

North Tyneside Council Report to Cabinet Date: 11 September 2017

ITEM 6(c)

Council Tax Support
Scheme 2018- 2019

Portfolio(s): Elected Mayor

Finance and Resources

Cabinet Member(s): Norma Redfearn

Councillor Ray
Glendon

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 Authority 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 meet their Council Tax liability.

Any proposed revision of 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 should be made to the CTS Scheme so that a consultation exercise can be undertaken on the proposed changes to the Scheme. Outcomes of the consultation will be brought back to Cabinet later in the year to enable a decision to be taken by Cabinet on what proposed changes to the Scheme should be presented to full Council for approval.

1.2 Recommendation(s):

1.2.1 It is recommended that Cabinet:-

1. Authorise the Head of Finance to undertake consultation between September 2017 and November 2017 on all, or some, of the options for a revision of the Council Tax Support Scheme (set out at paragraphs 1.6.2 to 1.6.4 of the report) and;
2. Consider the consultation responses at a further meeting of Cabinet on 11 December 2017 and determine what revision of the Council Tax Support Scheme Cabinet would propose to Council on 18 January 2018 for approval.

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 7 August 2017.

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 states 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. From April 2017 maximum support for working age claimants was reduced from 90% to 87.5% of the claimant's liability 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 must be subject to consultation, although the level and period of consultation will depend on the proposed level of change to the Scheme. As part of that consultation the Authority should, before revising its 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 implementation of any revised CTS Scheme is a matter for Council. Any revision to the CTS Scheme that Cabinet recommends will be considered by Council on 18 January 2018.

- 1.5.5 As at 31 July 2017 there were 19,129 claimants receiving CTS. This is split between pensioner claims totalling 8,761 (46%) and working age claims 10,368 (54%). The majority of CTS claimants live in a band A property. At around the same time last year the case load was 19,981 split between 9,254 (46%) pensionable age and 10,727(54%) working age. The caseload has reduced each year since the Scheme was first introduced

in 2013/14 as more people move into employment, as claimants' incomes increase, or 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 2017/18 is currently around £14.7m.

Collection Rates

1.5.7 There has been minimal reaction to the Scheme since it was introduced in April 2013.

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 in-year collection rate again fell, although only slightly to 96.4% but in year 2015/16 the in-year collection rate improved to 96.6%. In 2016/17 the in-year collection rate stood at 96.5%. Throughout these years there have been reductions to support and additional charges raised for empty property discount changes. In addition the general effects of a difficult economic climate caused by the impacts of welfare reforms have also impacted on many residents on CTS.

1.5.9 As Council Tax Support is a local Scheme, all Billing Authorities are able to make a Scheme that they consider best supports their residents taking into consideration the finances available to the Authority. Table 1 shows the current Schemes that are in place in our regional Billing Authorities and the in year collection rate for 2015/16 and 2016/17.

Table 1- Regional Schemes

Authority	Current 2017 maximum support	In year collection rate 2016/17	In year collection rate 2015/16
Northumberland	100%	97.9	97.8
Newcastle	85%	96.9	97.1
Durham	100%	96.7	96.3
North Tyneside	87.5%	96.5	96.6
Stockton	80%	96.3	96.5
South Tyneside	75% to 85%	96.0	95.9
Darlington	80%	95.8	95.2
Gateshead	91.5%	95.8	95.6
Sunderland	91.5%	95.8	95.7
Hartlepool	80%	95.3	95.4
Redcar & Cleveland	80%	94.1	95.9
Middlesbrough	80%	92.5	93.6

1.5.10 It is important to note that the Authority can recover any unpaid Council Tax by an attachment of £3.75 per week to certain Benefits once a liability order is in place. The Authority will then have around 37 weeks to recover the debt (including the court costs of £10.00) in year if a claimant has no other debts being recovered. Based on the current CTS level the minimum contribution of Council Tax for a couple in receipt of CTS living in a band A property could be recovered in year. However if the amount of Council Tax increased it would not be recovered in year and the debt would run into multiple years for collection.

Options for the Scheme for 2018/19

1.5.11 The options for the CTS Scheme that are being considered for 2018/19 financial year are set out in Table 2 below. All the options reduce the maximum amount of CTS available to working age claimants and thereby pass on a greater amount of Council Tax liability to the claimant which will have the effect of reducing the cost of the Scheme and, as such, providing savings to the Authority.

1.5.12 Three options to reduce the percentage level of CTS are presented in Table 2; it shows the financial effect on both the claimant and savings to the Authority if the maximum level of Council Tax Support was reduced for working age claimants to 85%, 82.5% or 80% from its current 87.5%. Figures are based on the current level of Council Tax.

Table 2 – Reduced levels of Council Tax Support for working age claimants

% Level of Support	*Weekly Amount that claimants in a Band A property would pay		Weekly increase for the claimant		Amount of savings to the Authority
	Couple	Single			
87.5% (Current)	£2.60 (£135.20 per year)	£1.95 (£101.40 per year)			
85%	£3.12 (162.24 per year)	£2.34 (£121.68 per year)	£0.52	£0.39	£176,476
82.5%	£3.64 (189.28 per year)	£2.73 (£141.96 per year)	£1.04	£0.78	£352,442
80%	£4.16 (£216.32 per year)	£3.12 (£162.24 per year)	£1.56	£1.17	£527,812

* Higher banded properties will pay more than is quoted above. Increases in Council Tax will increase the amount claimants will pay.

1.6 Proposed CTS Scheme Options for consideration:

1.6.1 This report invites Cabinet to consider the Schemes set out in paragraphs 1.6.2 to 1.6.4 of the report and to determine which of the options, if any, should be consulted on.

1.6.2 **Scheme 1** - Reduce the maximum level of Council Tax Support available from 87.5% to 85% for working age claimants.

1.6.3 **Scheme 2** – Reduce the maximum level of Council Tax Support available from 87.5% to 82.5% for working age claimants.

1.6.4 **Scheme 3** – Reduce the maximum level of Council Tax Support available from 87.5% to 80% for working age claimants

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

Table 3 – Estimated cost of Schemes

	Current Scheme current level of CTS of 87.5% for working age claimants	Scheme 1 Reduce maximum CTS from 87.5% to 85% for working age claimants	Scheme 2 Reduce maximum CTS from 87.5% to 82.5% for working age claimants	Scheme 3 Reduce maximum CTS from 87.5% to 80% for working age claimants
Current forecast cost of Scheme as at June 2017 (forecast for 2017/18)	£14,706,050	£14,706,050	£14,706,050	£14,706,050
Estimated potential savings for 2018-19 due to implementing different options		(£233,096)	(£465,518)	(£697,154)
Adjustment to reflect assumption of 85% collection rate (based on previous years collect rates)		£34,964	£69,827	£104,573
Total forecast cost of Scheme for 2017/18	£14,706,050	£14,507,918	£14,310,359	£14,113,469
Deduct cost applicable to Fire and Police Authorities (10.93%)	(£1,607,371)	(£1,585,715)	(£1,564,122)	(£1,542,602)
Cost of Scheme to North Tyneside Council	£13,098,679	£12,922,203	£12,746,237	£12,570,867
Change for North Tyneside	0	(£176,476)	(£352,442)	(£527,812)

Decision

Option 1

To agree the recommendations at 1.2.1 of the report and to 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 what revision to the Scheme Cabinet wish to propose to Council on 18 January 2018.

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

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

1.10 Background information:

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

- [Local Government Finance Act 1992](#)
- [Council Report 19 January 2017 - 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 different options of change to the CTS are covered in Table 3 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 the Authority. Based on current claimants and cost projections for the options for changes to the Scheme under consideration, Table 3 estimates that for 2018/19 there could be a saving for the Authority of circa £0.176m under Scheme 1, £0.352m under Scheme 2 and £0.527m 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 (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 revising or replacing a Council Tax Reduction Scheme, namely, consultation on, and publication of the draft revised or replacement Scheme.

2.2.3 As referred to in the body of the report, the Authority is also required by virtue of Schedule 1A of the 1992 Act to 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 2017-18 CTS Scheme.

2.2.4 Section 67 of the 1992 Act 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 what change to the current Council Tax Support Scheme it wishes to recommend to Council on 18 January 2018. Consultation will be carried out on any proposal made by Cabinet and this will take place from September 2017 to November 2017. 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 options considered. The EIA is included as Appendix 2 to this report.

2.5.2 There is an acknowledgement in the EIA that any option to change the Scheme that is proposed 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 any of the options be proposed by Cabinet and accepted by Full Council, a communication plan would be developed to help mitigate against this.

2.6 Risk management

- The Scheme options are 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