

North Tyneside Council Report to Cabinet 14 December 2015

ITEM 6(a)
**Council Tax Support
Scheme 2016/ 2017**

Portfolio(s): Elected Mayor
Finance and Resources

Cabinet Member(s): Norma Redfearn
Councillor Ray
Glendon

Report from Service Area; Finance and Resources

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

Wards affected: All

PART 1

1.1 Executive Summary:

On 14 September 2015 Cabinet were provided with a report outlining the changes proposed in the Government's July summer budget that would impact on the current Council Tax Support (CTS) scheme. As a result of these changes and the budgetary pressures that the Authority needs to consider four options for a scheme for working age claimants were considered as a CTS scheme from April 2016. Cabinet instructed officers to consult on all four options.

The consultation exercise was carried out over a 6 week period and the options were discussed at Budget and Council Plan engagement events. This report provides the results of the consultation and the additional comments and observations made during the consultation period. It makes recommendations based on the consultation outcomes and potential financial pressures.

Cabinet is asked to consider the consultation outcomes and recommendations and make a proposal in relation to the CTS scheme which will be considered by Council on 21 January 2016.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (a) note the responses to the consultation exercise undertaken; and
- (b) invites Council to adopt, with effect from 1 April 2016, Option 4 (at paragraph 1.6.1) as the Authority's Council Tax Support Scheme for financial year 2016/17.

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 25 August 2015.

1.4 Council plan and policy framework

1.4.1 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 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 [Council Tax Support] 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 states 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 Authority may only make changes to the scheme in respect of working age claimants as the government provides prescribed requirements regarding the scheme for pensionable age claimants. Any changes proposed to the scheme are subject to consultation and 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 current scheme

1.5.4 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.

1.5.5 As at the 30 September 2015 there were 20,676 claimants receiving CTS, this figure is split between pensioner claims 9,635 (47%) and working age claims 11,041 (53%). The caseload continues to reduce, and this has been the case since the scheme was first introduced 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 £15,200,000.

1.5.7 The majority of CTS claimants live in a Council Tax Band A property, and based on the maximum support of 93% available to working age claimants, couples currently qualify for support of £17.73 per week and single people £13.30 per week. This leaves £1.33 to pay each week for a couple and £1.00 to pay each week for a single person.

1.5.8 On 14 September 2015, Cabinet were presented with a report that advised of the Government's plan to introduce further Welfare Reforms that were announced in its July 2015 summer budget. The plan included a number of changes to state benefits and Tax Credits. The proposed change to Tax Credit entitlement would reduce the income of a number of our Council Tax Support claimants, and this reduction in income would mean an increase in their entitlement to Council Tax Support. This in turn would increase the overall cost of the scheme for the Authority. Other changes to the Housing Benefit (HB) Scheme from April 2016 onwards were also announced and this would mean the current CTS scheme would no longer operate in a similar way to the HB scheme unless the changes were also replicated within the CTS scheme. Currently the CTS scheme uses the same personal allowances for calculating entitlement and has similar rules which make it operationally easier to administer by having the two schemes aligned.

1.5.9 Due to current budgetary pressures, the changes proposed in the summer budget and the financial impact on the Council Tax Support Scheme a review of the current CTS scheme was considered by Cabinet. Four options for a CTS scheme to be in operation from April 2016 onwards were considered and it was agreed that all four options should be consulted on.

1.5.10 The four options are:

Scheme 1 - Continue to operate the current Council Tax Support scheme with the maximum level of Council Tax Support available of 93% for working age claimants.

Scheme 2 - Continue to provide the maximum level of Council Tax Support available of 93% for working age claimants, and replicate the outlined Housing Benefit changes within the scheme. The changes to be replicated are outlined in Appendix 1.

Scheme 3 - Continue to provide the current Council Tax Support scheme for working age claimants but reduce the maximum level of Council Tax Support available for working age claimants from 93% to 90%.

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.

1.5.11 The Consultation exercise started on 15 September 2015 and ended 31 October 2015.

1.5.12 Consultation took place through a number of opportunities including the Budget and Council Plan engagement process where a number of events in the community were held. In addition, a number of established forums and groups at which stakeholders and partner organisations were in attendance were used to explain the different schemes being consulted on. A specific exercise at Customer Service Centres was also undertaken whereby customers were asked to take part in the consultation and the options explained to them.

1.5.13 Since the summer budget announcement the Welfare Reform and Work Bill, which included the proposed changes to Tax Credits, was defeated in the House of Lords on 26 October 2015. In response the Chancellor promised to review his decision on the proposed Tax Credit changes and this included consideration for some transitional arrangements to gradually introduce a reduction.

1.5.14 On 25 November 2015 the Chancellor of the Exchequer announced in his 2015 Spending Review and Autumn Statement the outcome of the review of his decision on the Tax Credits changes announced in the summer budget. The Chancellor advised that he no longer intended to put in place the reduction in the threshold after which Tax Credits are reduced nor would he introduce the increase in the percentage at which Tax Credits reduced after reaching the threshold. As previously outlined both of these changes would have had a significant impact on the income of some of our Tax Credit claimants; this in turn would have increased their entitlement to CTS and therefore the overall cost of the CTS scheme would have increased.

Consultation outcomes

1.5.15 606 people submitted a consultation response to the four options that were considered, this included feedback from both those in receipt of CTS and those not in receipt of CTS:

- a) 190 responses were in favour of scheme 1
- b) 68 responses were in favour of scheme 2
- c) 68 were in favour of scheme 3
- d) 280 were in favour of scheme 4

The largest number of respondents (280) was in favour of scheme 4; which proposed reducing the maximum level of Council Tax Support available for working age claimants from 93% to 90%, and replicating the outlined Housing Benefit changes within the scheme.

Additional comments collected during the consultation are provided at Appendix 2.

Impacts on Customers

1.5.16 Reducing the level of Council Tax liability available for support for working age claimants as under option 2 and 4 would impact on all working age claimants. For a Band A property the financial impact of passing on an additional 3% would be £0.43p per week for a single person and £0.57 per week for a couple. Appendix 3 - Estimated Impacts on Residents provides at Table 1 the impacts of a 3% reduction in support on other Council Tax bands.

1.5.17 Replicating the Housing Benefit changes in the CTS scheme outlined in Appendix 1 and proposed under option 3 and 4 will impact on only some of our working age claimants and only when their circumstances meet the criteria. Appendix 3 – Table 2 - Estimated Numbers Impacted by Replicating Housing Benefit Changes provides the potential losses to claimants and estimated numbers who may be affected by replicating the Housing Benefit changes.

Financial impact on the Authority

1.5.18 Following the announcement in the 2015 Spending Review and Autumn Statement to the effect that the main Tax Credits changes would not be implemented the cost to the Authority initially estimated as a result of the proposed changes no longer apply.

1.5.19 Incorporating the Housing Benefit changes into the scheme will reduce the cost of the scheme although only by a small amount. However by incorporating the changes and keeping both HB and CTS schemes aligned will make the operation of the scheme more effective, as the CTS scheme uses some of the rules and the same personal allowances as the HB scheme.

1.5.20 Reducing the amount available for support for working age claimants from 93% to 90% would generate an amount of savings which the Authority could use to help manage its financial pressures as the Tax Credit changes are no longer being applied..

1.5.21 Table 1 below (Estimated cost of Schemes 1 to 4) outlines the costs associated with each scheme under consideration.

Table 1 – 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 September 2015 (forecast for 2016/17)	£15,200,000	£15,200,000	£15,200,000	£15,200,000
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	£15,200,000	£15,165,000	£14,983,930	£14,948,930
Deduct cost applicable to Fire and Police Authorities (10.93%)	£ 1,661,360	£ 1,657,535	£ 1,637,744	£ 1,633,918
Forecast cost of Scheme to North Tyneside Council 2016/17	£13,538,640	£13,507,465	£ 13,346,186	£13,315,012
Current cost of Scheme to North Tyneside	£13,538,640	£13,538,640	£13,538,640	£13,538,640
Change for North Tyneside	£ 0	(£ 31,175)	(£ 192,454)	(£ 223,628)

1.6 Decision Options

1.6.1 The following options are available to Cabinet:

- a) **Option 1 - Scheme 1** - Continue to operate the current Council Tax Support scheme with the maximum level of Council Tax Support available of 93% for working age claimants; or
- b) **Option 2 - Scheme 2** - Continue to provide the maximum level of Council Tax Support available of 93% for working age claimants, and replicate the outlined Housing Benefit changes within the scheme. The changes to be replicated are outlined in Appendix 1; or
- c) **Option 3 - Scheme 3** - Continue to provide the current Council Tax Support scheme for working age claimants but reduce the maximum level of Council Tax Support available for working age claimants from 93% to 90%; or
- d) **Option 4 - 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; or
- e) **Option 5** - Cabinet may choose to reject Options 1 – 4 and refer the matter back to officers for the further consideration of an alternative Scheme.

Option 4 is the recommended option.

1.7 Reasons for recommended option:

1.7.1 Option 4 is recommended for the following reasons:

- 1.7.2
- a) The results of the consultation demonstrates that the highest number of respondents were in favour of option 4. This shows the majority of respondents have a preference that those claiming Council Tax Support should pay a greater contribution to their Council Tax;
 - b) It will provide operational effectiveness by incorporating into the scheme the Housing Benefit changes outlined in Appendix 1 so both the HB scheme and the CTS scheme remain aligned;
 - c) The option provides the greatest savings to help manage budgetary pressures whilst still providing a high level of support;.
 - d) As the majority of claimants live in a Band A property the additional 3% represents a minimal reduction. Single people claiming CTS will see a reduction in their CTS entitlement of 43p per week, and couples will see a reduction of 57p per week.

1.8 Appendices:

- Appendix 1 – Housing Benefit changes proposed to be replicated within the scheme
- Appendix 2 – Additional Comments Received Through Consultation
- Appendix 3 – Estimated Impacts on Residents
- Appendix 4 – Equality Impact Assessment

1.9 Contact officers:

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

1.9 Background information:

- [Local Government Finance Act 1992](#)
- [Council Report 22 January 2015 - Council Tax Support 2015-16](#)
- [Cabinet Report 14 September 2015 - Council Tax Support 2016-17](#)

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 for April 2016 are covered in Table 1 at point 1.5.21. 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. Schemes 1 to 4 are expected to cost between £14.9m and £15.2m based on current claimants and cost projection. This is on the assumption that there is no change to the rate of Council Tax.
- 2.1.2 The projected 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 Council Tax 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 has taken place, as is set out in this report, for the proposed 2016/17 CTS Scheme.
- 2.2.4 Section 67 of the Local Government Finance Act 1992 specifies the functions that can be discharged only by the Authority 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 provides the results of the consultation which was carried out over the period 15 September to 31 October 2015. As recommended by Cabinet on 14 September 2015 Options 1 to 4 at point 1.5.10 were consulted on through a variety of methods outlined in 1.5.12. Results of the consultation are provided at 1.5.15.
- 2.3.2 A communication strategy will be developed to notify residents of any changes to the scheme that are accepted by Council on 21 January 2016.

2.4 Human rights

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

2.5 Equalities and diversity

- 2.5.1 An Equality Impact Assessment (EIA) was carried out prior to consultation on the changes proposed in options 2 to 4. The EIA is included as Appendix 4 to this report.

- 2.5.2 There is an acknowledgement in the EIA that proposals in options 2 to 4 will have negative impact on working age claimants but that there are actions that may reduce or remove the negative impacts.
- 2.5.3 Other potential negative impacts around communications for some claimants with protected characteristics was noted in the EIA, however a communication plan will be developed that will help mitigate against this potential impact.

2.6 Risk management

- 2.6.1 Option 3 which does not include replicating the Housing Benefit changes may reduce operational effectiveness if the CTS scheme uses different rules and personal allowances to that of the HB system.
- 2.6.2 A consultation exercise was carried out on proposals made by Cabinet and this should mitigate the risk of a legal challenge.
- 2.6.3 The 3% reduction in the amount of Council Tax available for support represents a minimal reduction for claimants. The Council has in place a Discretionary Policy which if exceptional circumstances are met by claimants could help to mitigate the negative outcomes introduced by this reduction.
- 2.6.4 Should Cabinet chose Option 5 at 1.6.1, there would be a significant risk that officers would be unable to conduct further consultation with residents in time to bring further results back to Cabinet to allow alternative schemes to be proposed to Council.

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