

# North Tyneside Council Report to Cabinet Date: 12 December 2016

## ITEM 6(b)

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: Finance

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

Wards affected: All

### PART 1

#### 1.1 Executive Summary:

The Local Government Finance Act 1992, states 'For each financial year, each billing authority must consider whether to revise its [Council Tax Reduction] scheme or replace it with another scheme'. As a result of budgetary pressures the Authority needs to consider whether to implement a change to the maximum level of support for working age claimants available under the Scheme or make no change to the Scheme. On 12 September 2016 Cabinet was provided with a report outlining options to consider for revising the Council Tax Support (CTS) Scheme for 2017/18 by making changes that would reduce the cost of the Scheme by reducing the level of support for working age claimants.

Cabinet authorised the Head of Finance to undertake consultation between 13 September 2016 and 31 October 2016 on the options being considered for the CTS Scheme.

A form was made available on the website and a number of our partners were involved in raising awareness of the consultation with their customers. Customer Services and Citizens Advice Bureau (CAB) carried out the consultation with customers during customer contact with their service.

This report provides the results of the consultation and makes recommendations based on the consultation outcomes and the budgetary pressures faced by the Authority.

Cabinet is asked to consider the consultation outcomes and recommendations and make a proposal in relation to the CTS Scheme for 2017/18 which full Council will consider on 19 January 2017.

## **1.2 Recommendation(s):**

It is recommended that Cabinet:

- (a) note the responses to the consultation exercise undertaken at point 1.5.16 and at Appendix 1; and
- (b) invite Council to adopt, with effect from 1 April 2017, Option 2 (Scheme 2) at paragraph 1.6.1 as the Authority's Council Tax Support Scheme for the financial year 2017/18.

## **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 24 October 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 Information**

- 1.5.1 The Local Government Finance Act 1992, 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 CTS Scheme is a means tested support which limits the CTS payable to the equivalent of 90% of the claimant's Council Tax liability in the case of working age claimants. Pensionable age claimants receive support based on 100% of their Council Tax liability as prescribed under national rules.
- 15.5. The national picture of CTS Schemes shows that currently out of 326 schemes there are 15 that offer the same level of support as North Tyneside Council, 117 provide more and

193 provide less with some support as low as 55%. The largest number of Authorities offer 80% support. Many are currently consulting on reducing the level of their support for 2017/18.

- 1.5.6 Only 4 of the 11 other Authorities in the region currently offer a greater level of support than North Tyneside Council.
- 1.5.7 As at the 30 September 2016 there were 19,773 claimants receiving CTS, this figure is split between pensioner claims 9,149 (46%) and working age claims 10,624 (54%). The caseload continues to reduce as more people move into employment or claimants' incomes increase and they no longer qualify for support.
- 1.5.8 Due to the reduction in the number of claimants the forecast scheme cost for 2016/17 is currently just over £14,750,000.
- 1.5.9 The majority of CTS claimants live in a Council Tax Band A property and, based on the maximum support of 90% available to working age claimants, couples currently pay around £1.98 per week and single people £1.49 per week.
- 1.5.10 Collection rates of those in receipt of CTS are still favourable with around 85% being recovered in year.
- 1.5.11 On 12 September 2016, in acknowledgement of significant budgetary pressures, Cabinet was presented with a report that provided options for them to consider for 2017/18 that would reduce the cost of the CTS Scheme by reducing the maximum level of support available for working age claimants.
- 1.5.12 Cabinet considered the three options in the report which included two options to reduce the maximum level of support available for working age claimants. It was agreed that all three options should be consulted on and Cabinet instructed the Head of Finance to carry out a consultation exercise.
- 1.5.13 The three Schemes subject to consultation were:
  - Scheme 1** - Continue to provide the current maximum level of Council Tax Support for working age claimants at 90% for working age claimants.
  - Scheme 2** - Reduce the maximum level of Council Tax Support available for working age claimants from 90% to 87.5%.
  - Scheme 3** - Reduce the maximum level of Council Tax Support available for working age claimants from 90% to 85%.
- 1.5.14 The consultation exercise started on 13 September 2016 and ended 31 October 2016.
- 1.5.15 Residents, stakeholders and partners had a number of opportunities including established forums to hear an explanation of the different schemes that were being consulted on and to ask their questions and give their feedback. 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. CAB also carried out consultation with their clients via customer contacts at their offices and outreach sessions in the community. More detailed information on the consultation is provided at Appendix 1.

## Consultation outcomes

1.5.16 A significant number of people submitted a consultation response to the three different Schemes that were being considered. This included feedback from both those in receipt of CTS and those not in receipt of CTS:

### **Scheme 1 – Leave the current level of support as 90% for working age claimants**

1,079 respondents answered this question. Of the 1,079 respondents:

- a) 579 strongly agreed or agreed that the maximum support available for working age claimants should remain unchanged
- b) 247 neither agreed or disagreed
- c) 253 strongly disagreed or disagreed that the maximum support available for working age claimants should remain unchanged

### **Scheme 2 – Reduce the level of support for working age claimants from 90% to 87.5%**

1,080 respondents answered this question. Of the 1,080 respondents:

- a) 345 strongly agreed or agreed that maximum support available to working age claimants should be reduced from 90% to 87.5%
- b) 203 neither agreed or disagreed
- c) 532 strongly disagreed or disagreed that the maximum support available for working age claimants should be reduced from 90% to 87.5%

### **Scheme 3 – Reduce the level of support for working age claimants from 90% to 85%**

1,077 respondents answered this question. Of the 1,077 respondents:

- a) 320 strongly agreed or agreed that maximum support available to working age claimants should be reduced from 90% to 85%
- b) 202 neither agreed or disagreed
- c) 555 strongly disagreed or disagreed that the maximum support available for working age claimants should be reduced from 90% to 85%

## Impacts on Customers

1.5.17 Reducing the level of Council Tax liability available for support for working age claimants as under Scheme 2 and 3 would impact on all working age claimants. For a Band A property the financial impact on working age claimants of the current 90% Scheme and the Schemes offering 87.5% and 85% maximum support are shown in Table 1 (Weekly levels of Council Tax Support for working age claimants).

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

	% Level of Support	*Weekly amount that claimants in a Band A property would pay	
		Couple	Single
Scheme 1	90% (Current)	£1.98	£1.49
Scheme 2	87.5%	£2.47	£1.86
Scheme 3	85%	£2.97	£2.23

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

- 1.5.18 To give some context to the payments, for a single claimant aged 25 or over in receipt of Job Seekers Allowance (JSA) of £73.10 per week or a couple whose JSA income would be £114.85 per week:
- The current scheme 1 (90% maximum support) the payment represents 2% of a single claimant's income and 1.7% of a couple's income
  - applying Scheme 2 (87.5% maximum support) the payment represents 2.5% of a single claimant's or 2% of a couple's income
  - applying Scheme 3 (85% maximum support) the payment represents 3% of a single claimant's income and 2.5% of a couple's income

### Financial impact on the Authority

1.5.19 There are savings to the Authority if either Scheme 2 or 3 were implemented which the Authority could use to help manage its budgetary pressures.

1.5.20 Table 2 below (Estimated cost of Schemes) outlines the costs associated with each Scheme under consideration and the potential savings to the Authority.

Table 2 – Estimated cost of Schemes

	<b>Scheme 1</b> No change - current CTS of 90% for working age claimants	<b>Scheme 2</b> Reduce maximum CTS from 90% to 87.5% for working age claimants	<b>Scheme 3</b> 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
<b>Total forecast cost of Scheme for 2017/18</b>	<b>£14,765,000</b>	<b>£14,571,216</b>	<b>£14,377,985</b>
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	<b>£13,151,185</b>	<b>£12,978,582</b>	<b>£12,806,471</b>
Change for North Tyneside Council	<b>0</b>	<b>(£172,603)</b>	<b>(£344,714)</b>

## **1.6 Decision Options**

1.6.1 The following options are available to Cabinet:

- a) **Option 1 - Scheme 1** – To make a recommendation to Council to continue to provide the current maximum Council Tax Support of 90% for working age claimants; or
- b) **Option 2 - Scheme 2** – To make a recommendation to Council to reduce the Maximum level of Council Tax Support for working age claimants from 90% to 87.5%;  
or
- c) **Option 3 - Scheme 3** – To make a recommendation to Council to reduce the Maximum level of Council Tax Support for working age claimants from 90% to 85%;  
or
- d) **Option 4** - Refer matters back to officers for the consideration of an alternative CTS Scheme.

Option 2 - Scheme 2 is the recommended option.

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

1.7.1 Option 2 - Scheme 2 (87.5% maximum support for working age claimants) is recommended for the following reasons:

- a) Whilst it is recognised that the results of the consultation for Option 2 show 532 respondents (49%) did not agree that the Council Tax Support for working age claimants should be reduced from 90% to 87.5%, the financial pressures placed upon the Authority and budgetary position of the Authority are such that the recommendation remains to marginally reduce the discount level.
- b) As the majority of claimants live in a Band A property the reduction by 2.5% of liability available for support represents a small reduction. Single working age claimants in receipt of CTS will see a reduction in their CTS entitlement of around 37p per week, and couples will see a reduction of around 49p per week.
- c) The option provides savings to the Authority to help manage budgetary pressures whilst still providing a high level of support.
- d) Compared to the national picture, Scheme 2 still provides more support than is offered by the majority (186) of the 326 Authorities.

## **1.8 Appendices:**

- Appendix 1 – Engagement and consultation outcomes
- 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

## 1.9 Background information:

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

- [Local Government Finance Act 2012](#)
- [Council Report 21 January 2016 - Council Tax Support 2016-17](#)
- [Cabinet Report 12 September 2016 - Council Tax Support 2017-18](#)

## 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 2 at point 1.5.20. 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 (the status quo) to 3 are expected to cost between £14.765m and £14.378m based on current claimants and cost projections. These calculations are based on the assumption that there is no change to the rate of Council Tax.
- 2.1.2 Whilst the change to the level of CTS will not directly impact on the Housing Revenue Account (HRA), there is an acknowledgement that any reduction in support which has an impact on a claimant's household income may reduce the claimant's ability to meet their rental obligation.
- 2.1.3 The projected cost is based upon current claimant numbers and levels of entitlement. The cost of the scheme has reduced in each of the last three financial years due to decreasing numbers of claimants. If this trend continues then the costs of the scheme will reduce.

### 2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 (the 1992 Act) 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 1992 Act specifies the functions that can only be discharged by the Authority as a whole. Included in those functions is the ability to make or revise a Council Tax Reduction Scheme.

## **2.3 Consultation/community engagement**

- 2.3.1 This report provides the results of the consultation which was carried out over the period 13 September to 31 October 2016. As recommended by Cabinet on 12 September 2016 Options 1 to 3 at point 1.5.13 were consulted on through a variety of methods. More detail of the consultation process and the outcomes are provided in Appendix 1.
- 2.3.2 A communication strategy will be developed to notify residents of any changes to the scheme that are accepted by Council on 19 January 2017.

## **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 Scheme 2 and 3. The EIA is included as Appendix 2 to this report.
- 2.5.2 There is an acknowledgement in the EIA that proposals in options 2 and 3 will have a negative impact on working age claimants only but that there are actions that may reduce or remove the negative impacts. The consultation feedback shows the majority (85%) of responses were from working age people.
- 2.5.3 Other potential negative impacts around communications for some claimants with protected characteristics were noted in the EIA. A communication plan will be developed that will help mitigate against this potential impact.

## **2.6 Risk management**

- 2.6.1 Whilst the recommended reduction in Council Tax Support for working age claimants represents a minimal reduction for claimants, some may still find the additional Council Tax payable difficult to manage. This may also have a marginal impact on claimant's ability to pay their rent. The Authority has in place Discretionary Policies to support claimants where appropriate.
- 2.6.2 A comprehensive exercise was carried out on consultation proposals made by Cabinet and this should mitigate the risk of a legal challenge. It is important that any decision taken is based upon full evidence.
- 2.6.3 Should Cabinet choose Option 4 at 1.6.1, there would be a risk that officers would have limited time to undertake further consultation to allow Council to consider making any changes to the scheme, without a risk of 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