

# North Tyneside Council Report to Cabinet Date: 25 November 2013

## ITEM

Title: Council Tax Support  
Scheme 2014-15

Portfolio(s): Finance and Commercial  
Services

Cabinet Member(s): Councillor Ray  
Glindon

Report from : Finance and Commercial Services

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Wards affected: All

### PART 1

#### 1.1 Purpose:

The purpose of this report is to provide Cabinet with:

- a) the outcome of the consultation exercise on the proposals for the 2014/15 Council Tax Support Scheme, and
- b) the estimated costs of providing the 2014/15 Council Tax Support Scheme.

#### 1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) Note the responses to the consultation exercise set out in paragraph 1.5.8; and
- (b) agree Option 1 as the scheme for referral to Council at its meeting on 23 January 2014, for consideration and adoption as the Local Council Tax Support Scheme for North Tyneside with effect from 1 April 2014.

#### 1.3 Forward Plan:

This report appeared on the Forward Plan published 25<sup>th</sup> September 2013.

#### 1.4 Council Plan and Policy Framework

This report directly relates to the priority 'Our people will be cared for if they become vulnerable' identified in the 'Our North Tyneside' Plan 2014-18.

## **1.5 Information:**

### **1.5.1 Background**

- 1.5.2 On 1<sup>st</sup> April 2013 the national Council Tax Benefit scheme was abolished and in its place Local Authorities received funding to provide a local scheme, referred to in North Tyneside as the Council Tax Support Scheme. The Council Tax Support Scheme is a means tested discount and helps residents with low household income to 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.
- 1.5.3 In North Tyneside, Council Tax Support for working age claimants is calculated on 93% of their Council Tax liability. Pensionable Age claimants are 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 As part of considering whether to revise the scheme, Cabinet on 9<sup>th</sup> September 2013 proposed that a consultation exercise be carried out on the proposal to keep the same level of support available for working age claimants for 2014/15 as is currently available.
- 1.5.7 Consultation took place over a three week period starting on 7<sup>th</sup> October 2013 and ending on 27<sup>th</sup> October 2013.

### **Outcomes from the consultation**

- 1.5.8 There were 134 people who submitted a consultaion response.
- 61 respondents (46%) said 93% of Council Tax liability available for support for working age claimants was fair,
  - 43 respondents (32%) said 93% of Council Tax liability available for support was not fair and working age claimants should contribute less,
  - 24 respondents (18%) said 93% of Council Tax liability available for support was not fair and working age claimants should contribute more;
  - 6 respondents (4%) said 93% of Council Tax liability available for support was not fair but did not indicate whether working age claimants should pay more or less.
- 1.5.9 The greatest number of respondents were in favour of keeping support for working age claimants based on 93% of Council Tax liability.

## **Current Scheme information**

- 1.5.10 Since April 2013 the number of claimants in receipt of Council Tax Support has reduced from 22,700 and now stands at just over 22,400 as at 21 October 2013. This is split between 10,800 pensionable age claimants and 11,600 working age claimants. A DWP statement forecasts a reduction in pensionable caseload both for 2013/14 and 2014/15, which is in line with what we have seen with our caseload in 2013/14.
- 1.5.11 As at 31<sup>st</sup> October the amount of Council Tax Support awarded to claimants since 1 April 2013 is £16,500,000.
- 1.5.12 The current scheme is means tested, where income is compared against a 'personal allowance'. The personal allowance is made up of an applicable amount and premiums depending on the claimant's circumstances for example those with disabilities, or responsibility for a dependant child have higher personal allowances than those without. Income below the personal allowance would result in the maximum amount of support being awarded. Income above the personal allowance would result in a reduction in the maximum amount of support.
- 1.5.13 Collection rates have been positive with 83% of those now having to pay the 7% additional charge either being up to date with their Council Tax or in advance. The Authority did take a more supportive approach to recovery for first time payers, with a gentle reminder and offers of support before starting the statutory recovery process. 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 instead of the normal £80.00.
- 1.5.14 There has been minimal adverse reaction to the scheme. There have also been no appeals to the Appeals Tribunal regarding the scheme.

## **Up-ratings to allowances, premiums and non-dependant deductions for 2014-15.**

- 1.5.15 In September 2013 DCLG outlined its intentions through its document 'Statement of intent on up-rating for pensioners on Council Tax Support' which advised that the Government is committed to protecting pensioners on low incomes, who it does not want to see disadvantaged as a result of the introduction of local Council Tax Support. To deliver this protection, the Prescribed Requirements Regulations contain provisions that must be included in a billing authority's Council Tax reduction scheme in relation to *pensioners*. The intention has always been that the provisions will replicate as far as possible the provisions under which pensioner eligibility for Council Tax Benefit was assessed.
- 1.5.16 To ensure that this protection is maintained, the Government intends to amend the Prescribed Requirements Regulations to up-rate the allowances, premiums and non-dependant deductions for pensioners for 2014-15. They will be amended again to up-rate for 2015-16. This replicates the way up-rating was done under Council Tax Benefit. The amendments will be made in December 2013 in line with Pension Credit up-rating. The Government intends to up-rate:
- a) personal allowances in line with Pension Credit rates, and

- b) most premiums in line with CPI; and
- c) non-dependant deductions in line with growth in eligible council tax

1.5.17 Within the current scheme there is also the provision to take a similar approach for working age claimants and up rate standard applicable amounts, premiums etc. The intention is to up rate these standard rates, in line with the standard rates used in the assessment of Housing Benefit to provide a consistent approach. This will replicate the provisions under which working age entitlement for council tax benefit was assessed in previous years.

### **Costs of the current Local Council Tax Support scheme for 2013/2014**

1.5.18 The estimated cost of the scheme for 2013/14 so far is:

**Table 1**

	<b>93% available for support for working age</b>
Estimated Total Cost of Scheme (based on spend as at October 2013)	£16,500,000
Deduct cost applicable to Fire and Police Authorities	£1,770,000
Cost of Scheme to North Tyneside Council	£14,730,000

1.5.19 Based on the current indicative cost of the scheme in 2013/14 the estimated cost of the discount provided for Local Council Tax Support is £14.730m which is the basis on which Cabinet's draft 2014/15 budget proposals are based, which are also being considered by Cabinet at this meeting.

1.5.20 A Transitional Grant totalling £386,000 which was available to support the Local Council Tax Support for 2013/14 will not be available for 2014/15. This reduction in funding has been reflected in Cabinet's draft 2014-2015 budget proposals.

1.5.21 New burdens funding of £129,858 has been provided by DCLG for 2014/15 to cover costs associated with the administration of Council Tax Support which will cover any additional costs of collection. This is a reduction of £9,777 in funding from 2013/14. This reduction is also reflected in the draft 2014/15 budget proposals.

## **1.6 Decision options:**

The following decision options are available by Cabinet.

### **Option 1**

- a) Continue with the current scheme which allows Council Tax Support for working age claimants to be calculated on 93% of Council Tax liability, and
- b) Up rate the standard rates to calculate Council Tax Support for example Applicable Amounts, premiums etc in line with the rates used in calculating Housing Benefit. This will replicate the provisions under which working age entitlement for council tax benefit was assessed in previous years, and
- c) Continue to take the same supportive approach with regard to reduced recovery costs as was taken in 2013/14
- d) Cabinet to propose this option as a recommendation to full Council at its meeting on 23 January 2014 as the scheme to be adopted for the financial year 2014/2015.

## **Option 2**

Cabinet may choose to reject Option 1 and refer the matter back to officers for further consideration.

### **1.7 Reasons for recommended option:**

1.7.1 Option 1 is recommended for the following reasons:

- 46% of those who took part in the consultation felt that keeping the level of 93% eligible for support for working age claimants for 2014 -15 was fair;
- Claimants would continue to be supported in the same way as in 2013/14 and provides a scheme that claimants are familiar with;
- Collection rate of option 1 has been positive for year 2013/14 and should continue in 2014/15; and
- There is no need to consider Transitional Protection as there are no changes to the scheme that would make a claimant worse off in 2014/15 than in 2013/14.

### **1.8 Appendices:**

There are no appendices

### **1.9 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 Hunter – Client Manager, Revenues, Benefits and Customer Services, Tel. (0191) 643 7228

### **1.10 Background information:**

1. Local Government Finance Act 2012
2. Localising Council Tax Support - Statement of intent on up-rating for pensioners on Council Tax Support
3. Cabinet Report for Cabinet on 9 September 2013
4. Minutes of Cabinet Meeting, 9 September 2013

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

2.1.1 The detailed financial implications of the Local Council Tax Support Scheme are covered from point 1.5.18 to 1.6 above. In summary the scheme is implemented through a discount on the Council Tax liability for eligible claimants, thereby reducing the amount of Council Tax collectable by this authority. The 2013/14 scheme had been estimated to cost the Authority £15.308m in terms of the amount of discount awarded, however the current full year estimated cost for 2013/14 scheme is £14.730m, and this is the estimated cost that has been included as part of the current draft budget proposals for 2014/15. Any saving arising during 2013/14 from the LCTS will be reflected in the 2013/14 Collection Fund Final Account. This indicative cost for 2014/15 will be updated

in light of further performance of the 2013/14 scheme when Cabinet consider's its final budget proposals on 15 January 2014 and when the scheme is agreed by Council on 23 January 2014.

## **2.2 Legal**

- 2.2.1 The Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) requires the Authority to have an agreed Council Tax Reduction Scheme (referred to in this report as the Council Tax Support Scheme) in place by 31 January 2014. The Scheme is required to take effect in relation to the financial year beginning 1 April 2014, 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 full Council. As part of the review process the Authority may undertake a period of consultation if considered appropriate to do so. On this occasion a 3 week period of consultation was considered appropriate. Any amendment or any revised scheme is required to be agreed by 31 January in the financial year proceeding 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.

## **2.3 Consultation/community engagement**

- 2.3.1 Consultation has taken place with the Chief Executive, the Cabinet Member for Finance and the Elected Mayor, other precepting authorities as well as residents, landlords and the charitable and voluntary sector.
- 2.3.2 The outcomes of this consultation is presented at point 1.5.8

## **2.4 Human rights**

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

## **2.5 Equalities and diversity**

- 2.5.1 The recommended option is to continue with the scheme for 2014/15 as is currently in place for 2013/14. The EIA that was carried out in preparation for 2013/14 scheme would still be valid and raised no equality and diversity issues.

## **2.6 Risk management**

- 2.6.1 Option 1 presents the least risk than any other scheme that could be adopted, as Option 1 has been in place since April 2013, both administration and systems are proven, and collection of council tax for those in receipt of council tax support is positive.
- 2.6.2 There have been no appeals to the Appeals Tribunal against Option 1. Adopting any other scheme may place the Council at risk of an appeal against the scheme.
- 2.6.3 A less generous scheme than Option 1 risks and increase in Council Tax arrears, and would also require the Council to consider Transitional Protection for those affected by any reduction.

2.6.4 A less generous scheme may pose a risk for those households who are already on a low income, some of which are impacted by other welfare reforms, and any increase could make it more difficult to meet their Council Tax obligations.

2.6.5 A more generous scheme than Option 1 will be more costly to the Council to fund.

## 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
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Manager Policy, Partnership, Performance and Communication