

North Tyneside Council Report to Cabinet Date: 12 September 2016

ITEM 6d

Title: Council Tax Support
Scheme 2017- 2018

Portfolio(s): Elected Mayor
Finance and Resources

Cabinet Member(s): Norma Redfearn
Councillor Ray
Glindon

Report from Service Area;
Responsible Officer: Finance

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 financial year. This is a means tested Scheme provided to help support people on low income to pay their Council Tax liability.

The final decision on which CTS Scheme will be implemented from April 2017 will be taken by Council on 19 January 2017.

Any changes to the Scheme must be consulted on and a number of options are available for consideration; these are outlined in paragraph 1.6 below.

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 to the Scheme. 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 authorises the Head of Finance to undertake consultation between September 2016 and November 2016 on the proposed changes, if any, to the Council Tax Support Scheme (set out at paragraphs 1.6.4 to 1.6.6 of the report) and that details of the consultation responses be reported back to Cabinet on 12 December 2016 to allow for consideration of the proposed changes, if any, to the Council Tax Support Scheme to be proposed to the Full Council on 19 January 2017.

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 July 2016.

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 2016 -2019'.

1.5.0 Information

- 1.5.1 The Local Government Finance Act 1992 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 if any revision to a Scheme, or any replacement Scheme, has the effect of reducing or removing a reduction to which a claimant is entitled, then the revision or replacement must include consideration as to whether it is appropriate to introduce 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 90% for working age claimants liable for Council Tax. Pensionable age claimants receive support based on 100% of their Council Tax liability as prescribed under national rules. In working out a claimant's entitlement to CTS, their income is compared against an Applicable Amount which is based on the claimant's circumstances. Where income is below the Applicable Amount the claimant receives the maximum support; where income is above the Applicable Amount entitlement is reduced by 20% of the element of the claimant's income that is above the Applicable Amount.
- 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 the Authority 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 19 January 2017.

- 1.5.5 As at 30 June 2016 there were just less than 20,000 claimants receiving CTS. This is split between pensioner claims totalling 9,254 (46%) and working age claims 10,727 (54%), with the majority of CTS claimants living in a band A property. The caseload has reduced each year since the Scheme was first introduced in 2013/14, as more people move into employment or as claimants' incomes increase and they no longer qualify for support.

1.5.6 Due to the reduction in the number of claimants, the forecast cost of the Scheme for 2016/17 is currently around £14.765m.

Collection Rates

1.5.7 There has been minimal reaction to the scheme since it was introduced in April 2013 and the Authority has had no appeals to the Valuation Tribunal.

1.5.8 In-year collection of Council Tax for year 1 of the Scheme (2013/2014) fell by 0.4% from 96.9% to 96.5%. In 2014/15 the collection rate again fell, although only slightly to 96.4% but in year 2015/16 the collection rate improved to 96.6%. Throughout these years there has been additional charges raised for empty property discount changes. In addition the general effects of a difficult economic climate caused by the impacts of welfare reform have also impacted on many residents on CTS.

Options for the scheme for 2017/18

1.5.9 The proposed change to the Scheme under consideration for 2017/18 is to reduce the maximum amount of Council Tax Support available to working age claimants thereby passing on a greater amount of Council Tax liability on to the claimant to pay. This will have the effect of reducing the cost of the Scheme and, as such, providing savings to the Authority.

1.5.10 Two options to reduce the percentage level of Council Tax Support are under consideration. Table 1 shows the financial effect on both the claimant and on the Authority if the level of the Council Tax Support was reduced to either 87.5% or 85% from its current 90%.

Table 1 – Reduced levels of Council Tax Support for working age claimants

% Level of Support	*Weekly Amount that claimants in a Band A property would pay		Approximate cost reduction to the Scheme.
	Couple	Single	
90% (Current)	£1.98	£1.49	
87.5%	£2.47	£1.86	£227,981
85%	£2.97	£2.23	£455,312

* Based on the current level of Council Tax. Higher banded properties will pay more than is quoted above.

1.6 Decision options:

1.6.1 This report invites Cabinet to consider the options for the CTS contained in the report and for it to decide whether it is appropriate to revise the current CTS Scheme for 2017/18 for working age claimants or alternatively for the Scheme to remain unchanged other than the inclusion of prescribed legislative changes.

1.6.2 Cabinet is requested to consider consulting on any, or all, of the Schemes below:

1.6.3 **Scheme 1**- Continue to operate the current Council Tax Support Scheme with the maximum level of Council Tax Support available of 90% for working age claimants.

1.6.4 **Scheme 2** - Reduce the level of Council Tax Support available from 90% to 87.5% for working age claimants.

1.6.5 **Scheme 3** – Reduce the level of Council Tax Support available from 90% to 85% for working age claimants.

1.6.6 Estimated costs of Schemes 1 to 3 above are provided below in Table 2 (Estimated cost of Schemes).

Table 2 – Estimated cost of Schemes

	Scheme 1 No change - current level of CTS of 90% for working age claimants	Scheme 2 Reduce maximum CTS from 90% to 87.5% for working age claimants	Scheme 3 Reduce maximum CTS from 90% to 85% for working age claimants
Current cost of Scheme as at June 2016 (forecast for 2017/18)	£14,765,000	£14,765,000	£14,765,000
Estimated potential savings in 2017-18 due to implementing different options		(£227,981)	(£455,312)
Adjustment to reflect assumption of 85% collection rate		£34,197	£68,297
Total forecast cost of Scheme for 2017/18	£14,765,000	£14,571,216	£14,377,985
Deduct cost applicable to Fire and Police Authorities (10.93%)	(£1,613,815)	(£1,592,634)	(£1,571,514)
Cost of Scheme to North Tyneside Council	£13,151,185	£12,978,582	£12,806,471
Change for North Tyneside	0	(£172,603)	(£344,714)

Decision

Option 1

To agree the recommendations at 1.2.1 of the report and consult on the Scheme or Schemes set out in 1.6 as considered appropriate by Cabinet.

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 an opportunity to gain feedback from our residents and partner organisations on the Scheme or Schemes being considered. This will allow Cabinet to determine the Scheme it wishes to propose to Council on 19 January 2017.

1.8 Appendices:

- Appendix 1 – Timetable of consultation
- Appendix 2 – Equality Impact Assessment

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 Revenues, Benefits and Customer Services, Tel. (0191) 643 7228

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- [Local Government Finance Act 1992](#)
- [Council Report 21 January 2016 - 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 different options of change to the Council Tax Support Scheme are covered in Table 2 in section 6.

2.1.2 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 for the options for changes to the Scheme under consideration, Table 2 estimates that for 2017/18 there could be a saving for the Authority of circa £0.173m under Scheme 2 and £0.345m under Scheme 3, assuming no change to the rate of Council Tax.

2.1.2 The overall cost of the Scheme will reduce if the number of claimants continues to fall or entitlements reduce. It is not possible to provide a more accurate forecast as entitlement depends upon the detail of individual claims.

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 similar to the consultation undertaken for the 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 is seeking direction from Cabinet as to whether it wants to consider changes to the current Council Tax Support Scheme for recommendation to Council on 19 January 2017. Consultation will be carried out on any proposals made by Cabinet and this will take place from September 2016 to November 2016. A timetable of engagement is included at Appendix 1 which includes using partner organisations and an on line form to collect consultation feedback to provide a wider opportunity for residents to get involved.

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) has been carried out on the changes considered. The EIA is included as Appendix 2 to this report.
- 2.5.2 There is an acknowledgement in the EIA that options to change the Scheme being considered will have a negative impact on working age claimants, but it is acknowledged that there are actions that can be taken that may reduce or remove this.
- 2.5.3 Other potential negative impacts around communications for some claimants with protected characteristics were noted in the EIA. However should the changes being considered be accepted by Full Council, a communication plan would be developed to help mitigate against this.

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