

North Tyneside Council Report to Council Date: 23 January 2014

ITEM 5

Title: Council Tax Support
Scheme 2014-15

Portfolio(s): Finance and Commercial
Services

Cabinet Member(s): Councillor Ray
Glindon

Report from : Finance and Commercial Services

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Wards affected: All

PART 1

1.1 Purpose:

The purpose of this report is to request Council to agree a Council Tax Support scheme for North Tyneside for the financial year 2014/15.

1.2 Recommendation(s):

It is recommended that Council:

- a) Note the recommended scheme set out in paragraph 1.6.2 which is being proposed to Council by Cabinet following its meeting on 25 November 2013; and
- b) Agree this scheme as the Local Council Tax Support Scheme for North Tyneside with effect from 1 April 2014.

1.3 Forward Plan:

This report appeared on the Forward Plan published 4 December 2013.

1.4 Council Plan and Policy Framework

This report directly relates to the priority 'Our people will be cared for if they become vulnerable' identified in the 'Our North Tyneside' Plan 2014-18.

1.5 Information:

1.5.1 Background

Since 1 April 2013 North Tyneside has had a local discount scheme in place to help those on low income meet the cost of their Council Tax. This is known in North Tyneside as the Council Tax Support Scheme (The Scheme). The Scheme was introduced following changes implemented through the Welfare Reform Act 2012 and the Local Government Finance Act 2012. These abolished the National Council Tax Benefit Scheme and replaced it with a local discount scheme.

- 1.5.2 Local Authorities may decide entitlement rules for working age claimants, however any local scheme also has to include prescribed pensionable age rules around entitlement along with some prescribed rules for working age claimants. These are decided by the Department for Communities and Local Government (DCLG). The definition of working age is prescribed by DCLG.
- 1.5.3 The Scheme currently in place in North Tyneside is a means tested discount with rules that generally follow the way the previous Council Tax Benefit Scheme worked. The Scheme was agreed by Council on 30 January 2013 following consideration of a number of options. This included a financial appraisal of each option as well as considering the outcomes of the consultation exercise with residents. The financial consequences for residents of each option and the potential impact of non collection was a major factor in the decision.
- 1.5.4 In North Tyneside, Council Tax Support for working age claimants is calculated on 93% of Council Tax liability. However, pensionable age claimants receive support based on 100% of Council Tax liability, as this is prescribed in legislation.
- 1.5.5 The Local Government Finance Act 1992 as amended, 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'.
- 1.5.6 A further provision within the legislation states 'If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit'.
- 1.5.7 As part of considering whether to revise the scheme, Cabinet on 9 September 2013 proposed that a consultation exercise be carried out on a proposal to keep the same level of support available for working age claimants for 2014/15 as is currently available.
- 1.5.8 Consultation took place over a three week period starting on 7 October 2013 and ending on 27 October 2013. The results of this consultation are in Appendix 1.

Current Scheme information

- 1.5.9 Since April 2013 the number of claimants in receipt of Council Tax Support has reduced from 22,700 and now stands at just over 22,400 as at 19 December 2013. This is split between 10,800 pensionable age claimants and 11,600 working age claimants. A DWP statement forecasts a reduction in pensionable caseload both for 2013/14 and 2014/15, which is in line with what we have seen with our caseload in 2013/14.

- 1.5.10 As at the end of December 2013 the amount of Council Tax Support awarded to claimants since 1 April 2013 is £16.500m. This is the amount of discount awarded for the 2013/14 financial year.
- 1.5.11 As the current scheme is means tested, income is compared against a 'personal allowance'. The personal allowance is made up of an applicable amount and premiums depending on the claimant's circumstances. Those with disabilities, or responsibility for a dependant child have higher personal allowances than those without. Income below the personal allowance results in the maximum amount of Council Tax Support being awarded. Income above the personal allowance results in a reduction in the maximum amount of Council Tax Support awarded.
- 1.5.12 Council Tax Collection rates have been positive with 84% of those now having to pay the 7% additional charge either being up to date with their Council Tax or have paid in full. The remaining 16% have either a State Benefit deduction in place or we are considering other forms of collection. The Authority did take a more supportive approach to recovery for first time payers, with a gentle reminder and offers of support before starting the statutory recovery process. The summons action allows the Local Authority to obtain a Liability Order from the Court that permits deductions directly from an individual's State Benefits towards the payment of the outstanding Council Tax debt. This is currently set at just under £4.00 per week and will see Council Tax liability cleared in this financial year. Additionally costs were kept to an absolute minimum of £10.00 instead of the normal £80.00.
- 1.5.13 There has been minimal adverse reaction to the Scheme. There have also been no appeals to the Appeals Tribunal regarding the Scheme.

Upratings to allowances, premiums and non-dependant deductions for 2014-15.

- 1.5.14 On 20 December 2013 Statutory Instrument 2013 No.3181 was laid before parliament and came into force on 16 January 2014 providing amendments to the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012. These amendments include up-ratings to the pensionable age non dependant charges, applicable amounts and other allowances used in the calculation of Council Tax Support as well as changes to regulations that must be incorporated into the Council Tax Support Scheme. These amendments replicate the approach taken in previous years under the Council Tax Benefit Scheme. These upratings ensure that elements used in calculating entitlement keep pace with the increases in welfare benefits.
- 1.5.15 To achieve a similar approach for working age claimants, the applicable amounts, premiums and allowances used in the calculation of Council Tax Support will be uprated in line with the standard rates used in the assessment of Housing Benefit. This will provide a consistent approach and also replicate the provisions under which working age entitlement for Council Tax Benefit was assessed.

Costs of the current Local Council Tax Support scheme for 2013/2014

1.5.16 The estimated cost of the Scheme for 2013/14 so far is:

Table 1

	93% available for support for working age
Estimated Total Cost of Scheme (based on spend as at the end of December 2013)	£16,500,000
Deduct cost applicable to Fire and Police Authorities	£1,769,000
Cost of Scheme to North Tyneside Council	£14,731,000

1.5.17 Cabinet's draft 2014/15 budget has been prepared on the assumption that the cost of the discount awarded by the 2014/15 scheme will be at the same level as the cost currently incurred for 2013/14 which is £16.500m.

1.5.18 A Transitional Grant totalling £386,000 which was available to support the Scheme for 2013/14 will not be available for 2014/15. This reduction in funding has been reflected in Cabinet's draft 2014/2015 budget proposals.

1.5.19 New burdens funding of £129,858 will be provided by DCLG for 2014/15 to cover costs associated with the administration of Council Tax Support which will cover any additional costs of collection. This is a reduction of £9,777 in funding from 2013/14. This reduction is also reflected in the draft 2014/15 budget proposals.

1.6 Decision options:

1.6.1 The following decision options are available by Council.

1.6.2 Option 1

- a) Continue with the current scheme which allows Council Tax Support for working age claimants to be calculated on 93% of Council Tax liability, and
- b) Up rate the standard rates used to calculate Council Tax Support for working age claimants for example applicable amounts, premiums etc.. in line with the rates used in calculating Housing Benefit. This will replicate the provisions under which working age entitlement for Council Tax Benefit was assessed in previous years, and
- c) Continue to take the same supportive approach with regard to reduced recovery costs as was taken in 2013/14
- d) Cabinet propose this option as the recommended option to full Council as the scheme to be adopted for the financial year 2014/2015.

1.6.3 Option 2

Council may choose to reject Option 1 and propose an alternative scheme.

1.7 Reasons for recommended option:

1.7.1 Option 1 is recommended for the following reasons:

- 46% of those who took part in the consultation felt that keeping the level of 93% eligible for support for working age claimants for 2014 -15 was fair;

- Claimants would continue to be supported in the same way as in 2013/14 and provides a scheme that claimants are familiar with;
- Collection rate of option 1 has been positive for the financial year 2013/14 and should continue in 2014/15;
- There is no need to consider Transitional Protection as there are no changes to the scheme that would make a claimant worse off in 2014/15 than in 2013/14;
- The current scheme has had no appeals and poses the least risk to challenge.

1.8 Appendices:

Appendix 1 - Outcomes of consultation.

1.9 Contact officers:

Janice Gillespie – Senior Client Manager Strategic 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:

1. Local Government Finance Act 2012
2. Statutory Instrument 2013 No. 3181
3. Cabinet Report, 25 November 2013
4. Minutes of Cabinet Meeting, 25 November 2013

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

- 2.1.1 The detailed financial implications of the Local Council Tax Support Scheme are covered from paragraph 1.5.16 to 1.5.19 above. 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. Cabinet's draft budget proposals are based on an estimated cost of £16.500m which is in line with the current cost in 2013/14. This cost may reduce as indicated in paragraph 1.5.9 as the pensionable caseload is expected to fall. It is not possible to accurately forecast the value of this as it will depend upon individual cases. Any in-year changes will be reported to Cabinet as part of the standard Financial Management (budget monitoring) reports.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012) requires the Authority to have an agreed Council Tax Reduction Scheme (referred to in this report as the Council Tax Support Scheme) in place by 31 January 2014. The Scheme is required to take effect in relation to the financial year beginning 1 April 2014, and is subject to annual review.
- 2.2.2 The responsibility for determining the Council Tax Support Scheme, and for reviewing it on an annual basis, rests with full Council. As part of the review process the Authority may

undertake a period of consultation if considered appropriate to do so. On this occasion a 3 week period of consultation was considered appropriate. Any amendment or any revised scheme is required to be agreed by 31 January in the financial year proceeding the year the revision is to take effect. If any revision to a scheme or any replacement scheme has the effect of reducing or removing a reduction to which any class of persons is entitled the revision or replacement must include such transitional provision relating to that reduction or removal as the Authority thinks fit.

2.2.3 If Council decides not to agree the revised scheme as set out in this report by 31 January 2014 then it cannot take effect and the existing Scheme with the existing rates will apply. There will not be sufficient time to consult on any further revised Scheme for the coming financial year and any changes to the Scheme could only take effect in April 2015.

2.3 Consultation / Community Engagement

2.3.1 Consultation has taken place with the Chief Executive, the Cabinet Member for Finance and the Elected Mayor, other precepting authorities, as well as residents, landlords and the charitable and voluntary sector.

2.3.2 The outcomes of this consultation is set out in 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 The recommended option is to continue with the scheme for 2014/15 as is currently in place for 2013/14. The EIA that was carried out in preparation for 2013/14 scheme would still be valid and raised no equality and diversity issues.

2.6 Risk Management

2.6.1 Option 1 presents the least risk than any other scheme that could be put in place, as Option 1 has been in place since April 2013, both administration and systems are proven, and collection of Council Tax for those in receipt of Council Tax Support is positive.

2.6.2 There have been no appeals to the Appeals Tribunal against Option 1. An alternative scheme may place the Council at risk of an appeal against the scheme.

2.6.3 A period of consultation has taken place on the proposal to keep the current levels of support available. There is not time to carry out consultation on an alternative, and implementing anything other than Option 1 could put the Authority at risk of a legal challenge.

2.6.4 A less generous scheme than Option 1 risks an increase in Council Tax arrears, and would also require the Council to consider Transitional Protection for those affected by any reduction.

2.6.5 A less generous scheme than Option 1 may pose a risk for those households who are already on a low income, some of which are impacted by other welfare reforms, and any increase could make it more difficult to meet their Council Tax obligations.

2.6.6 A more generous scheme than Option 1 will be more costly to the Council to fund.

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
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager Policy, Partnership, Performance and Communication X