

North Tyneside Council Report to Cabinet 14 September 2015

ITEM 7(e)
**Council Tax Support
Scheme 2016- 2017**

Portfolio(s): Elected Mayor
Finance and Resources

Cabinet Member(s): Norma Redfearn
Councillor Ray
Glindon

Report from Service Area; Finance

Responsible Officer: Janice Gillespie, Head of Finance Tel: (0191) 643 5701

Wards affected: All

PART 1

1.1 Executive Summary:

In line with the Local Government Finance Act 1992 (as amended), the Council is required to consider whether to revise its Council Tax Support (CTS) scheme for the forthcoming year. The means tested scheme is provided to help support people on low income pay their Council Tax liability.

The final decision on what CTS scheme will be implemented from April 2016 will be made by Council on 21 January 2016.

Any changes to the scheme must be consulted on and a number of options are available for consideration. This includes reducing the level of support available for working age claimants and whether recent welfare benefit changes should be replicated within the CTS scheme.

This report asks Cabinet to consider what changes, if any, it wishes to propose to the CTS Scheme so that a consultation exercise can be undertaken on any proposed changes. Outcomes of the consultation will be brought back to Cabinet later in the year for a decision on which CTS scheme Cabinet will propose to full Council.

1.2 Recommendation(s):

1.2.1 It is recommended that Cabinet agree:

- 1) To Schemes 1 to 4, set out at paragraphs 1.6.6 to 1.6.9 of the report, being consulted upon as the potential proposed Council Tax Support scheme for the financial year 2016-17; and
- 2) That the consultation on the proposed CTS scheme be undertaken between September 2015 and November 2015 and that details of the consultation responses be brought back to Cabinet on 14 December 2015 so that Cabinet can consider what proposed CTS Scheme to propose to Council on 21 January 2016.

1.3 Forward plan:

- 1.3.1 Twenty eight days notice of this report has been given and it first appeared on the forward plan that was published on 15 June 2015.

1.4 Council plan and policy framework

This report links directly to the priority 'Our people will be cared for and kept safe if they become vulnerable' in the 'Our North Tyneside Plan 2014 -2018'.

1.5.0 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 legislation 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, the revision or replacement 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 which to promote simplicity generally follows the Housing Benefit rules around entitlement. It allows a maximum amount of Council Tax Support of 93% of the claimants Council Tax liability for working age claimants. Pensionable age claimants receive support based on 100% of their Council Tax liability, as prescribed under national rules.
- 1.5.4 Any changes proposed to the scheme are subject to consultation, although the level and period of consultation is dependant on the level of change. 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.

The final decision on the CTS scheme to be implemented is a Council decision which will be made on 21st January 2016.

- 1.5.5 As at the 30 June 2015 there were 21,082 claimants receiving CTS, this is split between pensioner claims 9,828 (47%) and 11,254 (53%) working age claims. The caseload continues to reduce, as seen since the scheme was introduced first in 2013/14, as more people move into employment or claimants' incomes increase and they no longer qualify for support.
- 1.5.6 Due to the reduction in the number of claimants the forecast scheme cost for 2015/16 is currently around £15.2m split between working age claimants totalling £7,880,212 and pensionable age claimants totalling £7,312,637. (A reduction in cost of the scheme against forecast was also seen in 2013-14 and 2014-15).
- 1.5.7 The majority of CTS claimants live in a band A property, and the maximum support available is 93% of Council Tax liability which is £17.73 for a couple or £13.30 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 person.
- 1.5.9 Based on the current working age caseload and spend, for every 1% not provided in support it would reduce the cost of the scheme by just under £85,000 annually, although this would still need to be collected. The table at Appendix 1 (Table of entitlement and savings) gives an indication of the increase in liability for a CTS claimant 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 provisional protection.

Collection Rates

- 1.5.10 There has been minimal reaction to the scheme since it was introduced in April 2013 and we have had no appeals to the Valuation Tribunal.
- 1.5.11 In year collection of Council Tax for year 1 of the scheme (2013/2014) fell by 0.4% from 96.9% to 96.5% and in 2014/15 the collection rate again fell only slightly to 96.4%. Both these years also included collection of additional debit for empty property discount changes. General effects of a difficult economic climate and impacts of welfare reform, which many on CTS have been also been impacted by, are likely to have contributed to the reduction in collection.

Welfare Reforms

- 1.5.12 On the 8 July 2015, the government announced a number of changes to welfare benefits aimed at reducing the cost of the welfare bill, including changes to Housing Benefit (HB). The changes such as the change to the Working Tax Credits threshold will in many cases reduce a claimant's current income. Other changes however will only impact on a claimant's entitlement if they have certain changes in the future, for example, if a child is born into the household. As the CTS scheme is a means tested support, for those claiming CTS any reduction in income will generally mean an increase in CTS entitlement and any additional costs associated with these changes will need to be factored into estimated costs for next years scheme.
- 1.5.13 As the current CTS scheme generally follows the same rules as Housing Benefit in calculating entitlement for CTS, there is a need to consider whether some of the Housing Benefit changes should be replicated in our CTS Scheme where appropriate. Doing so will ensure that the scheme continues to be aligned with Housing Benefit rules which is clearer for claimants to understand and operationally more effective. Additionally by adopting some of the Housing Benefit changes into the CTS scheme these will off set some of the increased costs due to the Tax Credit changes.
- 1.5.14 The Housing Benefit changes that we may want to replicate with our CTS scheme are:
- a) Annual up-rating of personal allowances frozen for 4 years from April 2016.
 - b) Backdated support reduced from 26 weeks to 4 weeks from April 2016.
 - c) The family element of the personal allowance not applied for children born or new claims made from April 2016.
 - d) The child element of the personal allowance not awarded for a third or subsequent child born after April 2017.
- 1.5.15 As over 7,600 claimants, around 68% of the working age caseload, are currently in receipt of an income related benefit such as Income Support or Job Seekers Allowance and receive maximum CTS entitlement, the above changes will not impact on their CTS entitlement. Additionally those changes listed under b, c and d above will only impact on very small numbers compared to the overall caseload.

1.5.16 The estimated costs and savings associated with Tax Credit changes, if Housing Benefit changes are replicated in the CTS scheme, are outlined below in Table 1.

Table 1- Estimated costs and savings associated with welfare changes

		Estimated costs to CTS scheme due to welfare changes	Estimated savings to CTS scheme that could be achieved if HB changes were replicated
1.	Changes to Working Tax Credits thresholds from £6,420 to £3,850 and the taper at which Tax Credits is reduced as earnings rise above the threshold, will increase from 41% to 48% from April 2016.	£225,000	
2.	Replicating Housing Benefit changes within the Council Tax Support Scheme: <ul style="list-style-type: none"> • Annual up-rating of personal allowances frozen for 4 years from April 2016 • Backdated support reduced from 26 weeks to 4 weeks from April 2016 • Family element not applied for children born or new claims made from April 2016 • Child element not awarded for a third or subsequent child born after April 2017 		£35,000

1.6 Decision options:

- 1.6.1 This report has been submitted to seek a decision from Cabinet on whether to revise or replace the current scheme for 2016-2017 for working age claimants or for the scheme to remain the same other than to include legislative prescribed changes.
- 1.6.2 Any proposed changes will determine the scheme that is consulted on before proposals are put before Council for their consideration. If changes are proposed consultation will be necessary and this will take place in line with the outlined requirement within the Local Government Finance Act 1992 (as amended) and will include precepting authorities and such other persons that are considered likely to have an interest in the operation of the scheme.
- 1.6.3 There are several 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 for working age claimants, as well as whether to replicate within the scheme the Housing Benefit changes outlined in point 1.5.13.
- 1.6.4 Collection rates are strong at around 85% in year collected and this provides an encouraging sign that the majority of claimants are managing the increased liability placed on them. Comparisons with other Council Tax collection rates for north east authorities shows that the Council Tax Support scheme along with other discount changes implemented seem to have performed well.

- 1.6.5 Cabinet are requested to consider consulting on any, or all, of the following CTS Schemes:
- 1.6.6 **Scheme 1** - Continue to operate the current Council Tax Support scheme with the maximum level of Council Tax available for support of 93% for working age claimants.
- 1.6.7 **Scheme 2** - Continue to provide the maximum level of Council Tax available for support of 93% for working age claimants, and replicate the outlined Housing Benefit changes within the scheme.
- 1.6.8 **Scheme 3** - Continue to provide the current Council Tax Support scheme for working age claimants but reduce the maximum level of Council Tax available for support from 93% to 90%.
- 1.6.9 **Scheme 4** - Reduce the maximum level of Council Tax Support available for working age claimants from 93% to 90%, and replicate the outlined Housing Benefit changes within the scheme.
- 1.6.10 Estimated costs of schemes 1 to 4 above are provided in Table 2 (Estimated cost of schemes 1 to 4).

Table 2 – Estimated cost of schemes 1 to 4

	Scheme 1 (No change to current scheme)	Scheme 2 (No change to level of support, but replicate HB changes)	Scheme 3 (Reduce level of support for working age claimants, but HB changes not replicated)	Scheme 4 Reduce level of support for working age claimants, and replicate HB changes
Current cost of scheme as at June 2015 (forecast for 2016-17)	£15,200,000	£15,200,000	£15,200,000	£15,200,000
Estimated increased cost in 2016-17 due to Tax Credit changes	£ 225,000	£ 225,000	£ 225,000	£ 225,000
Estimated potential savings in 2016-17 due to replicating HB changes		(£ 35,000)		(£ 35,000)
Reduction of entitlement by 3% (Assumed 85% collection rate)			(£ 216,070)	(£ 216,070)
Total forecast cost of scheme for 2016/17	£15,425,000	£15,390,000	£15,208,930	£15,173,930
Deduct cost applicable to Fire and Police Authorities (10.93%)	£ 1,685,953	£ 1,682,127	£ 1,662,337	£ 1,658,511
Cost of Scheme to North Tyneside Council	£13,739,047	£13,707,873	£ 13,546,593	£13,515,419
Change for North Tyneside	£200,407	£169,233	£7,953	(£23,221)

Decision

Option 1

To agree the recommendations at 1.2 of the report and consult on Schemes 1 to 4

Option 2

Refer the matter back to officers for the consideration of an alternative CTS scheme.

Option 1 is the recommended option.

1.7 Reasons for recommended option:

1.7.1 Option 1 is recommended for the following reasons:

1.7.2 It provides feedback from our residents and partner agencies on the options being proposed. This will allow Cabinet to determine the scheme it wishes to propose to full Council on 21 January 2016.

1.8 Appendices:

- Appendix 1 – Table of entitlement and savings
- Appendix 2 – Timetable of consultation

1.9 Contact officers:

Janice Gillespie – Head of 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 Report 22 January 2015 - Council Tax Support 2015-16

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1. Finance and Other Resources

2.1.1 The detailed financial implications of the recommended Local Council Tax Support Scheme are covered in Table 2 at point 1.6. 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 and cost projections the recommended schemes for 2016-17 at points 1.6.6 to 1.6.9 is expected to cost between £15.1m and £15.5m. This is 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 or entitlements reduce. 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 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.
- 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. Consultation will be undertaken on any proposed changes suggested by Cabinet on the same basis as the consultation undertaken for the 2015-16 CTS Scheme.
- 2.2.4 Section 67 of the Local Government Finance Act 1992 specifies the functions that can be discharged only by the Council as a whole. Included in those functions is the ability to make or revise a Council Tax Support scheme.

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 21 January 2016. Consultation will be carried out on any proposals made by Cabinet. Depending on the changes to be consulted on this will take place for a maximum of 8 weeks starting in September. A timetable of engagement is included at Appendix 2.

2.4 Human rights

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

2.5 Equalities and diversity

- An impact assessment will be carried out prior to the consultation on any proposed changes.

2.6 Risk management

- The recommended scheme is based on the current scheme and as such there will be no system administration support risks from a system perspective.
- 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