

# North Tyneside Council Report to Council Date: 29 November 2012

## ITEM 9

Title: Local Council Tax  
Support

Portfolio(s): Finance  
Housing

Cabinet Member(s): Cllr Judith Wallace  
Cllr Paul Mason

Report from Directorate:

Finance and Resources

Report Author:

Fiona Rooney,  
Strategic Director of Finance and Resources

Wards affected:

All

### PART 1

#### 1.1 Purpose:

The purpose of this report is to consider the options for providing a Local Council Tax Support Scheme and agree a scheme that will replace Council Tax Benefit from 1 April 2013.

#### 1.2 Recommendation(s):

It is recommended that Council:

- (1) Note the outcomes from the consultation exercise and the additional financial information provided in this report.
- (2) Consider the options available, set out in section 1.6 to this report.
- (3) (i) Note and consider the scheme proposed by Cabinet on 13 August 2012 upon which consultation has been undertaken (the Option 2 scheme described at paragraph 1.6 of the report) and determine it as the Local Council Tax Support Scheme for North Tyneside, to be adopted with effect from 1 April 2013; or  
(ii) Refer the Option 3 scheme described at paragraph 1.6 of the report (under which working age Council Tax Benefit claimants would receive Council Tax Support based on 91.5% liability) to Cabinet with the request that appropriate consultation be undertaken, in compliance with the relevant statutory requirements; or  
(iii) Agree in principle the adoption of a default scheme as described at Option 1 in paragraph 1.6 of the report); or

(iv) defer the decision on the matter and authorise the Strategic Director of Finance and Resources, in consultation with the Elected Mayor, Group and Deputy Group Leaders (or their respective nominees), to identify and formulate an alternative scheme for referral to Cabinet on 10 December 2012 for consideration and further consultation as appropriate.

### **1.3 Forward plan:**

This report appears on the Forward Plan for the period 1 September to 31 December 2012.

### **1.4 Council plan and policy framework**

This report does not directly relate to priorities identified in the Council Plan 2012-15.

### **1.5 Information:**

- 1.5.1 Cabinet received a report at its meeting on 13<sup>th</sup> August 2012 outlining the changes to Council Tax Benefit, which is being abolished from April 2013 under the Welfare Reform Act 2012, and being replaced with the introduction of a Local Council Tax Support Scheme. The change to Council Tax Benefit is one of a number of reforms being introduced from April 2013.
- 1.5.2 In previous years, funding for Council Tax Benefit was met through a subsidy paid to each council for the actual cost of the scheme. From April 2013 the Council will be paid to deliver its own local scheme through an upfront allocation which will be around 90% of the forecast subsidised Council Tax Benefit expenditure for 2013-14. Such local schemes will apply to working age claimants only. As the current caseload is split between 50% of claimants being of working age and 50% of pensionable age, the full funding loss of 10% becomes 20% for working age claimants. The final amount of this funding is still not known but indicative figures suggest the reduction in funding will be at least £1.8m.
- 1.5.3 The Local Government Finance Act 2012 received Royal Assent on 31 October 2012 and nationally prescribed requirements (stipulated in Regulations made under the Act) will apply to pensionable age claimants to ensure they are no worse off due to the reduced funding. Nationally prescribed requirements will also apply to certain elements of the scheme in relation to working age claimants. The proposals referred to in this report are made on the basis that the final Regulations are as currently anticipated.
- 1.5.4 Before agreeing a Council Tax Support Scheme the Council must consult with major precepting authorities who have the power to issue a precept; publish a draft scheme in such a manner as it sees fit; and consult with such other persons as it considers are likely to have an interest in the operation of the Scheme.
- 1.5.5 Should the Council fail to agree a Scheme by 31 January 2013, then a default scheme will take effect from April 2013. It is anticipated that the Default Scheme will be based on the current Council Tax Benefit Scheme and would not allow any local adaptations to be included. Funding for this scheme would still be reduced as described above.
- 1.5.6 The report to Cabinet on 13<sup>th</sup> August 2012 requested Cabinet to consider a number of options and agree consultation on a proposed scheme.

- 1.5.7 The scheme agreed by Cabinet as the proposed scheme for consultation is based on the current means tested Council Tax Benefit scheme but includes three main changes, as follows:
- a) the Second Adult Rebate is removed;
  - b) Entitlement to Council Tax Support is based on 80% of Council Tax liability instead of 100%; and
  - c) Non dependant deductions are increased by 20%.

### **The proposed scheme**

1.5.8 The Scheme as proposed will provide support for pensioners based on new prescribed requirements that are anticipated to continue to support people of pensionable age in the same way as the current Council Tax Benefit scheme. This will ensure that people of pensionable age see no reduction in benefit because of this reform. The working age rules are to be set locally subject to adherence to any relevant nationally prescribed requirements.

1.5.9 The same qualifying and claiming conditions will apply as in the current scheme as it provides a wide range of provisions for various groups. However:

- entitlement will now be based on a reduced liability level of 80% rather than the current 100%;
- there will be no Second Adult Rebate as very few claimants benefit from this and generally the Council Tax payer has sufficient income to pay their Council Tax themselves. If they do not, they can apply for Council Tax Support in their own right; and
- Non-dependant deductions will rise by 20%. Non dependant deductions were scheduled to rise in April 2013 under the national Council Tax Benefit Scheme.

1.5.10 The proposed Scheme will support families in relation to the calculation of the entitlement to Council Tax support, by continuing to:

- disregard Child Benefit received;
- disregard Maintenance received for a child;
- take into account child care costs as an expense of up to £175 for one child and up to £300 for two or more children per week; and
- apply a premium\*\* to the Applicable Amount for families.

Note:

\*The Applicable Amount is the level of income under which a claimant would receive maximum Council Tax Benefit entitlement.

\*\*Premiums are additional allowances added to the Applicable Amount.

1.5.11 The proposed Scheme is aimed to support those with disabilities by continuing to:

- disregard Disability Living Allowance (or any equivalent allowance); and
- apply a premium to the Applicable Amount for certain claimants where either they/their partner or a child is considered as disabled.

1.5.12 The proposed Scheme is aimed at supporting people back into work by continuing to:

- apply wage disregards at £5.00 for single claimants, £10.00 for couples and £20.00 for certain disabled claimants or carers or those in special occupations, and £25.00 for lone parents;
- apply an additional wage disregard of £17.10 where a family premium or a disabled premium is payable and the claimant is employed for 16 hours or more per week. Couples or single people over 25 qualify for this when working 30 hours or more where these premiums are not applied; and
- award additional support for the first four weeks of moving into work, in certain circumstances.

1.5.13 The proposed Scheme aims to support those with caring responsibilities by continuing to apply a premium to the Applicable Amount.

1.5.14 The proposed Scheme aims to encourage savings by continuing to allow claimants to have savings of up to £16,000 and still qualify for help, with the first £6,000 disregarded. A tariff income of £1.00 for every £250.00 (or part thereof) of savings over £6,000 is applied to the working age claimant's income.

1.5.15 The proposed Scheme will continue to have additional benefits of:

- a disregard of War Disablement Pension and War Widows Pension, War Widowers Pension, Guardians Allowance, Adoption Allowance, Foster Allowance, as well as Charitable and Voluntary payments received; and
- £15.00 disregard from Widowed Parents Allowance, and Maintenance received by a claimant or their partner.

1.5.16 The proposed Scheme will continue to apply the current 20% withdrawal of support rate when the claimant's income rises above the Applicable Amount.

## **Consultation Outcome**

1.5.17 Consultation on the proposed Scheme began on 24 August 2012 for an eight week period. The exercise included a number of opportunities for people to get involved in the consultation. This included advice drop-in sessions, attendance at Area Forums, landlord forums and other events, as well as an on-line questionnaire and paper questionnaires available at Customer Service Centres, libraries, and Sure Start Centres. Both Widening Horizons and the News Guardian were used to raise awareness of the changes and a number of current claimants were contacted by post and provided with a paper questionnaire. There were 391 responses to the consultation. The main headlines from the consultation are provided below with full details at Appendix 1.

### **Responses to questions relating to the proposed changes**

- **53.6%** either strongly agree or agree that 'All working age claimants should only be able to have Council Tax Support based on 80% of their current tax liability instead of 100%' with only **30.7%** either strongly disagreeing or disagreeing and **15.7%** neither agreeing or disagreeing.
- **45.5%** either strongly agree or agree that 'The contribution that non-dependants currently pay should also increase by 20%' with only **28%** either strongly disagreeing or disagreeing and **26.5%** neither agreeing or disagreeing.

- **83.5%** either strongly agree or agree that 'The Council's scheme should be based on the income of the person/s who is / are liable to pay it' with only **10%** either strongly disagreeing or disagreeing and **6.5%** neither agreeing or disagreeing.
- **69.6%** either strongly agree or agree that the Council's scheme should operate within the reduced grant, so other services are not affected, with only **10.6%** either strongly disagreeing or disagreeing and **19.8%** neither agreeing or disagreeing.

#### **Of those that provided Council Tax Benefit claim information:**

- Of those that strongly agreed that support should be based on only 80% of the Council Tax liability rather than 100%, 30.1% were in receipt of Council Tax Benefit, 69.9% were not.
- Of those that agreed that support should be based on only 80% of the Council Tax liability rather than 100%, 46.1% were in receipt of Council Tax Benefit, and 53.9% were not.
- Of those that neither agreed nor disagreed, 59.5% were in receipt of Council Tax Benefit, and 40.5% were not.
- Of those that disagreed, 51% were in receipt of Council Tax Benefit and 49% were not.
- Of those that strongly disagreed, 57.1% were in receipt of Council Tax Benefit and 42.9% were not.

#### **Funding options**

**1.5.18 Principal funding.** The Department for Communities and Local Government have provided indicative allocations of funding. Final allocations will be based on a revised forecast of subsidised Council Tax Benefit expenditure to be issued later in 2012. The estimated grant is considered to be in the region of £16.2m, although there are indications that this will be reduced further when the final figures are advised.

**1.5.19 Transitional Grant.** The Government has recently provided details of additional funding they intend to make available to authorities for **1 year only**. The allocation for North Tyneside would be **£0.386m**. This additional funding is to provide:

'the space and the support for all local authorities to follow the example of those councils who are making the most of opportunities to find savings across their budgets to be able to develop schemes that protect the poorest'.

There are conditions of entitlement to this grant stipulated by the Department for Communities and Local Government. The conditions are:

- a) those who would be entitled to 100% support under current Council Tax Benefit arrangements pay between zero and **no more than 8.5%** of their net Council Tax liability;
- b) the taper\* does not increase above 25%; and
- c) there is no sharp reduction in support for those entering work. The taper should continue to operate as under current Council Tax Benefit Regulations – that is, to be applied to the excess income and in relation to the claimant's maximum eligible Council Tax reduction. Where an authority has decided to adopt a scheme in

which the maximum eligible reduction is lower than 100% of the liability, this maximum eligible reduction will therefore be at this level.

Although not part of the conditions for additional funding, the Government does not expect authorities to impose large additional increases in non-dependant deductions.

Funding would be claimed after 31 January 2013 after a Scheme has been agreed by the Authority.

**1.5.20 Technical Reforms.** The Local Government and Finance Act 2012, which came into effect on 31 October 2012, contains a number of technical reforms to certain empty property Council Tax exemptions by replacing them with discounts from 1st April 2013. The Act also provides for additional discretion to two of the existing discount categories. The reforms allow the level and period of award of discounts to be determined by the full Council and, although the regulations applying the discretion are yet to be finalised, it is anticipated that these will allow authorities to retain additional income collected from applying reduced discounts. If the final regulations once they come into force are as currently anticipated, these reforms may therefore provide additional income that could potentially be used to help reduce the gap in funding. The categories affected by the reforms are:

Exempt Class A – Dwellings which are vacant as they are uninhabitable or where major repair work / structural alterations are required to render the property habitable (maximum award 12 months).

Exempt Class C – Vacant dwellings, i.e. empty and substantially unfurnished (maximum award 6 months).

Discount Class C (50%) – Awarded to empty and unfurnished properties following the expiry of certain exempt categories.

Discount Class Second Home – (10%) – Awarded to empty furnished property and second homes.

There is also a requirement to consider imposition of a higher premium for properties vacant in excess of 2 years.

Full details of potential changes to Council Tax exemptions and discounts are provided at Appendix 2.

## **1.6 Decision options:**

1.6.1 The following decision options are available for consideration by Council:

1.6.2 **Option 1** - Adopt the Default scheme which is based on the current Council Tax Benefit Scheme.

Under this option:

- a) All those currently in receipt of Council Tax Benefit would see no change to the way their Council Tax Support is calculated.
- b) The Authority would qualify for the Transitional Grant, as the Default Scheme would meet the Grant conditions.
- c) Additional funding from other sources would be necessary to meet the gap in Government funding.
- d) There would be no additional costs incurred for collection.
- e) There would be no additional impacts on collection rates.

Table 1- Option 1

Estimated cost of Council Tax Support scheme 2012/13	£18.0m
Initial Estimated loss to funding of at least	£1.8m
Transitional Grant for year 2013/14	£0.386m
Estimated cost to the Council	<b>£1.414m</b>

1.6.3 **Option 2** – Adopt Cabinet’s agreed scheme upon which consultation has been undertaken.

Under this option:

- a) All those working age claimants in receipt of Council Tax Benefit will only receive Council Tax Support based on **80%** liability instead of 100%;
- b) The Authority would not meet the conditions for the additional Transitional Grant (which had not been announce at the date of the decision to consult).
- c) The Authority would not require any additional funding as the loss in funding would be passed on to those in receipt of Council Tax Support;
- d) There would be an increase in costs associated with the collection of Council Tax through additional transaction payment costs and the administration of new payments cards to those who have not paid Council Tax previously; and
- e) It is likely that there would be a reduction in the collection rate. The reduction is estimated to be in the region of 30%.

Table 2 – Option 2

Estimated cost of local scheme	£16.2m
Estimated loss of funding of at least	£1.8m
Estimated amount to be passed onto the claimant	£1.8m
Estimated cost to the Council for year 2013/14	£0.0m

1.6.4 **Option 3** - Adopt Cabinet’s agreed scheme upon which consultation has been undertaken, and reduce the liability eligible for support to **91.5%**.

- a) All those working age claimants in receipt of Council Tax Benefit will receive Council Tax Support based on 91.5% liability instead of 100%.
- b) The Authority would meet the conditions for the additional Transitional Grant.
- c) Additional funding from other sources would be necessary to meet the gap in Government funding.
- d) There would be an increase in costs associated with the collection of Council Tax through additional transaction payment costs and the administration of new payments cards to those who have not paid Council Tax previously.
- e) It is likely that there would be a reduction in the collection rate. This is estimated to be in the region of 20%.

Table 3 – Option 3

Estimated cost of local scheme	£17.235m
Estimated reduction in funding of at least	£1.8m
Amount to be passed on to the claimant	£0.765m
Transitional Grant	£0.386m
Estimated cost to the Council for year 2013/14 after the Transitional Grant has been deducted.	<b>£0.649m</b>

1.6.5 Option 4 – Council may choose to reject all of the scheme options listed above defer the decision on the matter and authorise the Strategic Director of Finance and Resources, in consultation with the Group and Deputy Group Leaders (or their respective nominees) and the Head of Legal, Governance and Commercial Services, to identify and formulate alternative scheme and associated proposals, for referral to Cabinet for consideration and further consultation as appropriate.

1.6.5 Option 2 is the recommended option.

## 1.7 Reasons for recommended option:

Option 2 is the recommended option for the following reasons:

- It represents the potential lowest financial impact to the Authority;
- It is the scheme proposed by Cabinet on 13 August 2012 and duly consulted upon;
- Consultation on this scheme shows that a majority of those consulted are in favour of each of the changes:
  - **53.6%** either strongly agree or agree that 'All working age claimants should have Council Tax Support based on 80% of their current tax liability instead of 100%' with only **30.7%** either strongly disagreeing or disagreeing and **15.7%** neither agreeing or disagreeing.
  - **45.5%** either strongly agree or agree that 'The contribution that non-dependants currently pay should also increase by 20%' with only **28%** either strongly disagreeing or disagreeing and **26.5%** neither agreeing or disagreeing.
  - **83.5%** either strongly agree or agree that 'The Council's scheme should be based on the income of the person/s who is / are liable to pay it' with only **10%** either strongly disagreeing or disagreeing and **6.5%** neither agreeing or disagreeing.
  - **69.6%** either strongly agree or agree that the Council's scheme should operate within the reduced grant, so other services are not affected, with only **10.6%** either strongly disagreeing or disagreeing and **19.8%** neither agreeing or disagreeing.

## 1.8 Appendices:

- Appendix 1 – Consultation outcomes
- Appendix 2 – Council Tax Technical Reforms – options document
- Appendix 3 – Equality Impact Assessment – Signed off by Strategic Director Finance and Resources, Fiona Rooney

## 1.7 Contact officers:

- Andrew Scott – Client Manager Revenues, Benefits and Customer Services, tel. (0191) 643 7150
- Geoff Huzzard – Financial Development Officer Financial Strategy and Planning tel. (0191) 6435716
- Jackie Mulvey – Corporate Debt Manager, Revenue and Benefit Service, tel. (0191) 643 7194



- Tracy Vasey – Assistant Client Manager Benefits and Customer Services, tel. (0191) 643 7228

## **1.8 Background information:**

- 1) Cabinet Report, Localised Council Tax Support, 13 August 2012
- 2) Cabinet Report Minutes, 13 August 2012
- 3) Welfare Reform Act 2012, March 2012
- 4) Local Government Finance Act 2012. (schedule 4)
- 5) Communities and Local Government – Technical Reforms to Council Tax
- 6) Communities and Local Government – Localising Support for Council Tax – Transitional Grant Scheme, October 2012
- 7) Communities and Local Government – Localising Support for Council Tax – Draft Council Tax Reduction Schemes (Default Scheme) Regulations, 7 September 2012
- 8) Communities and Local Government – Localising Support for Council Tax – Draft Council Tax Reduction Schemes (Prescribed Requirements Scheme) Regulations, 7 September 2012
- 9) Consultation comments.

## **PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING**

### **2.1 Finance and other resources**

The Government is yet to release final funding allocations for the Council Tax Support Scheme, and as such the funding implications of all of the proposals contained in this report need to be qualified in that they are only estimated figures, either based on best estimates and/or indicative funding allocations. It is only when the final funding allocations are released, which is expected to be in the 2013/14 Provisional Local Government Finance Settlement, due in mid to late December 2012, that the final funding allocations and the impact for the Council can be confirmed. It is therefore likely that the final allocations for the Council Tax Support scheme will differ, both in amount and also in the relative distribution between authorities.

An associated implication in relation to the Council Tax Support scheme is in relation to the impact on the Council Tax Base. As the Council Tax Support scheme replaces benefit subsidy with a discount under the new scheme, then this will result in a reduction in the Council's Council Tax Base. The consequential loss of income this causes is expected to be offset by the receipt of the replacement Council Tax Support grant funding. Again, the full implications on the Council Tax Base won't be known until the Provisional Local Government for 2013/14 is issued in December 2012. These will be reported to Cabinet on 28 January 2013 as part of setting the North Tyneside Council Tax Base for 2013/14.

In addition, the Council Tax Support scheme will impact on the Collection Fund. The exact implications for the Collection Fund are not known yet, for the reasons stated previously in relation to estimated figures, and also as the behaviour of the claimants now expected to pay cannot be analysed until the scheme is in place. That said, estimates in relation to non-collection for those individuals now having to pay has been provided earlier in this document. The impact of the Council Tax Support scheme on the Collection Fund will be continuously monitored.

With regard to specific options:

- Should Option 2 be adopted the shortfall in funding of approximately £1.8m would be met by contributions by all working age claimants.

- Option 1 would cost the Council an estimated £1.414m for the financial year 2013/14.
- Option 3 would cost the Council an estimated £0.649m for the financial year 2013/14.
- Should Option 2 not be agreed, alternative funding provision would need to be identified to enable the Council to operate within the current financial envelope.
- The Council may offset the costs of the Council Tax Support Scheme by applying income generated from reduced discounts. Reference is made to this opportunity at paragraph 1.5.20 and in Appendix 2. Full details of the potential changes to Council Tax exemptions and discounts are provided in Appendix 2.
- As mentioned there are estimated additional costs in setting up and administering the new scheme. Work is currently being undertaken by the Department of Communities and Local Government (DCLG) on establishing costs associated with the move to a localised scheme. The Council received initial funding of around £80,000 in April 2012 towards establishing a local scheme. Details of additional funding are expected later in 2012.

It is currently envisaged that any additional costs incurred by the service due to this scheme, both in terms of set up (including consultation) and future administration, would be covered by additional funding from the DCLG or absorbed within the current funding of the service.

## **2.2 Legal**

The Local Government Finance Act 2012 requires the Authority to have an agreed a Local Council Tax Support Scheme in place by 31 January 2013. The Scheme is required to take effect in relation to the financial year beginning 1 April 2013, and is subject to annual review. If the Authority fails to adopt a Scheme by 31 January 2013, the Council will be required, in accordance with the provisions of the Act, to operate a Default Council Tax Support Scheme. The responsibility for determining the Council Tax Support Scheme, and for reviewing it on an annual basis, rests with the full Council.

Responsibility for determining Council Tax discounts, as described at paragraph 1.5.20 of the report, also rests with the full Council.

The Regulations prescribing how the Default Scheme and prescribed areas of the Local Council Tax Support Scheme must operate are not yet in force, and those pertaining to the retention of funding generated from any locally determined discounts have yet to be published at the time of writing this report. any Scheme adopted by Full Council, or the Default Scheme, will have to be operated in accordance with the requirements of the Regulations once these are in place.

## **2.3 Consultation/community engagement**

### **2.3.1 Internal consultation**

Consultation of the proposals set out in this report has taken place with the Senior Leadership Team, the Cabinet Member for Finance, the Elected Mayor and the Cabinet. Information on the proposed changes were also provided to Overview and Scrutiny Committee on 3 September 2012 and Members briefings were held in January 2012.

### 2.3.2 External consultation

Consultation on the Option 2 scheme was carried out for an 8 week period which started 24<sup>th</sup> August 2012. Responses from the consultation have now been collected and details of the outcome of this consultation are contained in Section 1.5.17 of this report with further details provided at Appendix 1.

## 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 was carried out on the Option 2 scheme prior to consultation which has led to actions that will be put in place if this scheme were to be adopted by full Council.

2.5.2A further equality impact assessment has been carried out following the consultation which includes impacts of other welfare reforms following a request from Overview and Scrutiny Committee held on 3 September 2012. This is set out at Appendix 3.

## 2.6 Risk management

2.6.1 The current Council Tax Benefit System, Northgate has agreed to support the default scheme and a number of adapted local schemes. Should preference be given to a scheme other than Option 1 or 2 we would need to confirm that the Northgate system can provide solution.

2.6.2 Comprehensive consultation carried out on the Option 2 scheme is likely to mitigate the risk of legal challenge which would impact on the ability to adopt a scheme should Option 2 be adopted.

2.6.3 If any scheme other than the Option 2 scheme were to be considered further consultation may be required.

## 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**

- Chief Executive  X
- Strategic Director(s)  X
- Mayor/Cabinet Member(s)  X
- Chief Finance Officer  X
- Monitoring Officer  X
- Strategic Manager Policy and Partnerships  X