

North Tyneside Council Report to Cabinet 13 October 2014

ITEM 6(a)
**Council Tax
Support Scheme
2015 / 2016**

Portfolio(s): Finance and Resources

Cabinet Member(s): Cllr Ray Glindon

Report from Service Area: **Finance and Resources**

Responsible Officer: **Janice Gillespie, Strategic Manager Finance (Tel: 643 5701)**

Wards affected: **All**

PART 1

1.1 Purpose:

The purpose of this report is to request Cabinet to consider a proposed Council Tax Support Scheme for 2015-2016, and to agree consultation on that scheme before it is presented to Council for approval.

1.2 Recommendation(s):

1.2.1 It is recommended that Cabinet agrees:

- a) to the existing Council Tax Support Scheme remaining in place for the financial year 2015 -16; and
- b) to a consultation exercise being undertaken on the above recommendation to enable Cabinet to make final proposals to Council on 22 January 2015 in relation to the 2015-2016 Council Tax Support Scheme.

1.3 Forward plan:

1.3.1 This report was included in the Forward Plan for the period 28th July 2014 to 31st October 2014, published on 28th July 2014.

1.4 Council plan and policy framework

This report relates to the following priority in the 2014/18 Our North Tyneside Plan 'Our people will be cared for and kept safe if they become vulnerable'.

1.5 Information

- 1.5.1 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'.
- 1.5.2 The law advises that any revision to a scheme, or any replacement scheme, which has the effect of reducing or removing a reduction to which a claimant is entitled, must include such transitional provision relating to that reduction or removal as the authority thinks fit.
- 1.5.3 The current Council Tax Support Scheme (CTS) is a means tested support and allows a maximum amount of Council Tax Support of 93% of the claimants Council Tax liability depending on the claimants income. This applies to working age claimants only. Pensionable age claimants still receive support based on 100% of their Council Tax liability, as prescribed under national rules.
- 1.5.3 Any changes proposed to the scheme must be subject to consultation before those changes are implemented, although the level and period of consultation is dependant on the level of any proposed change. As part of that consultation Local Authorities should, before making a scheme:
- consult any major precepting authority which has power to issue a precept to it,
 - publish a draft scheme in such manner as it thinks fit, and
 - consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- The final decision on the scheme to be implemented is a Council decision.
- 1.5.4 At the beginning of April 2014 there were 21,909 claimants receiving CTS. This was a reduction from 22,207 at the end of March 2014. This reduction was due to an increase in welfare benefits for some former claimants which meant they no longer qualified for support.
- 1.5.5 This reduction in claimants has been a steady trend over the last two years, which DWP did forecast and we are also seeing regionally. The current claimant caseload has further reduced and now stands as at 15th September 2014 around 21,800 (approx 11,450 working age).
- 1.5.6 In April the Authority estimated the annual cost of the scheme for 2014/15 to be around £16.5m which was the cost of the scheme in 2013/14. However the reduction in the number of claimants and the reductions in entitlement has meant the forecast scheme cost for 2014/15 is currently around £15.9m
- 1.5.7 The majority of CTS claimants live in Band A properties and the weekly maximum 93% of liability is £17.69 for a couple or £13.26 for a single person. This leaves £1.33 to pay each week for a couple or £1.00 to pay each week for a single person.
- 1.5.8 If further reductions in support were passed on to claimants it would mean for each 1% of Council Tax that is not eligible for support the claimant would pay an additional 19p per week for a couple or 14p per week for single people.

1.5.9 Based on the current working age caseload, for every 1% reduced from support it would generate an approximate additional £100k of income annually which would also need to be collected. The table at Appendix 1 (Table of entitlement and savings) gives an indication of the increase in liability for CTS claimant's dependant on a % of reduction in support applied. It also provides an estimate of the additional income this would generate, although it does not take into consideration any transitional provisional protection.

Collection Rates

1.5.10 There has been minimal reaction to the scheme both in year 1 and year 2 and we have had no appeals to the Valuation Tribunal.

1.5.11 In year collection of Council Tax for year 1 has fallen by 0.4% from 96.9% to 96.5% in 2013/2014 but this also includes collection of an additional £1.3m debit for empty property discount changes. General effects of a difficult economic climate and impacts of welfare reform which many on Council Tax Support have been also been impacted by, are likely to have contributed to the reduction in collection. Additional information and comparisons with other north east councils are set out at Appendix 2 (Table of impacts on in year collection for north east authorities).

1.6 Decision options:

1.6.4 This report has been submitted to seek a decision from Cabinet on whether to revise or replace the current scheme for 2015-2016 or for the scheme to remain the same. Whether the scheme remains the same or is to be revised, it will be subject to a period of consultation before final proposals are put before Council for their consideration. Consultation will include precepting authorities and such other persons that are considered likely to have an interest in the operation of the scheme.

1.6.5 There are many options available to Cabinet to make proposals 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 previous Council Tax Benefit Scheme which provided financial assistance for many years. Collection rates are strong and this provides an encouraging sign that the majority of claimants are managing the increased liability placed on them. In comparison with other north east authorities on Council Tax collection rates show that the Council Tax Support Scheme along with other discount changes implemented seem to have performed well. This is welcome news considering the additional financial pressures that other changes to state benefits are imposing.

Decision

Cabinet is requested to consider the following options:-

Option 1

To propose that the existing Council Tax Support Scheme remains in place for the financial year 2015/16 subject to any consultation responses.

Option 2

To reject the proposal that the existing Council Tax Support Scheme remain in place for the financial year 2015/16 and to refer the matter back to officers for further consideration of an alternative scheme.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

- 1.7.4 Option 1 is recommended for the following reasons:
- 1.7.5 It maintains the current scheme which Council Tax Support claimants and partner organisations are familiar with, and which there have been no Tribunal appeals against.
- 1.7.6 It continues with the current maximum Council Tax Support available of 93% for working age claimants with only 7% not eligible for support.
- 1.7.7 The recovery rate of the current scheme is encouraging, showing that the majority of Council Tax Support claimants now having to pay an increased contribution are able to meet their obligations.
- 1.7.8 Recovery by attachment of benefits within the financial year is still obtainable with Option 1 as the amount to be recovered is within the attachment of income limit.
- 1.7.9 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.

1.8 Appendices:

Appendix 1 – Table of entitlement and savings

Appendix 2 – Table of impacts on in year collection for north east authorities

Appendix 3 – Timetable of consultation

1.9 Contact officers:

Janice Gillespie – Strategic Manager, 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 Benefits and Customer Services, Tel. (0191) 643 7228

1.10 Background information:

Local Government Finance Act 1992

[Council Tax Decision 23 January 2014 on Council Tax Support Scheme 2014-15](#)

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 paragraph 1.5.6 to 1.5.9 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. Based on current claimants the 2015/16 scheme is expected to cost £15.9m based on current projections for 2014/15 and based on the assumption that there is no change to the rate of Council Tax.
- 2.1.2 This cost may reduce if the number of claimants continues to fall. It is not possible to accurately forecast the value of this as it will depend upon individual case.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 was amended by the Local Government Finance Act 2012 and requires that each Local Authority has 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.
- 2.2.2 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.
- 2.2.3 The Authority is also required by virtue of Schedule 1A each year to determine if the scheme should be revised or replaced.
- 2.2.4 Any Scheme proposed by Cabinet will be consulted on before being put to Council for final determination as to the Scheme to be adopted. It is clear by virtue of section 67 of the Local Government Finance Act 1992 that the making or revising of a Council Tax Reduction Scheme is a matter for Council.

2.3 Consultation/community engagement

- 2.3.1 This report is seeking direction from Cabinet as to whether they want to consider changes to the current Council Tax Support Scheme for proposal to Council on 22 January 2015. Consultation will be carried out on any proposals made by Cabinet along similar lines carried out in 2014/15. This consultation will take place for a four week period starting in October. A timetable of engagement is included at Appendix 3.

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. (no impact assessment was required on the scheme in 2014/15 as there were no changes made).

2.5.1 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 that the current scheme continues into 2015-2016. A consultation exercise will be carried out on proposals made by Cabinet 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

- Deputy Chief Executive X
- Head(s) of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Head of Corporate Strategy X