

North Tyneside Council Report to Cabinet Date: 9th September 2013

ITEM 6(e)

Title: Council Tax Support
Scheme 2014 / 2015

Portfolio(s):
All

Cabinet Member(s):
Cllr Ray Glindon
(Finance & Resources)

Report from Directorate: Finance and Resources

Report Authors: Fiona Rooney (Tel: 643 5724)
(Strategic Director of Finance & Resources)

Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to request Cabinet to consider a Council Tax Support Scheme for 2014-2015, and to agree consultation on that scheme.

1.2 Recommendation(s):

1.2.1 It is recommended that Cabinet agree:

- a) That the current scheme set out at point 1.7.4 should be the scheme proposed to Council for the 2014-15 financial year.
- b) That a consultation exercise be carried out on this scheme.

1.3 Forward plan:

1.3.1 This report was included in the Forward Plan for the period 7th August 2013 to 30th November 2013, published on 7th August.

1.4 Council plan and policy framework

This report does not link directly to priorities identified in the Council Plan 2012-15. However, it links directly to the priority 'Our people will be cared for and kept safe if they become vulnerable' in the proposed 'Our North Tyneside Plan 2014 - 2018', which is being presented at Council on 26th September 2013 for their approval.

1.5 Information:

- 1.5.1 On 1st April 2013 the national Council Tax Benefit scheme was abolished and in its place Local Authorities received funding to provide a local scheme. The purpose of the local scheme is to help residents with low household income pay their Council Tax. Local Authorities may decide entitlement rules for working age claimants however any local scheme also has to adopt prescribed pensionable age rules around entitlement along with some prescribed rules for working age claimants. These are decided by the Department for Communities and Local Government (DCLG). The definition of working age is prescribed by DCLG.
- 1.5.2 In accordance with legislation laid out in the Local Government Finance Act 1992 as amended by the Local Government Finance Act 2012, Council agreed a scheme on 30th January 2013 which took effect from the 1st April 2013 for the financial year 2013-14.
- 1.5.3 The agreed scheme works in a similar way to the old Council Tax Benefit scheme in that it is a means tested discount. However the maximum Council Tax Support that a working age claimant can be entitled to is 93% rather than 100% under the old Council Tax Benefit scheme. Pensionable age claimants are still entitled to support based on 100% of the Council Tax liability as this is prescribed in legislation.
- 1.5.4 The Local Government Finance Act 1992 as amended, states 'For each financial year, each billing authority must consider whether to revise its scheme or replace it with another scheme'. The authority 'must make any revision to its scheme, or any replacement no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect'.
- 1.5.5 A further provision within the legislation states 'If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit'.
- 1.5.6 Any scheme proposed for 2014-2015 should be subject to consultation, although the level and period of consultation is likely to depend on the level of change, if any, to the scheme. As part of that consultation Local Authorities should before making a scheme:
 - 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.

1.6 The current scheme

- 1.6.1 The current scheme is funded in four ways:
 - a) £14,152,350 funding identified specifically for Council Tax Support within the 2013/14 Local Government Finance Settlement.
 - b) £386,000 Transition Funding Grant as the scheme meets certain conditions
 - c) Further funding provided by the Authority
 - d) Contribution by Precepting Authorities, (Police and Fire).

- 1.6.2 The decision to fund the shortfall was due to additional funding being generated through changes to Council Tax discounts and exemptions.
- 1.6.3 The Transition Grant of £386,000 will not be available for 2014-2015 as this was only available for the first year of Council Tax Support Schemes.
- 1.6.4 The number of claimants in receipt of Council Tax Support fluctuates over the year, but as at the 29th July 2013 the current number of 'live' cases currently receiving Council Tax Support is 22,617. This is split between 10,881 (48%) pensionable age claimants and 11,736 working age claimants (52%). This is less than the original estimates of 23,500. This reduction in claimants seems to have been repeated across the North East region with neighbouring Local Authorities also reporting a reduction in claimants.
- 1.6.5 At this date the amount of Council Tax Support awarded to claimants since April 2013 is £16,548,940. This is almost a 50/50 split between pensionable age claimants and working age claimants. The initial estimated cost of the current scheme based on the caseload of 23,500 was £17.12 million.
- 1.6.6 The collection rate of the current scheme for those having to pay 7% who did not pay anything under Council Tax is encouraging and shows:
- 70% are keeping their payments up to date,
 - 13% have made some payment but are not up to date; and
 - 17% have made no payment at all.
- 1.6.7 Early indications are collection levels for 2013-2014 are favourable in comparison with our neighbouring Local Authorities. The results are more positive than some are reporting and this is at a time of other cuts in the welfare benefit system. This is likely to be due to the small amount of percentage passed on by this Authority compared with other Local Authorities who chose to charge higher amounts, which may be more difficult for some individuals to pay.
- 1.6.8 The Authority did take a more supportive approach to recovery for first time payers for the first year, with a gentle reminder and offers of support before starting the statutory recovery process. We have issued 1,937 summonses to the 17% who have not paid anything. The summons action allows the Local Authority to obtain a Liability Order from the Court that permits reductions directly from an individual's State Benefits towards the payment of the outstanding Council Tax debt. This is currently set at just under £4.00 per week and will see Council Tax liability cleared in this financial year. Additionally costs were kept to an absolute minimum of £10.00 per annum instead of the normal £80.00 per annum.

1.7 Decision options:

- 1.7.1 This report has been submitted to seek a decision from Cabinet on whether to revise or replace the current scheme for 2014-2015 or for the scheme to remain the same. This will determine the scheme that is consulted on and then put before Council for approval. Consultation is planned with the residents of North Tyneside and other interested organisations and groups. An outline plan of engagement is provided at Appendix A.
- 1.7.2 There are many options available to Cabinet to revise the scheme, which could include changing the qualifying conditions of the scheme or the maximum level of Council Tax Support available. However the current scheme is based on the Council Tax Benefit Scheme which provided financial assistance for many years. Early indications of the

scheme show encouraging collection rates, with a good majority of Council Tax payers who are paying for the first time meeting their obligation. This is welcome news considering the additional financial pressures that other changes to state benefits are imposing.

1.7.3 Cabinet are requested to consider:

1.7.4 **Scheme 1** - Continue to operate the current Council Tax Support scheme with the maximum level of Council Tax available for support as 93% for working age claimants, and 100% for pensionable age claimants. An overview of the principals of the current scheme is provided at Appendix B

1.7.5 **An alternate scheme** – Request Officers to revise the Council Tax Support Scheme following suggestions from Cabinet.

Decision

Option 1 to agree the recommendations at 1.2 of the report which refers to Scheme 1 at point 1.7.4

Option 2 to reject the recommendations and refer the matter back to officers for further consideration of an alternative scheme.

1.8 Reasons for recommended option:

1.8.1 Option 1 is recommended for the following reasons:

1.8.2 It operates in the same way as the current scheme which Council Tax Support claimants and partner organisations are familiar with.

1.8.3 It continues with the current maximum Council Tax Support available of 93% for working age claimants.

1.8.4 It keeps the reduction in support to the lowest amount possible; this will help claimants manage the impact on their income, many of which have to deal with other reductions to their benefits that came into effect from April 2013.

1.8.5 The recovery rate of the current scheme is encouraging, showing that the majority of Council Tax Support claimants now having to pay a contribution are able to meet their obligations.

1.8.6 Recovery by attachment of benefits within the financial year is still obtainable with Scheme 1 as the amount to be recovered is within the attachment of income limit.

1.8.7 The potential impact on the Collection Fund is kept to a minimum by keeping the percentage of Council Tax not available for support to a minimum.

1.9 Appendices:

- Appendix A – Outline consultation plan
- Appendix B – Principals of scheme

1.10 Contact officers:

Janice Gillespie – Senior Client Manager Strategic Finance Tel. (0191) 6435701

Andrew Scott – Senior Client Manager Revenues, Benefits and Customer Services, Tel. (0191) 643 7150

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

1.11 Background information:

- Local Government Finance Act 1992
- Council decision on Council Tax Support 30th January 2013

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1. Finance and Other Resources

- Nationally, the Council Tax Support Funding Grant for 2014/15 is almost unchanged from the figure for 2013/14. This is illustrated as follows:

	2013/14	2014/15
Council Tax Support Funding	£3.295028 Billion	£3.305634 Billion

- This is however not translating itself into the Provisional Local Government Finance Settlement as in 2014/15 Council Tax Support has been rolled into Formula Grant, and can't be specifically identified at a local authority level. The impact is that, whilst the amount transferred into the Settlement pot for Council Tax Support has remained the same, individual allocations of Council Tax Support grant have reduced in line with reductions in Formula Revenue Support grant (RSG). Other elements of RSG have reduced by less as a result.
- Therefore, the provisional position for North Tyneside Council for 2014/15, compared with 2013/14 is set out below:

	2013/14 £ million	2014/15 £ million
Formula Funding	75.533	80.560
Council Tax Support Funding	14.151	0.000
Sub Total	89.684	80.560
2011/12 Council Tax Freeze Grant	2.130	2.130
Early Intervention Funding	6.386	5.979
Homelessness Prevention Funding	0.171	0.171
Learning Disability & Health Reform Funding	7.135	7.313
Lead Local Flood Authority Funding	0.115	0.115
Total Funding	105.621	96.268

- The Transitional Grant totalling £386,000 for 2013/14 will not be available for 2014/15. This fallout of grant has been reflected in the Council's 2014-2018 Financial Plan.

- There will be costs associated with collection of the 7%, which are estimated to be in the region of £81,000.
- There will also be additionally an impact on collection, as although the council can make attachments to State Benefits, this may not be appropriate in all circumstances. There are no current figures as it is too early in the current scheme to establish accurate figures.

2.2 Legal

- The Local Government Finance Act 1992 was amended by the Local Government Finance Act 2012 in that each Local Authority had to have in place by 31 January 2013, and each subsequent year, a Council Tax Reduction Scheme (referred to as a Support Scheme by this Authority) to replace the previous support arrangements.
- Schedule 1A of the 1992 Act sets out the steps that must be taken before adopting a Council Tax Reduction Scheme and prescribes what must be included in the scheme. The existing scheme was duly consulted on before it came into force.
- The Authority is also required by virtue of Schedule 1A each year to determine if the scheme should be revised or replaced. If it is to be replaced or revised then consultation has to be undertaken along the same lines as when the scheme was first introduced.

2.3 Consultation/community engagement

- This report is seeking approval from Cabinet to undertake a formal consultation exercise on a scheme. If approved, consultation is planned to start in October 2013 for a three week period.

2.4 Human rights

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

2.5 Equalities and diversity

- An impact assessment was carried out on the scheme in 2012.
- Should Cabinet decide to go for an alternative scheme a new impact assessment will be carried out.

2.6 Risk management

- The recommended scheme is a continuation of the current scheme and as such there will be no system administration support risks from the system provider Northgate.
- There have been no appeals to the Valuation Tribunal against the current scheme which would suggest there are no risks with proposing the current scheme continues into 2014-2015.
- A consultation exercise will be carried out on any scheme proposed and this should mitigate the risk of a legal challenge.

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