

North Tyneside Council Report to Council Date: 21 January 2016

ITEM 7

Title: Council Tax Support
Scheme 2016/ 2017

Portfolio(s): Elected Mayor
Finance and Resources

Cabinet Member(s): Norma Redfearn
Councillor Ray
Glindon

Report from Service Area; Finance and Resources

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

Wards affected: All

PART 1

1.1 Executive Summary:

On 14 December 2015 Cabinet was presented with a report which provided the outcomes of the 6 week consultation exercise, which was carried out on four options for a Local Council Tax Support scheme, for the financial year 2016/2017. The report included additional comments and observations gathered during the consultation period.

The report made recommendations based on the consultation outcomes and also budgetary pressures.

Cabinet was asked to consider the consultation outcomes and a recommendation was made to Cabinet as to which Scheme should be adopted by the Authority. It is that Scheme that Cabinet is inviting Council to consider and agree as the Authority's Council Tax Support Scheme for the financial year 2016/17.

1.2 Recommendation(s):

It is recommended that Council:

- (a) note the recommended scheme, set out as option 2, in paragraph 1.6.1 which is being proposed to Council by Cabinet following its meeting on 14 December 2015; and
- (b) agree this scheme as the Council Tax Support Scheme for North Tyneside with effect from 1 April 2016.

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 2 November 2015.

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 2014 -2018'.

1.5 Information

- 1.5.1 Since April 2013 North Tyneside has had a Council Tax Support Scheme in place to help those on low income meet the cost of their Council Tax. National legislation prescribes the entitlement rules for pensionable age claimants and they currently receive support based on 100% of their Council Tax Support liability. Support for working age claimants is decided locally and currently entitlement is based on 93% of their Council Tax liability.
- 1.5.2 The Local Government Finance Act 1992 (as amended), 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'.
- 1.5.3 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.
- 1.5.4 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

- 1.5.5 The current Council Tax Support Scheme (CTS) is a means tested support which to promote simplicity generally follows the Housing Benefit rules around entitlement and uses the same personal allowances. It allows a maximum amount of Council Tax Support of 93% of the claimants' Council Tax liability for working age claimants. Pensionable age claimants receive support based on 100% of their Council Tax liability as prescribed under national rules.
- 1.5.6 As at the 30 September 2015 there were 20,676 claimants receiving CTS, this figure is split between pensioner claims 9,635 (47%) and working age claims 11,041 (53%). The caseload has continued to reduce since 2013/14 as more people move into employment or claimants' incomes increase and they no longer qualify for support. Due to the

reduction in claimants the forecast scheme cost for 2015/16 is currently around £15,200,000.

- 1.5.7 The majority of CTS claimants live in a Council Tax Band A property and based on the maximum support of 93% available to working age claimants, couples currently qualify for support of £17.73 per week and single people £13.30 per week leaving £1.33 to pay each week for a couple and £1.00 to pay each week for a single person.
- 1.5.8 The Authority continues to take a softer approach with regard to recovery costs with only £10.00 being applied to those on CTS instead of the normal £80.00. Collection rates of those on CTS are still favourable with around 85% being recovered in year.
- 1.5.9 On 14 September 2015, Cabinet were presented with a report that advised of the Government's plan to introduce further Welfare Reforms which included a number of changes to state benefits and Tax Credits. The report advised that the proposed changes to Tax Credit entitlement would increase the cost of the scheme as some claimants would be entitled to more support and this would add to the Authority's budgetary pressures. Other changes announced to the Housing Benefit (HB) Scheme from April 2016 onwards would mean the current CTS scheme would no longer operate in a similar way to the HB scheme unless the changes were also replicated within the CTS scheme. Currently the CTS scheme uses the same personal allowances and has similar rules for calculating entitlement which make it operationally easier to administer by having the two schemes aligned.
- 1.5.10 Due to budgetary pressures and the changes proposed in the summer budget, four options for a CTS scheme from April 2016 were considered for working age claimants; officers were instructed to consult on all four options.
- 1.5.11 The four options consulted on were:

Scheme 1 - Continue to operate the current Council Tax Support scheme with the maximum level of Council Tax Support available of 93% for working age claimants.

Scheme 2 - Continue to provide the maximum level of Council Tax Support available of 93% for working age claimants, and replicate the outlined Housing Benefit changes within the scheme.

Scheme 3 - Continue to provide the current Council Tax Support scheme for working age claimants but reduce the maximum level of Council Tax Support available for working age claimants from 93% to 90%.

Scheme 4 - Reduce the maximum level of Council Tax Support available for working age claimants from 93% to 90%, and replicate the outlined Housing Benefit changes within the scheme.

The changes to Housing Benefit to be replicated and the potential numbers that could be affected by the changes which were proposed under Schemes 2 and 4 are outlined at Appendix 1.

- 1.5.12 The Consultation exercise started on 15 September 2015 and ended on 31 October 2015. Consultation took place through events in the community held for the Budget and Council Plan engagement process. Established forums and groups at which stakeholders and partner organisations were in attendance were also used to explain the

different schemes being consulted upon. A specific exercise at Customer Service Centres was also undertaken to obtain the views of customers.

1.5.13 On 26 October 2015 the Welfare Reform and Work Bill, which included the proposed changes to Tax Credits, was defeated in the House of Lords. The Chancellor of the Exchequer agreed to review the Tax Credit proposals. Since that date, the Chancellor of the Exchequer announced in his 2015 Spending Review and Autumn Statement that following his review of the proposed Tax Credit changes he had decided against putting in place the reduction in the threshold after which Tax Credits are reduced and nor would he introduce the increase in the percentage at which Tax Credits reduced after reaching the threshold.

Consultation outcomes

1.5.14 606 people submitted a consultation response to the four options under consideration at 1.5.11 above. This included feedback from both those in receipt of CTS and not in receipt of CTS. The largest number 280 (46%) of respondents were in favour of Scheme 4, which proposed reducing the maximum level of Council Tax Support available for working age claimants from 93% to 90%, and replicating the outlined Housing Benefit changes within the scheme.

1.5.15 The next favoured at 190 respondents (31%), was for Scheme 1 which proposed no changes to the current scheme.

1.5.16 Schemes 2 and 3 followed with 68 respondents (11%) for each of these Schemes.

1.5.17 Under Scheme 4, which was the most favoured, all working age claimants would see a reduction in their support of 3% of their Council Tax Liability. In addition some of our working age claimants would be impacted by replicating the Housing Benefit changes but only when their circumstances that had changed met the criteria.

Financial impacts on the Authority

1.5.18 Incorporating the Housing Benefit changes into the scheme and reducing support available from 93% to 90% under Scheme 4 will reduce the cost of the scheme, and provide savings that the Authority could use to manage its budgetary pressures.

1.5.19 Table 1 below (Estimated cost of Scheme 4) compares the costs associated with the current scheme and Scheme 4.

Table 1 – Estimated cost of Scheme 4

	Current Scheme (No change to current scheme)	Scheme 4 Reduce level of support for working age claimants, and replicate HB changes
Current cost of scheme as at September 2015 (forecast for 2016/17)	£15,200,000	£15,200,000
Estimated potential savings in 2016/17 due to replicating HB changes		(£ 35,000)
Reduction of entitlement by 3% (Assumed 85% collection rate)		(£ 216,070)

Total forecast cost of scheme for 2016/17	£15,200,000	£14,948,930
Deduct cost applicable to Fire and Police Authorities (10.93%)	£ 1,661,360	£ 1,633,918
Forecast cost of Scheme to North Tyneside Council 2016/17	£13,538,640	£13,315,012
Current cost of Scheme to North Tyneside	£13,538,640	£13,538,640
Change for North Tyneside	£ 0	(£ 223,628)

Financial impacts on claimants

1.5.20 Under Scheme 4 all working age claimants would be affected in that their support would be based on 3% less of their Council Tax liability. This would mean for the majority of claimants a weekly loss of support of around 43p for single people and 57p per week for couples.

Transitional Provision

1.5.21 Legislation advises that ‘any revision or replacement of a 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’

1.5.22 Under Scheme 4 claimants would see a reduction in support; however the level of reduction is minimal at 3% and the financial impact small in relation to the overall support that is provided. The Authority has in place a Discretionary Policy that is currently used in exceptional circumstances and this, if the Authority thinks fit, could be used to address an individual’s negative impact, should the circumstances warrant such action. See Appendix 2 - Policy for the awarding of Local Taxation Discretionary Relief.

1.6 Decision Options

1.6.1 The following options are available to Council:

- a) **Option 1** - Continue to operate the current Council Tax Support scheme with the maximum level of Council Tax Support available of 93% for working age claimants; or
- b) **Option 2** - Reduce the maximum level of Council Tax Support available for working age claimants from 93% to 90%, and replicate the outlined Housing Benefit changes within the scheme; or
- c) **Option 3** - Council may choose to reject Options 1 and 2 and refer the matter back to officers for the further consideration of an alternative Scheme.

Option 2 is the recommended option.

1.7 Reasons for recommended option:

1.7.1 Option 2 is recommended for the following reasons:

- 1.7.2 a) The results of the consultation demonstrates that the highest number of respondents were in favour of Option 2. This shows the majority of respondents have a preference that those claiming Council Tax Support should pay a greater contribution to their Council Tax;

- b) It will provide operational effectiveness by incorporating into the scheme the Housing Benefit changes outlined in Appendix 1 so both the HB scheme and the CTS scheme remain aligned;
- c) This option provides savings to help manage budgetary pressures whilst still providing a high level of support;
- d) As the majority of claimants live in a Band A property the additional 3% represents a minimal reduction. Single people claiming CTS will see a reduction in their CTS entitlement of around 43p per week, and couples will see a reduction of around 57p per week.
- e) The Authority will continue to take the current approach with regard to reduced recovery costs for those on CTS.

1.8 Appendices:

- Appendix 1 – Housing Benefit changes proposed to be replicated within the scheme
- Appendix 2 - Policy for the awarding of Local Taxation Discretionary Relief
- Appendix 3 – 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

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

1.9 Background information:

- [Local Government Finance Act 1992](#)
- [Council Report 22 January 2015 - Council Tax Support 2015/16](#)
- [Cabinet Report 14 September 2015 - Council Tax Support 2016/17](#)
- [Cabinet Report 14 December 2015 – Council Tax Support 2016/17](#)

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 1 at point 1.5.19. 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. Scheme 4 is expected to cost around £14.950 based on current claimants and cost projection. This is on the assumption that there is no change to the rate of Council Tax.

2.1.2 The projected cost may reduce if the number of claimants continues to fall or entitlements reduce. It is not possible to accurately forecast the value of this as it will depend upon individual case.

2.2 Legal

- 2.2.1 The Local Government Finance Act 1992 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 and outcomes considered by Cabinet on 14 December 2015 in order to make the proposed 2016/17 CTS Scheme.
- 2.2.4 Where a scheme is revised or replaced then legislation also outlines that Transitional Provision must be considered relating to that reduction or removal as the authority thinks fit.
- 2.2.5 Section 67 of the Local Government Finance Act 1992 specifies the functions that can be discharged only by the Authority as a whole, meaning full Council. Included in those functions is the ability to make or revise a Council Tax Support Scheme.

2.3 Consultation/community engagement

- 2.3.1 Consultation was carried out over the period 15 September to 31 October 2015, and Cabinet considered the outcomes in its report on 14 December 2015.
- 2.3.2 The greatest number 280 (46%) of respondents were in favour of Scheme 4 with the next favoured of Scheme 1 at 190 (31%) respondents.
- 2.3.3 Should the recommended option (Scheme 4) be accepted by Council a communication strategy will be developed to notify residents of changes..

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 the recommended option. The EIA is included as Appendix 3 to this report.
- 2.5.2 There is an acknowledgement in the EIA that proposals in the recommended options that it will have a negative impact on working age claimants but that there are actions that may reduce or remove the negative impacts.
- 2.5.3 Other potential negative impacts around communications for some claimants with protected characteristics was noted in the EIA, however a communication plan will be developed that will help mitigate against this potential impact.

2.6 Risk management

- 2.6.1 A consultation exercise was carried out a number of options considered by Cabinet. The recommended Scheme has been consulted on and the greatest numbers of respondents were in favour of this Scheme..
- 2.6.2 The 3% reduction in the amount of Council Tax available for support represents a minimal reduction for claimants. The Council has in place a Discretionary Policy which if exceptional circumstances are met by claimants could help to mitigate the negative outcomes introduced by this reduction.
- 2.6.3 Should Council chose Option 3 at 1.6 there would be a significant risk that officers would be unable to comply with its legislative duty to consult any major precepting authority which has power to issue a precept to it, and consult such other persons as it considers are likely to have an interest in the operation of the scheme. To not carry out consultation on a scheme that is adopted poses a risk to the Authority should it be challenged.

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
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy