

# North Tyneside Council Report to Cabinet Date:

## ITEM 5(k)

Title: Localised Council  
Tax Support

Portfolio(s):  
Finance

Cabinet Member(s):  
Cllr Judith Wallace  
(Finance & Resources)

Report from Directorate: Finance and Resources

Report Author: Andy Scott (Tel: 643 7150)  
(Senior Manager Revenue & Benefit Service)

Wards affected: All

### PART 1

#### 1.1 Purpose:

The purpose of this report is to request approval of a proposed Localised Council tax Support Scheme and to seek approval to begin consultation on the proposed scheme.

#### 1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) Consider the options set out in 1.6 and
- (2) Approve that consultation commences in respect of Scheme 6 as identified in the report.

#### 1.3 Forward plan:

This report was included in the Forward Plan for the period 1 August 2012 -30 November 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 The Welfare Reform Act, which received Royal Assent on 8<sup>th</sup> March 2012, includes the abolition of Council Tax Benefit with effect from 1<sup>st</sup> April 2013.

- 1.5.2 Under the Local Government Finance Bill, Section 13A of the Local Government Finance Act 1992 is to be amended to extend the current provision to include a new Schedule 1A into the Act. This new Schedule creates the need for each billing authority in England to make a scheme that 'states the classes of person who are to be entitled to a reduction under the scheme'. This scheme will replace the current Council Tax Benefit Scheme.
- 1.5.3 Under the new Schedule 1A, the Council must before making a scheme consult any major precepting authority which has power to issue a precept, publish a draft scheme in such a manner as it sees fit, and then consult such other persons as it considers are likely to have an interest in the operation of the scheme. Having then made a scheme, the Council must publish it in such manner as the authority thinks fit.
- 1.5.4 The Council will be provided with a fixed grant to deliver its own Localised Council Tax Support scheme. Indicative figures show the reduction to be in the region of 10% which is estimated to be around £1.8 million less than was needed to deliver the current demand drive Council Tax Benefit Scheme. The Government has provided clear policy objectives and intended effects of this reform which:
- Supports the improved work incentives to be delivered through Universal Credit, as part of Government's programme of welfare reform;
  - Is consistent with Government's localisation agenda, and in particular supports local decision-making and accountability over spending decisions;
  - Ensures that vulnerable groups, in particular pensioners, are protected from increases in council tax as a result of this reform.
  - Gives local authorities a greater stake in the economic future of their area, creating stronger incentives to support people into work.

The Government have outlined that the current indicative allocations of funding for localised Council Tax support are illustrative, and based on the best available current data. Final allocations will be based on revised forecasts of subsidised Council Tax Benefit expenditure, to be issued in the autumn of 2012. This will determine the total amount available to distribute, and 2011-2012 outturn data on subsidised expenditure, due to be made available in the summer, which will determine the distribution between billing authority areas. The Government therefore note that it is likely that the final allocations will differ, both in amount and also in the relative distribution between authorities.

- 1.5.5 When designing a scheme the council additionally should consider its responsibilities under:
- The Child Poverty Act 2010
  - The Disabled Persons (Services, Consultation and Representation) Act 1986, and Chronically Sick and Disabled Persons Act 1970
  - The Housing Act 1996 which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups

Options outlined have considered these responsibilities.

- 1.5.6 The scheme will provide support for pensioners based on national rules, that continue to support pensioners in the same way as the current Council Tax Benefit Scheme does, ensuring that pensioners see no loss because of this reform. The working age rules are set locally. The current caseload of Council Tax Benefit claimants shows that around 50% are of pensionable age. This means the 10% reduction falls entirely on working age claimants.

1.5.7 The Council's own Localised Council Tax Support scheme must be in place by 31<sup>st</sup> January 2013. Failure to meet this deadline will mean a default scheme must be adopted by the Council which will be based on the current Council Tax Benefit scheme and the Council would need to find additional funding to meet the full cost of the default scheme.

1.5.8 A number of options have been considered to provide a Localised Council Tax Support scheme. For each option consideration has been given to the government grant, the policy objectives and the Council's duties. Options 1 to 6 have been based on the current Council Tax Benefit scheme qualifying conditions with Options 2 onwards including variations to liability levels eligible for support in order to meet the reduced funding levels. Option 6, whilst still using the current Council Tax Benefit scheme qualifying conditions, goes further and proposes to remove Second Adult Rebate as well as increasing non-dependant charges, which were scheduled to rise anyway.

1.5.9 The current Council Tax Benefit scheme makes a wide provision that recognises the needs of those with children, caring responsibilities and those with a disability, as well as incentivising work and encouraging savings. The options considered for working age claimants contains all of those features in a way that:

Supports families by

- Disregarding Child Benefit
- Disregarding Maintenance for a child
- Taking into account child care costs as an expense up to £175 for one child and up to £300 for two or more children per week.
- Added premium to the Applicable Amounts for families.

Supports those with disabilities by

- Disregarding Disability Living Allowance
- Added premiums to the Applicable Amounts for certain groups of people considered as disabled or their dependant child is considered as disabled.

Supports people back into work by

- Wage disregards are applied at £5.00 for single claimants, £10.00 for couples and £20.00 for disabled claimants or carers or those in special occupations, £25.00 for lone parents
- Additional wage disregard of £17.10 is allowed where a family premium or a disabled premium is payable and they are 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.
- Award additional support for the first four weeks of moving into work in certain circumstances.

Supports those with caring responsibilities by

- Added premium to the Applicable Amount

Encourages savings by

- Allowing claimants to have 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 of, over £6,000 is applied to the working age claimant's income.

Additional benefits of scheme allows

- A disregard of War Disablement Pension and War Widows pension, War Widowers, Guardians Allowance, Adoption Allowance, Foster Allowance, Charitable and Voluntary payments received

- £15.00 disregard from Widowed Parents Allowance and Maintenance received by a claimant or partner.

To comply with the current timescales for the implementation of the localised Council Tax support scheme the Council must identify a preferred scheme for consultation. The options for a future scheme are set out in 1.6 below.

## **1.6 Scheme options:**

1.6.1 The scheme options for consideration by Cabinet are as below:

1.6.2 **Scheme 1** - Continue to operate the current Council Tax Benefit Scheme

1.6.3 **Scheme 2** - Pensioners are protected from any loss in financial support due to this reform. All working age claimants will see a reduction in their entitlement to meet the reduced funding. With this option all working age claimants would be eligible for support based on 80% of their Council Tax liability.

1.6.4 **Scheme 3** - Pensioners and those with dependant children are protected from any loss in financial support due to this reform. All working age claimants without a dependant child will see a reduction in their entitlement to meet the reduced funding. With this option the working age claimants not protected would be eligible for support based on 62% of their Council Tax liability.

1.6.5 **Scheme 4** - Pensioners, those with dependant children and those employed are protected from any loss in financial support due to this reform. All working age claimants without a dependant child or who are not employed will see a reduction in their entitlement to meet the reduced funding. With this option the working age claimants not protected would be eligible for support based on 59% of their Council Tax liability.

1.6.6 **Scheme 5** - Pensioners, those with dependant children, those employed and those that receive certain disability benefits are protected from any loss in financial support due to this reform. All working age claimants without a dependant child, who are not employed or who are not in receipt of certain disability benefits will see a reduction in their entitlement to meet the reduced funding. With this option the working age claimants not protected would be eligible for support based on 26% of their Council Tax liability.

1.6.7 **Scheme 6** - Pensioners only are protected from any loss in financial support due to this reform. Second Adult Rebate (SAR) is removed and non dependant charges are increased by 20%. All working age claimants will see a reduction in their entitlement to meet the reduced funding. With this option all working age claimants would be eligible for support based on 80% of their Council Tax liability. Those with a non-dependant charge would see an additional deduction. Those currently claiming and entitled to SAR, who does not qualify ordinarily for Council Tax Support based on their own income, would see a loss of support of up to 25% of their Council Tax liability.

## **1.7 Decision Options**

a) Cabinet may endorse for consultation any of the schemes set out at points 1.6.2 to 1.6.7 set out as Scheme options 1 to 6.

b) Cabinet may choose to reject the proposed schemes for consultation and refer back to officers for further consideration.

Cabinet is recommended to adopt Scheme 6 as the scheme to be subject to formal consultation. However the final decision on the scheme to be implemented by the Authority will be made by full Council. All members of the Council will be consulted on the Scheme options selected by Cabinet during the consultation process as set out in Appendix A.

## **1.8 Reasons for recommended option:**

- 1.8.1 It is recommended that Scheme 6 becomes the draft scheme for consultation for the following reasons:
- 1.8.2 The proposed scheme mirrors the same criteria for entitlement that exists under the current Council Tax Benefit regulations. The scheme continues to maintain the beneficial elements of the current scheme as outlined at 1.5.9.
- 1.8.3 Although the proposed scheme does not protect any groups of claimants from a reduction in support (apart from pensioners), along with Scheme 2 the reduction in liability eligible for support is the lowest amount of all the options considered. It presents less financial impact on all working age claimants than had certain groups of individuals been protected from any loss.
- 1.8.4 Non dependant charges are increased by 20% under Scheme 6. In 2011/12 the Department for Work and Pensions proposed that non dependant charges should increase annually, as prior to this date non-dependant charges had not increased for a number of years. It is also the intention of the national pensionable age rules to increase non-dependant charges. Although the percentage increase is likely to be different between pensionable age and working age, introducing an increase would provide a fairer approach than not increasing the charge for working age claimants. The proposed 20% increase is in line with the proposed additional 20% of Council Tax liability claimants are being asked to contribute.
- 1.8.5 Second Adult Rebate (SAR) is paid where other adults living with the claimant who is not their partner, have a low income. Many of the claimants who are entitled to SAR would not qualify for Council Tax Benefit as their income is too high. As the proposed scheme is aimed at providing support to those in financial need, it would seem unrealistic to continue to provide support to those who do not need it, simply because other adults living in their household are on a low income. Council Tax support would still be available to those Council Tax payers whose income is sufficiently low to qualify.
- 1.8.6 By keeping the reduction in support to the lowest amount possible, this will help claimants manage the impact on their income, many of which will also have to deal with other reductions to their benefits that also come into effect from April 2013.
- 1.8.7 There will be an impact on the Collection Fund as additional Council Tax will need to be collected from all working age claimants, many of whom do not currently pay Council Tax. However the proposed scheme keeps the contribution as low as possible for all working age claimants and it is hoped by keeping the reduction low, the impact on collection will be minimised.

## **1.9 Appendices:**

- Appendix A - Outline consultation plan

## **1.10 Contact officers:**

Andrew Scott 6437150  
Tracy Vasey 6437228  
Anthony Gollings 643 8071

## **1.11 Background information:**

- Welfare Reform Act 2012
- Local Government Finance Bill
- Cabinet Briefing note 26<sup>st</sup> October 2011
- Communalities and Local Government - Statement of intent
- Communities and Local Government - Vulnerable people –key local authority duties

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

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

Should Scheme 6 be adopted after consultation the shortfall in funding of approximately £1.8m would be met by contributions by all working age claimants. The full impact on the Collection Fund is not known, as the behaviour of the claimants now expected to pay cannot be analysed until the scheme is in place. At present the calculations assume 100% recovery of the new or amended charges. Full monitoring will begin if the scheme is adopted and the impact on the collection fund assessed within the first year of the scheme.

Scheme 1 is not recommended as this would cost the Council an estimated £1.8m per annum. Alternate schemes need to be considered that enables the Council to operate within its current financial envelope.

There are likely to be 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 in April 2012 towards establishing a local scheme and details of additional funding is expected in the autumn of 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 Council Tax reduction scheme is a decision for full Council taken only after consultation on the draft scheme.

Once the Local Government Finance Act 1992 is amended by the Finance Bill the Council must have in place a local Council Tax reduction scheme. This scheme must be in place by 31<sup>st</sup> January 2013. Failing this the Council will be required to operate the default reduction scheme.

Before adopting a local Council Tax reduction scheme the Council is obliged to consult on a draft scheme. It is a requirement that such consultation is with the precepting authorities and any other persons that the Council considers are likely to have an interest in the operation of the scheme.

Whilst consultation is planned to take place over a shorter period of time than suggested as good practice, namely 12 weeks, it is acknowledged in CLG documentation that Local Authorities may want to consult over a shorter period of time than this.

The Bill also makes reference to the fact the Secretary of State may make Regulations in relation to the preparation of the scheme. Of course such Regulations cannot be made until the Bill becomes an Act. However, there is a requirement by the Council to consider whether to revise its scheme for each financial year and the Regulations may therefore become relevant in subsequent years.

## **2.3 Consultation/community engagement**

This report is seeking approval from Cabinet to undertake a formal consultation exercise on a draft scheme. If approved consultation is planned to start on 24<sup>th</sup> August 2012 and run for an 8 week period.

The outcome of this consultation will help inform the recommendations that will be presented to Council on 29<sup>th</sup> November 2012.

All members will be consulted on the scheme as outlined in appendix A.

## **2.4 Human rights**

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

## **2.5 Equalities and diversity**

An impact assessment has been carried out on the draft scheme which has led to actions that will be put in place if the draft scheme were to be adopted by full Council.

Further equality impact assessments will be conducted following the outcome of the consultation responses.

This initial equality impact assessment has also informed the consultation process.

## **2.6 Risk management**

- The proposed draft scheme incorporates most of the current Council Tax Benefit Scheme rules, which the current Council Tax Benefit System provider, Northgate, has agreed will

be supported. This eliminates risk of a local scheme not being adopted from a system perspective.

- Comprehensive consultation planned by the Revenue and Benefit Service and the Engagement Team with support from Corporate Communications should mitigate the risk of a legal challenge which would impact on the ability to adopt a scheme.

## 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

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

**Report authors** Andy Scott, Revenue and Benefit Service.  
Tracy Vasey, Revenue and Benefit Service.



## **Appendix A.**

### **Council Tax Support Scheme consultation Outline plan of community engagement**

#### **Community Engagement around consultation**

This will have three main objectives

- Increase awareness and understanding of the changes to Council Tax Benefit amongst residents, claimants and other organisations, and the reasons behind the changes.
- Seek stakeholders views on the proposed scheme
- Use feedback to support the Equality Impact Assessment process.

#### **Who we will be engaging with**

- Full consultation with all elected members of the Council.
- General public
- Claimants and non claimants of Council Tax Benefit
- The community and voluntary sector
- Advice agencies
- Housing Associations and private landlords

#### **Method**

We will use a number of different methods of engagement to ensure people have a good range of opportunities to get involved in the consultation.

- Area forums,
- Through the “working with the Community and Voluntary sector” session and other groups identified by these forums.
- Leaflet flyer in Council Tax and Benefit letters and bills
- Poster and leaflet information available at customer service centres, sure start and libraries
- Website information with on-line questionnaire
- Face to face during a benefit interview carried out during home visits.
- Advice days to be held on specific days at each customer service centre
- Electronic and paper questionnaire sent to private landlords and Housing Associations
- Article in Widening Horizons
- Dedicated telephone line available for comment
- Dedicated e-mail address

#### **Timescales**

The timescale for the consultation will be 8 weeks starting at the end of August, to inform decision making in November-January 2012/13

#### **Resources**

Engagement will be supported by corporate communications and engagement team, colleagues.

