

North Tyneside Council

Report to Council

Date: 18 January 2018

ITEM 5

Title: Council Tax Support Scheme 2018/ 2019

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 11 December 2017 Cabinet was presented with a report which provided the outcome of the 7 week consultation exercise, which was carried out on three options for a Local Council Tax Support (CTS) Scheme for the financial year 2018/2019.

The report made recommendations based on the consultation outcome, also taking into account the significant reduction in government funding and continuing pressures on the Authority's budgets.

Cabinet was asked to consider the consultation outcome and to recommend which Scheme should be proposed as being adopted by the Authority for the financial year 2018/19. It is that recommended Scheme that Cabinet invites Council to consider and agree as the Authority's Council Tax Support Scheme for the financial year 2018/19.

1.2 Recommendation(s):

It is recommended that Council:

- (a) note the recommended Scheme, set out as option 1, in paragraph 1.6.1 which is being proposed to Council by Cabinet following its meeting on 11 December 2017; and
- (b) agree this Scheme as the Council Tax Support Scheme for North Tyneside with effect from 1 April 2018.

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 13 November 2017.

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'.

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. This replaced the national Council Tax Benefit Scheme. National legislation prescribes the entitlement rules for pensionable age claimants and they currently receive support based on 100% of their Council Tax liability. Support for working age claimants is decided locally and currently entitlement in the Borough is based on 87.5% of their Council Tax liability.
- 1.5.2 Funding for the Council Tax Support Scheme is through the settlement funding assessment (comprising Revenue Support Grant and Business Rates). As funding is not separately ring-fenced within the settlement funding assessment, funding for the Scheme has effectively been cut at the same rate as the settlement funding assessment has been cut. The estimated loss in funding for the Council Tax Support Scheme over the five year period is in the region of £6.7m.
- 1.5.3 The Local Government Finance Act 1992 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.
- 1.5.4 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.
- 1.5.5 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

- 1.5.6 The current Council Tax Support (CTS) is a means tested support which to promote simplicity generally follows the Housing Benefit rules around entitlement. It allows a maximum amount of CTS of 87.5% 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.

- 1.5.7 As at the 30 September 2017 there were 18,941 claimants receiving CTS, this figure is split between pensioner claims 8,668 (46%) and working age claims 10,273 (54%); this is compared to last year's caseload of 19,773 split between 9,149 pensionable age claimants and 10,624 working age claimants. The reduction in caseload has been seen since the Scheme was introduced in 2013 as more people move into employment or claimants' incomes increase and they no longer qualify for support; this is in line with what other Authorities are reporting.
- 1.5.8 Based on this caseload the forecast Scheme cost for 2017/18 is currently around £14.7m
- 1.5.8 The majority of CTS claimants live in a Council Tax Band A property and based on the maximum support of 87.5% currently available to working age claimants, couples pay £2.60 each week and a single person will pay £1.95 each week.
- 1.5.9 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 a maximum recovery cost of £80.00. Collection rates of those on CTS are still holding up with around 85% being recovered in year.
- 1.5.10 On 11 September 2017, due to the significant budgetary pressures the Authority faces Cabinet were presented with a report offering three options for the 2018/19 CTS Scheme. Each of the three Schemes reduced support for working age claimants.
- 1.5.11 Cabinet authorised the Head of Finance to undertake consultation between 12 September 2017 and 31 October 2017 on the three options being considered for the CTS Scheme for 2018/19.
- 1.5.12 The three options subject to consultation were:
- Scheme 1** – Reduce the maximum level of Council Tax Support from 87.5% to 85% for working age claimants.
- Scheme 2** - Reduce the maximum level of Council Tax Support from 87.5% to 82.5% for working age claimants.
- Scheme 3** - Reduce the maximum level of Council Tax Support from 87.5% to 80% for working age claimants.
- 1.5.13 Residents, stakeholders and partners had an opportunity to provide their views on the options and provide feedback. A specific exercise in Customer Services was also undertaken whereby customers were asked to take part in the consultation and the options explained to them. Citizens Advice Bureau (CAB) also carried out consultation with their clients via customer contacts at their offices and outreach sessions in the community. Equality monitoring was also carried out, outcomes of which are shown at Appendix 1

Consultation outcome

- 1.5.14 On 11 December 2017 Cabinet considered the consultation outcome (Appendix 1) against a background of significant budgetary pressures that the Authority faces. The feedback showed that:

Scheme 1 - Reduce the level of support for working age claimants from 87.5% to 85%

1,780 respondents answered this question. Of the 1,780 respondents:

- a) 680 (38%) strongly agreed or tend to agree that the maximum support available for working age claimants should be reduced from 87.5% to 85%
- b) 246 (14%) neither agreed or disagreed
- c) 854 (48%) strongly disagreed or tend to disagree that the maximum support available for working age claimants should be reduced from 87.5% to 85%

Scheme 2 - Reduce the level of support for working age claimants from 87.5% to 82.5%

1,782 respondents answered this question. Of the 1,782 respondents:

- a) 568 (32%) strongly agreed or tend to agree that maximum support available to working age claimants should be reduced from 87.5% to 82.5%
- b) 226 (13%) neither agreed or disagreed
- c) 988 (55%) strongly disagreed or tend to disagree that the maximum support available for working age claimants should be reduced from 87.5% to 82.5%

Scheme 3 - Reduce the level of support for working age claimants from 87.5% to 80%

1,772 respondents answered this question. Of the 1,772 respondents:

- a) 568 (32%) strongly agreed or tend to agree that maximum support available to working age claimants should be reduced from 87.5% to 80%
- b) 252 (14%) neither agreed or disagreed
- c) 952 (54%) strongly disagreed or tend to disagree that the maximum support available for working age claimants should be reduced from 87.5% to 80%

1.5.15 The feedback showed that out of the three Schemes consulted on that would reduce the support for working age claimants fewer respondents strongly disagreed or tend to disagree with the reduction in support from 87.5% to 85% than the other two schemes.

Financial impacts on the Authority

1.5.16 Table 1 below (Estimated cost of Schemes) compares the costs associated with the 3 Schemes that were consulted on with the current Scheme and the potential savings to the Authority if any of the three Schemes that were consulted on were implemented. The savings from each of the three Schemes could use to help manage budgetary pressures. Each of the Scheme costs is based on current caseload and cost.

Table 1 – Estimated cost of Schemes

	Current Scheme current level of CTS of 87.5% for working age claimants	Scheme 1 Reduce maximum CTS from 87.5% to 85% for working age claimants	Scheme 2 Reduce maximum CTS from 87.5% to 82.5% for working age claimants	Scheme 3 Reduce maximum CTS from 87.5% to 80% for working age claimants
Current cost of scheme as at September 2016 (forecast for 2017/18)	£14,706,050	£14,706,050	£14,706,050	£14,706,050
Estimated potential savings in 2017-18 due to implementing different options		(£233,096)	(£465,518)	(£697,154)
Adjustment to reflect assumption of 85% collection rate		£34,964	£69,827	£104,573
Total forecast cost of scheme for 2016/17	£14,706,050	£14,507,918	£14,310,359	£14,113,469
Deduct cost applicable to Fire and Police Authorities (10.93%)	(£1,607,371)	(£1,585,715)	(£ 1,564,122)	(£ 1,542,602)
Forecast cost of Scheme to North Tyneside Council 2016/17	£13,098,679	£12,922,203	£12,746,237	£12,570,867
Change for North Tyneside		(£ 176,476)	(£352,442)	(£527,812)

Financial impacts on claimants

1.5.17 All working age claimants would be affected if Scheme 1 to Scheme 3 were implemented, Scheme 1 to a lesser degree. As the majority of claimants on CTS live in a band A property the reduction in support would be minimal. Table 2 (Weekly levels of Council Tax Support for working age claimants) shows the financial effects of Scheme 1 (85% support), Scheme 2 (82.5% support) and Scheme 3 (80% support) against the current Scheme (87.5% Support). The payments and savings are based on the current Council Tax level.

Table 2 – Weekly levels of Council Tax Support for working age claimants

% Level of Support		*Weekly amount that claimants in a Band A property would pay		Weekly increase for the claimant	Weekly increase for the claimant	Amount of savings to the Authority
		Couple	Single	Couple	Single	
Current Scheme	87.5%	£2.60	£1.95			
Scheme 1	85%	£3.12	£2.34	£0.52	£0.39	£176,476
Scheme 2	82.5%	£3.64	£2.73	£1.04	£0.78	£352,442
Scheme 3	80%	£4.16	£3.12	£1.56	£1.17	£527,812

Transitional Provision

1.5.18 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’.

1.5.19 Under Scheme 1 or Scheme 2 working age claimants would see a reduction in support; however the level of reduction is minimal at 2.5% or 5% respectively and the financial impact small in relation to the overall support that is provided and therefore transitional protection is not necessary. Under Scheme 3, transitional protection may need to be considered.

1.5.20 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.

1.6 Decision Options

1.6.1 The following options are available to Council:

- a) **Option 1** – (Scheme 1) Reduce the maximum level of Council Tax Support available for working age claimants from 87.5% to 85%, or
- b) **Option 2** – (Scheme 2) Reduce the maximum level of Council Tax Support available for working age claimants from 87.5% to 82.5%, or
- c) **Option 3** – (Scheme 3) Reduce the maximum level of Council Tax Support available for working age claimants from 87.5% to 80%, or
- d) **Option 4** - Council may choose to reject Options 1,2 or 3 and refer the matter back to officers for the further consideration of an alternative Scheme

Option 1 is the recommended option.

1.7 Reasons for recommended option:

1.7.1 Option 1 (Scheme 1) is recommended for the following reasons:

- a) Whilst the results of the consultation for Option 1 show that 854 (48%) respondents did not agree that the CTS for working age claimants should be reduced from 87.5% to 85%,

the financial pressures on the Authority are such that by marginally reducing the discount level, the cost of the Scheme will reduce and this will help the budgetary position of the Authority.

- b) As the majority of claimants live in a Band A property the additional 2.5% represents a minimal reduction for working age claimants. Single people on maximum support will pay an additional 39p per week, and couples will pay an additional 52p per week (based on current Council Tax levels).
- c) Scheme 1 still provides a high level of support and compared to the other regional Authorities it is still more generous for all working age claimants than 6 of the 11 Authorities.
- d) As the reduction in support with Scheme 1 is minimal, Transitional Protection would not be required.
- e) The Authority will continue to take the current approach of applying a reduced recovery cost for those on CTS.

Appendices:

- Appendix 1 – Outcomes of consultation
- Appendix 2 – 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

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

1.8 Background information:

The following background papers/information has been used in the compilation of this report and are available at the office of the author:

- [Local Government Finance Act 1992](#)
- [Cabinet Report 11 September 2017 - Council Tax Support 2018/19](#)
- [Cabinet Report 11 December 2017 – Council Tax Support 2018/19](#)

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1. Finance and Other Resources

The detailed financial implications of the recommended Local Council Tax Support Scheme for April 2018 are covered in Table 1 at point 1.5.16. 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 1 is expected to cost around £14.5m based on current claimants and cost projections. These calculations are based on the assumption that there is no change to the rate of Council Tax.

Whilst the change to the level of CTS will not directly impact on the Housing Revenue Account (HRA), there is an acknowledgement that any reduction in support which has an impact on a claimant's household income may reduce the claimant's ability to meet their rental obligation.

The projected cost is based upon current claimant numbers and levels of entitlement. The cost of the Scheme has reduced in years due to decreasing numbers of claimants. If this trend continues then it is likely that the costs of the Scheme will reduce.

2.2 Legal

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.

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.

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 the consultation outcome considered by Cabinet on 11 December 2017 in order for it to make the recommendation to Council for the 2018/19 CTS Scheme.

Where a Scheme is revised or replaced then the legislation also outlines that transitional provision must be considered relating to that reduction or removal as the Authority thinks fit.

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

Consultation was carried out over the period 12 September to 31 October 2017, and Cabinet considered the outcomes in its report on 11 December 2017.

Should the recommended option (Scheme 1) be accepted by Council a communication strategy will be developed to notify residents of the change.

2.4 Human rights

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

2.5 Equalities and diversity

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 2 to this report.

There is an acknowledgement in the EIA that proposals in the recommended option will have a negative impact on working age claimants but actions are identified to potentially reduce or remove the negative impacts.

Other potential negative impacts around communications for some claimants with protected characteristics were noted in the EIA, however a communication plan will be developed that will help mitigate against this potential impact.

2.6 Risk management

A consultation exercise was carried out on a number of options considered by Cabinet.

The 2.5% reduction in the amount of Council Tax support available for working age claimants represents a minimal reduction for claimants. The Authority 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.

Should Council choose Option 4 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 ☐