of £139,635 will be received by the

Authority to fund additional costs. However there is a small difference between the estimated additional costs in options 1 and 2 and the available funding of £11,500k.

- 2.1.6 The increase in available resources as a result of the decision made by full Council on 24 January 2013 is an estimated £0.980m as applied to the Council Tax Base calculation at 30 November 2012. This increase in resources is available and could fully fund Options 2 to 4.

Table 1 Summary of Estimated Financial Impact of each option.

	Option 1	Option 2	Option 3	Option 4
Estimated shortfall on grant funding	40,766	1,020,741	1,785,564	1,156,057
Transitional Grant		(386,000)	(386,000)	(386,000)
Estimated Increased Collection costs	151,186	151,186		
New burdens grant	(139,635)	(139,635)	(139,635)	(139,635)
Loss of subsidy on overpayments	153,228	153,228	153,228	153,228
Estimated impact on collection rates	315,698	46,178	0	38,407
Increase in Discretionary Housing Payment	0	0	0	498,000
Net Impact	491,243	845,698	1,413,157	1,471,243

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) ("the Act") requires the Authority to have an agreed Council Tax Reduction Scheme (referred to in this report as a Local Council Tax Support Scheme) in place by 31 January 2013. The Scheme is required to take effect in relation to the financial year beginning 1 April 2013, and is subject to annual review.
- 2.2.2 The responsibility for determining the Council Tax Support Scheme, and for reviewing it on an annual basis, rests with the full Council. Where at annual review the Council wishes to propose a different scheme, further consultation would be required. Any amendment or any revised scheme is required to be agreed by 31 January in the financial year preceding the year the revision is to take effect. If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the Authority thinks fit.
- 2.2.3 If the Authority fails to adopt a scheme by 31 January 2013, the Council will be required, in accordance with the provisions of the Act, to operate a Default Council Tax Support Scheme, as outlined in Option 3.
- 2.2.4 The Act requires that prior to making a scheme, local authorities must undertake consultation with major precepting authorities and other persons likely to have an interest in the scheme. The consultation described in the report was undertaken prior to the Government announcement at the end of October 2012 that a Transitional Grant would be available for the first year of the scheme if certain criteria were met. Such grants are now in place for local authorities with schemes that meet the qualifying criteria. Due to the timing of that announcement it was not possible to incorporate the proposed

percentage of 91.5% in respect of reduced liability to Council Tax, as set out in the Option 2 scheme, into the 8 week consultation. However, the principle which underpins both the Option 1 and Option 2 schemes (that working age claimants should have a reduced eligibility for Council Tax support and therefore either to introduce a contribution (for those on an income related benefit) or to increase the contribution payable towards Council Tax) was consulted upon and therefore the Authority can be satisfied that statutory consultation has taken place. Further information on the consultation undertaken is set out in paragraph 2.3 and Appendix 2 of the report to Cabinet of 16 January 2013.

2.2.5 The Regulations prescribing how the Default Scheme and certain aspects of the Local Council Tax Support Scheme should operate are now in force and any scheme must be implemented in accordance with the requirements of those Regulations.

2.3 Consultation/community engagement

Consultation upon the additional proposal set out in this report has taken place with the Chief Executive, the Cabinet Member for Finance and the Elected Mayor.

2.4 Human rights

There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

An original Equality Impact Assessment was attached as Appendix 4 to the Cabinet report of 16 January 2013. Option 4 would minimise the impact of Welfare Reform changes on residents.

2.6 Risk management

2.6.1 The provider of the current Council Tax Benefit System, Northgate, has agreed to support any of the schemes proposed in this report.

2.6.2 Comprehensive consultation carried out on the principles of the Option 1, 2 and 4 schemes is likely to mitigate the risk of legal challenge should the Council wish to adopt any of these schemes.

2.6.3 Options 2 and 3 reduce the risk of Council Tax arrears only.

2.6.4 Option 4 reduces the risk of Rent Arrears and Council Tax arrears.

2.7 Crime and disorder

There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environmental and sustainability implications directly arising from this report.

PART 3 - SIGN OFF

- Chief Executive X
- Strategic Director(s) X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager Policy and Partnerships X

DISCRETIONARY HOUSING PAYMENTS (DHP's)

Procedural Document 2013/2014

Background

The legislation governing DHP's can be found in the Discretionary Financial Assistance Regulations 2001 (S1 001 / 1167).

The Discretionary Housing Payments Scheme, covers shortfalls between rental liability and payment of Housing Benefit. Every claimant who is entitled to the minimum amount of Housing Benefit (50p) *and* who has such a shortfall between their eligible rent and Housing is entitled to make a claim for help.

The main features of the scheme are that:

- the scheme is purely discretionary; a claimant does not have a statutory right to a payment,
- the amount that can be paid out by an Authority in any financial year is cash-limited by the Secretary of State,
- the Benefit Service administers the scheme.
- DHP's are not a payment of Housing Benefit. However, DHP's are paid as part of the claimant's payment from the Authority.

The Benefits Service Procedure

Purpose

The purpose of this procedural document is to specify how the Benefits Service will operate the scheme and to indicate some of the factors that will be considered when deciding if a DHP can be made. Each case will be treated strictly on its merits and all customers will be treated equally and fairly when the scheme is administered. The Benefits Service is committed to working with the local voluntary sector, social landlords and other interested parties to maximise entitlement to all available state benefits and this will be reflected in the administration of the DHP schemes.

Statement of objectives

The Benefits Service will consider making a payment of a DHP to all claimants who meet the qualifying criteria as specified in this policy. The Benefits Service will treat all applications on their individual merits, and will seek through the operation of this policy to:

- alleviate poverty;
- support vulnerable young people in the transition to adult life;
- encourage residents to obtain and sustain employment;
- safeguard residents in their homes;
- help those who are trying to help themselves;
- keep families together;
- support the vulnerable in the local community;
- help claimants through personal crises and difficult events;
- Support foster carers
- Support those where there have been significant adaption's to their property because of a disability

Claiming a DHP

A claim for a DHP must be made in writing and signed by the claimant. However, applications will be accepted from the claimant's representative.

- The Benefits Service may request any (reasonable) evidence in support of an application for a DHP. The claimant will be asked to provide the evidence within one month of such a request although this will be extended in appropriate circumstances.

- If the claimant is unable to or does not provide the required evidence, the Benefits Service will still consider the application and will in any event take into account any other available evidence including that held on the Housing Benefit file.
- The Benefits Service reserves the right to verify any information or evidence provided by the claimant in appropriate circumstances.

Period of award

The DHP scheme should be seen as a short time emergency fund to help claimants through a difficult time whilst they take steps to improve their financial situation.

In all cases, the Benefits Service will decide the length of time for which a DHP will be awarded on the basis of the evidence supplied and the facts known.

The Benefits Service cannot award a DHP for any period where there was no entitlement to Housing Benefit.

The minimum period for which the Benefits Service will award a DHP is one week.

- Generally awards of DHP will be for a period of 3 to 6 months.
- DHP's will not normally be awarded for a period exceeding 12 months.
- Reasonable requests for backdating an award of a DHP will be considered.

Awarding a DHP

In deciding whether to award a DHP, the Benefits Service will take the following factors into account:

- the shortfall between Housing Benefit and the liability;
- any steps taken by the claimant to reduce their rental;
- Any action taken by claimant to improve their financial circumstances
- the financial and medical circumstances (including ill health and disabilities) of the claimant, their partner and any dependants and any other occupants of the claimant's home;
- the income and expenditure of the claimant, their partner and any dependants or other occupants of the claimant's home;
- any savings or capital that might be held by the claimant or their family;
- the level of indebtedness of the claimant and their family;
- the exceptional nature of the claimant and their family's circumstances;
- the possible impact on the Council of not making such an award, e.g. the pressure on priority homeless accommodation;
- any other special circumstances brought to the attention of the Benefits Service.
- the length of time the claimant is likely to need to a DHP, and if there is any foreseeable improvement in the claimants financial circumstances.

The Benefits Service will decide how much to award based on all of the circumstances. This may be an amount below the difference between the liability and the payment of Housing Benefit. An award of a DHP does not guarantee that a further award will be made at a later date even if the claimant's circumstances have not changed.

Changes of Circumstances

The Benefits Service may need to revise an award of a DHP where the claimant's circumstances have materially changed.

Method of Payment

The Benefits Service will decide the most appropriate person to pay based upon the circumstances of each case. This could include paying:

- the claimant;
- their partner;
- an appointee;
- their landlord (or an agent of the landlord); or
- any third party to whom it might be most appropriate to make payment.

The Benefits Service will pay an award of DHP by the most appropriate means available in each case. This could include payment:

- by cheque or electronic transfer (e.g. BACS)
- by crediting the claimant's or rent accounts;

Discretionary Housing Payment will be paid in line with Housing Benefit.

Notification

The Benefits Service will inform the claimant in writing of the outcome of their application. Where the application is unsuccessful, the Benefits Service will set out the reasons why this decision was made and explain the right of review. Where the application is successful, the Benefits Service will advise:

- the weekly amount of DHP awarded;
- whether it is paid in advance or in arrears;
- the period of the award;
- how, when and to whom the award will be paid
- the requirement to report a change in circumstances;

Part of an award will include an expectation that the claimant take steps to improve their financial circumstances where appropriate. And where follow up claims for a DHP is made, the Benefit Service will require evidence that the claimant has taken action to improve their circumstances and what the outcomes of those actions are.

The right to seek a review

DHP's are not payments of Housing Benefits and are therefore not subject to the statutory appeals mechanism. All Councils are expected to set up an appropriate review process.

The Benefits Service will operate the following policy for dealing with appeals about a refusal to award a DHP, a decision to award a reduced amount of DHP, a decision not to backdate a DHP or a decision that there has been an overpayment of a DHP.

- A claimant (or their appointee or agent) who disagrees with a DHP decision may dispute the decision. A request for a review should be delivered in writing to the Benefits Service within one calendar month of the written decision about the DHP being issued to the claimant.
- An officer, independent of the original decision (an Independent Reviewer) will review all the evidence held and will make a decision within 14 days of referral or as soon as practicable.
- Where the Independent Reviewer decides not to revise the original decision, they will notify the claimant of their decision in writing, setting out the reasons for their decision.
- The decision of the Independent Reviewer is final and the claimant cannot request a further review.

- The claimant may have recourse to Judicial Review of the decision and will need to take their own legal advice to pursue this.

Overpayments

The Benefit Service will seek to recover any DHP found to be overpaid where it considers this appropriate.

Publicity

The Benefits Service will publicise the scheme and will work with all interested parties to achieve this. A copy of this policy statement will be made available for inspection.

Review of this procedural document

This document will generally be reviewed on an annual basis, however as there are further Welfare Reform changes mid year that will impact on the procedures awarding a Discretionary Housing Payment this document will be reviewed to take those into account as and when this is appropriate. Changes to State Benefits and the introduction of new benefits such as introduction of Universal Credit (UC) and Personal Independence Payments (PIP) will be incorporated into this document when the full impact is known.

Cost of Schemes

Appendix B

	Option 1 scheme - based on 80% Council Tax eligible for support	Option 2 scheme - based on 91.5% Council Tax eligible for support	Option 3 scheme (Default) – based on 100% Council Tax eligible for support	Option 4 scheme - based on 93% Council Tax eligible for support
Estimated Total Cost of Scheme after 20% is applied	£15,869,279	£16,964,987	£17,820,132	£17,115,517
Deduct cost applicable to Fire and Police Authorities	£1,676,163	£1,791,896	£1,882,218	£1,807,096
Cost of Scheme to North Tyneside Council	£14,193,116	£15,173,091	£15,937,914	£15,308,407
North Tyneside Council Funding	£14,152,350	£14,152,350	£14,152,350	£14,152,350
Shortfall in Funding	£40,766	£1,020,741	£1,785,564	£1,156,057

Cost of collection

Appendix C

	Option 1 scheme - based on 80% Council Tax eligible for support	Option 2 scheme - based on 91.5% Council Tax eligible for support	Option 3 Default – based on 100% Council Tax eligible for support	Option 4 scheme - based on 93% Council Tax eligible for support
Payment cards (for claimants who currently do not make Council Tax Payments Approx 8000)	£8,580.33	£8,580.33	No increased collection costs	£8,580.33
Weekly Additional Payment Transaction costs (weekly transactions introduced to assist budgeting)	£123,636.48	£123,636.48		£123,636.48
Reminder Notification costs	£4,330.00	£4,330.00		£4,330.00
Summons Notification costs	£10,639.44	£10,639.44		£10,639.44
Liability Order Notification costs	£1,368.08	£1,368.08		£1,368.08
Transaction costs for those summons	£189.64	£189.64		£189.64
Enforcement Correspondence costs	£2443.00	£2443.00		£2443.00
Total additional costs	£151,186.97	£151,186.97		£151,186.97

Estimated Impact on collection rate of default payments

	Option 1- based on 80% eligible for support	Option 2- based on 91.5% eligible for support	Option 3 Default – based on 100% Council Tax eligible for support	Option 4 – based on 93% Council Tax eligible for support
Council Tax to collect	£1,950,853	£855,145		£711,233
27% default rate of £1,950,853	£526,730	£230,889		£192,033
Payment arrangement or deductions to benefit	£211,032	£184,711		£153,626
Shortfall in collection for year 2013/14	£315,698	£46,178		£38,407