

North Tyneside Council Report to Council Date: 22 January 2015

ITEM 6

Title: Council Tax Support
Scheme 2015 / 2016

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| Portfolio(s): Finance Service | Cabinet Member(s): Cllr Ray Glindon |
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Report from Service Area: Finance and Resources

Responsible Officer: Janice Gillespie, Strategic Manager Finance (Tel: 643 5701)

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 2015/16.

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 8 December 2014; and
- b) agree this scheme as the Local Council Tax Support Scheme for North Tyneside with effect from 1 April 2015.

1.3 Forward plan:

- 1.3.1 This report was included in the Forward Plan first published on 8 December 2014.

1.4 Council plan and policy framework

This report relates to the following priority in the 2014/18 Our North Tyneside Plan 'Our people will be cared for and kept safe if they become vulnerable'.

1.5 Information

- 1.5.1 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 to replace the

National Council Tax Benefit Scheme which was abolished on 1st April 2013. The Scheme is means tested and entitlement is dependant on the claimant's income and circumstances.

- 1.5.2 Since April 2013 the North Tyneside Scheme allows working age claimant entitlement based on 93% of their Council Tax liability. However, pensionable age claimants receive support based on 100% of Council Tax liability, as prescribed by legislation.
- 1.5.3 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'.
- 1.5.4 The 1992 Act requires 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.
- 1.5.5 Any changes proposed to the Scheme must be subject to consultation before those changes are implemented, although the level and period of consultation is dependant on the level of any proposed change. The final decision on the scheme to be implemented is a Council decision.
- 1.5.6 On 13 October 2014 Cabinet was provided with options around passing on differing levels of support for working age claimants. As part of considering whether to revise the Scheme, Cabinet considered the financial impacts for the Authority and the financial consequences for residents of making changes. Appendix 1 – Table of entitlements and savings, outlines the differing levels of support Cabinet considered.
- 1.5.7 Cabinet on 13 October 2014 proposed that a consultation exercise be carried out on the proposal to keep the same maximum level of support available for working age claimants for 2015/16 as is currently available, namely 93%.
- 1.5.8 The consultation exercise commenced on 14 October 2014 and ended 9 November 2014. The outcomes of the consultation exercise were included in the report that was presented to Cabinet on 8 December 2014. Appendix 2 – Consultation Outcomes, outlines the results of the consultation.

Current Scheme Information

- 1.5.9 The current Scheme is means tested with income being compared against a 'personal allowance', appropriate to the circumstances of the claimant. 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 a higher personal allowance 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.
- 1.5.10 On an annual basis Authorities are provided by the Department for Communities and Local Government (DCLG) with up-ratings to personal allowances, non dependent deductions and other allowances used in the calculation for pensionable age claimants, as well as prescribed changes to regulations that must be incorporated into the Scheme.

These amendments replicate the approach taken in previous years under the Council Tax Benefit Scheme. These up-ratings ensure that elements used in calculating entitlement keep pace with the increases in welfare benefits. A similar approach of up-rating to personal allowances and non dependent charges is applied to working age claims.

- 1.5.11 The number of claimants receiving help towards their Council Tax bill is reducing which was forecast by the Department for Work and Pensions (DWP). This has been a steady trend over a number of years and we are also seeing this regionally. The number of claimants to the Scheme in April 2014 was 21,909 and the current caseload now stands at 21,391 as at 30 November 2014. This is split between 11,121 working age claimants and 10,270 pensionable age claimants.
- 1.5.12 In April the Authority estimated the annual cost of the scheme for 2014/15 to be around £16.5m which was the cost of the scheme in 2013/14. However as at the end of November 2014 the amount of Council Tax Support awarded to claimants since 1 April 2014 is around £15.9m. This is the amount of discount awarded for the 2014/15 financial year. This reduction in cost is due to the reduction in the number of claimants and the reductions in entitlement. Table 1 below shows the costs of the scheme to North Tyneside.

Table 1

| | 93% available for support for working age |
|---|--|
| Estimated Total Cost of Scheme (based on spend as at November 2014) | £15,900,000 |
| Deduct cost applicable to Fire and Police Authorities | £1,707,000 |
| Cost of Scheme to North Tyneside Council | £14,193,000 |

- 1.5.13 Cabinet's draft 2015/16 budget has been prepared on the assumption that the cost of the discount awarded by the 2015/16 Scheme will be at the same level as the cost currently incurred for 2014/15 which is £15.9m.
- 1.5.14 For 2015/16 DCLG have provided new burdens funding of £49,534 to cover costs associated with the administration of Council Tax Support and any additional costs of collection.

Collection Rates

- 1.5.15 There has been minimal reaction to the Scheme both in year 1 and year 2 and we have had no appeals to the Valuation Tribunal.
- 1.5.16 Both year 1 and year 2 in year collection rates of Council Tax are strong with collection for year 1 only falling by 0.4% from 96.9% to 96.5% in 2013/2014, and year 2 (2014/15) forecast to be of a similar rate. This also includes collection of an additional £1.2m debit for empty property discount changes. General effects of a difficult economic climate and impacts of welfare reform which many on Council Tax Support are still being affected by are likely to have contributed to the reduction in collection.
- 1.5.17 In year 1 and year 2 the Authority took a more supportive approach to recovery for those who had only 7% of their Council Tax to pay, with offers of support before starting the statutory recovery process. If a Summons is issued it allows the Authority to obtain a Liability Order from the Court that permits reductions 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 a minimum of £10.00 instead of the normal £80.00.

1.6 Decision options:

1.6.1 The following options are available to Council:

1.6.2 Option 1

- a) Continue with the current level of support for working age claimants which allows entitlement to be calculated on 93% of Council Tax liability, and
- b) Continue to take the same supportive approach with regard to reduced recovery costs as was taken in 2013/14 and 2014/15.

1.6.3 Option 2

Council may choose to reject Option 1 and propose an alternative Scheme. However, any alternative scheme will not have been subject to public consultation.

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 71 out of the 98 people (72%) who took part in the consultation favoured keeping the current maximum level of support for working age claimants at 93%.

1.7.3 It continues with the current maximum Council Tax Support available of 93% for working age claimants with only 7% not eligible for support.

1.7.4 The current Scheme is one which Council Tax Support claimants and partner organisations are familiar with, and which there have been no Tribunal appeals against.

1.7.5 The recovery rate of the current Scheme is encouraging, showing that the majority of Council Tax Support claimants now having to pay an increased contribution are able to meet their obligations.

1.7.6 Recovery by attachment of DWP benefits within the financial year is still obtainable with Option 1 as the amount to be recovered is within the attachment of income limit.

1.7.7 The potential impact on the Collection Fund is kept to a minimum by keeping the percentage of Council Tax not available for support to a minimum.

1.7.8 By keeping the current Scheme there is no need to consider Transitional Protection as there are no proposals to revise the Scheme that would make a claimant worse off in 2015/16 than in 2014/15.

1.8 Appendices:

Appendix 1 - Table of entitlements and savings

Appendix 2 - Consultation outcomes

1.9 Contact officers:

Janice Gillespie – Strategic Manager, Finance Tel. (0191) 6435701

Andrew Scott – Senior Client Manager Revenues, Revenues, Benefits and Customer Service, 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 Service, 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

[Cabinet Report 8 December 2014 – Council Tax Support Scheme 2015/16](#)

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 1.5.10 to 1.5.12 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. Based on current claimants the 2015/16 Scheme is expected to cost around £15.9m based on current projections for 2014/15 and based on the assumption that there is no change to the rate of Council Tax.

2.1.2 This cost may reduce if the number of claimants continues to fall. It is not possible to accurately forecast the value of this as it will depend upon individual cases.

2.2 Legal

2.2.1 The Local Government Finance Act 1992 was amended by the Local Government Finance Act 2012 and requires that each Authority has 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.

2.2.4 The proposal made by Cabinet on 8 December 2014 for Council to consider on 22 January 2015 was duly consulted on and outcomes are presented in Appendix 1.

2.2.5 It is clear by virtue of section 67 of the Local Government Finance Act 1992 that the making or revising of a Council Tax Reduction Scheme is a matter for Council.

2.3 Consultation/community engagement

2.3.1 This report is presenting a proposal to Council made by Cabinet on 8 December 2014 to keep the current levels of Council Tax Support of 93% for working age claimants. Consultation was carried out from 14 October 2014 to 9 November 2014 on the proposal by Cabinet and the results are outlined in Appendix 1.

2.4 Human rights

2.4.1 There are no human rights implications directly arising from this report.

2.5 Equalities and diversity

2.5.1 An impact assessment was carried out on the Scheme in 2012 for 2013/14. (No impact assessment was required on the scheme in 2014/15 as there were no changes made).

2.5.2 As no changes are being proposed for 2015/16 no impact assessment has been carried out.

2.6 Risk management

2.6.1 The recommended Scheme is a continuation of the current Scheme and as such there will be no system administration support risks from the system provider Northgate.

2.6.2 There have been no appeals to the Valuation Tribunal against the current Scheme which would suggest there are no risks with proposing that the current Scheme continues into 2015/16.

2.6.3 A consultation exercise has been carried out on the proposals made by Cabinet to keep the current level of support for working age claimants and the results are presented in Appendix 1. This shows that 71 people out of the 98 who submitted a response were in favour of keeping the current level of support at 93% for working age claimants.

2.7 Crime and disorder

2.7.1 There are no crime and disorder implications directly arising from this report.

2.8 Environment and sustainability

2.8.1 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