

14 December 2021

**TITLE OF REPORT: Local Council Tax Support Scheme for 2022/23****REPORT OF: Darren Collins, Strategic Director Resources and Digital**

### **Purpose of the Report**

1. Cabinet is requested to recommend to Council a Local Council Tax Support Scheme of the year 2022/23

### **Background**

- 2 The Local Government Finance Act 2012, paragraph 5 of Schedule 1A, established a framework for Local Council Tax Support that requires the Council for each financial year, to revise its scheme, or replace it with another scheme and to do so before 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 3 The Council is provided with funding to deliver its own Local Council Tax Support scheme although this grant is no longer separately identifiable having been subsumed within the council's overall finance settlement figure that continues to reduce year on year. The regulations require that pensioner households must be protected from the impact of the local scheme and therefore any shortfall in funding will fall to working age households or the council itself.
- 4 When designing a scheme the Council additionally must also 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
- 5 The Council should also consider changes that might adversely (or beneficially) impact on its residents in year, in particular Covid and potential impacts of furlough, the removal of hardship funding and any changes announced in the budget, particularly in relation to changes in benefit income which affect entitlement within our scheme.
- 6 Under legislation, the Council's own Local Council Tax Support scheme must be approved each year by Council by 11 March at the latest. A proposed council tax support scheme within this report is therefore a scheme for 2022/2023.

### **Proposal**

- 7 The proposed Local Council Tax Support scheme for Gateshead has been established with due regard to the Council's statutory obligations and in order to support those claimants most in need of financial assistance, consistent with the Council's other priorities and policies.
- 8 Apart from some minor underlying adjustments to the scheme calculations to bring the scheme in line with the Government's Housing Benefit and Universal Credit scheme, the proposed scheme for 2022/23 will remain the same as the scheme that was in place in previous years from 2013/14 and this will retain the same provision for pensioners and the original 8 underlying principles outlined below for working age claimants:
- Protection should be given to certain groups – all working age claimants to pay at least 8.5% of their council tax liability
  - The scheme should encourage people to work
  - Everyone in the household should contribute
  - Capital or Savings threshold should be maintained at £16,000
  - War Pensions should be disregarded
  - Minimum level of support should be £1 (per week)
  - Child benefit should be disregarded as income.
  - A discretionary fund should be maintained.
- 9 The proposed scheme therefore retains the minimum contribution for all working age claimants at 8.5% of their Council Tax liability and does not recommend an increase to this figure.

## **Recommendations**

- 9 Cabinet is requested to recommend that Council:
- i) Approves the proposed scheme as set out in paragraphs 8 and 9 of the report; and
  - ii) delegates powers to the Strategic Director, Resources and Digital to provide regulations to give effect to the scheme.

For the following reasons:

- i) To meet the statutory requirements of the Local Government Finance Act 2012 in relation the establishment of a framework for Localised Council Tax Support
- ii) To mitigate the impact of Welfare Reform changes and the impacts of Covid on Council Tax support claimants
- iii) To mitigate the impact of funding reductions on Council finances
- iv) To support the Council's "Thrive" agenda.

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**CONTACT: Pam Richardson**

**extension: 3648**

**APPENDIX 1**

## Policy Context

1. The proposals in this report are consistent with Council priorities and in particular ensuring that effective use is made of Council resources to support the framework for “making Gateshead a place where everyone thrives”.

## Background

2. The Welfare Reform Act 2012 included the abolition of the Council Tax Benefit scheme with effect from 1 April 2013.

The Act created the need for each billing authority in England to develop a scheme that ‘states the classes of person who are to be entitled to a reduction under the scheme’. The Council must, before developing 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.

3. The Council scheme, since 2013 has been based on 8 underlying principles:
  - **Principle 1 – Protection should be given to certain groups** – All working age claimants to pay at least 8.5% of their council tax liability. The council will support through the local scheme the remaining amount up to 91.5%.
  - **Principle 2 – The scheme should encourage people to work** – The earnings taper will not be increased and the earnings disregard will not be decreased.
  - **Principle 3a – Everyone in the household should contribute: Non-Dependants** - Non dependant deductions will increase in line with government recommendations and be on a sliding scale according to income.
  - **Principle 3b – Everyone in the household should contribute: Second Adult Rebate** – there will be no second adult rebate.
  - **Principle 4 – Benefit should not be paid to those with relatively large capital or savings** – The level of savings a claimant can have will be £16,000. A tariff will be applied for savings held between £6,000 and £16,000.
  - **Principle 5 – War pensions should not be included as income** – In recognition of the sacrifices made by war pensioners, war pension income will be excluded as income.
  - **Principle 6 – There should be a minimum level of support** – The minimum award of council tax support will remain at £1 per week.
  - **Principle 7 – Child benefit will not be included as income** – All child benefit income will continue to be disregarded in the calculation.
  - **Principle 8 – Establishment of a discretionary fund** – A discretionary fund will allow for additional support to be provided to the most vulnerable in exceptional circumstances.

## Consultation

4. The Leader of the Council has been consulted in the preparation of this report. Where the proposed scheme for a year remains the same as in previous years, no formal consultation is required to be undertaken.

### **Alternative Options**

- 5 Alternative options could involve the adoption of a scheme which offers less support by increasing the minimum contribution or more support to residents by increasing at a greater rate the Council's commitment of resources. The proposal retains the significant level of support from the Council to working age claimants in line with policy priorities.

### **Implications of Recommended Option**

#### **6 Resources:**

##### **a) Financial Implications –**

- 6.1 The proposed approach enables the Council to operate a support scheme within the funding available and to mitigate the impact on working age claimants by utilising council resources.
- 6.2 Adopting the scheme means that approximately 12,000 council tax payers (out of 13,400 working age claimants) will continue to pay no more than 8.5% of their council tax (around £126 per year/£2.42 per week). This is based on current numbers of claims. It is anticipated that these numbers may significantly increase as furlough ends over the coming months, but it is as yet, relatively unknown. However additional unquantifiable factors are changes announced in the recent budget (in particular the Universal Credit taper) which will increase benefit income but may then reduce the amount of support available in this scheme, however, claimants would gain financially overall. These impacts will be closely monitored.
- 6.3 The full impact on the Collection Fund also continues to be monitored and the behaviour of those claimants who are required to pay has been analysed during the current and previous years. Collection from this client group has remained static in the first eight years of the scheme and continues to do so in 2021/22, despite the impact of Covid and partially due to the provision of hardship funding.
- 6.4 A discretionary fund of £25,000 is available to be used to support the most vulnerable claimants in exceptional circumstances.
- 6.5 The removal of the ring-fence within the Government funding calculation means that Government funding for this area has been significantly reduced. The best estimate of the net overall cost of the scheme to the Council is approximately £23.8 million with Government funding currently estimated at £3.6m.
- 6.6 In 2020/21, as a response to the COVID -19 pandemic, the Government provided local authorities with hardship funding to reduce the liability of working age Local Council Tax Support claimants by up to £150. The Government provided another source of funding again in 2021/22 and this effectively reduced the liability for over 12,000 working age council tax payers for 2020/21 and 2021/22.

- b) **Human Resources Implications** – There are no human resource implications directly arising from this report
- c) **Property Implications** - There are no property implications directly arising from this report
- 7 **Risk Management Implication** - Retaining a scheme based on the same principles eliminates the risk of a local scheme not being supported from a technology perspective.
- 8 **Equality and Diversity Implications** - An Integrated Impact Assessment has been carried out.
- 9 **Crime and Disorder Implications** – There are no crime and disorder implications arising from this report.
- 10 **Health Implications** – Financial concerns arising from the Governments Welfare Reforms and the impacts of Covid may adversely affect the mental and physical health of some residents.
- 11 **Climate Emergency and Sustainability Implications** - There are no climate emergency or sustainability implications arising from this report.
- 12 **Human Rights Implications** – There are no human rights implications arising from this report.
- 13 **Ward Implications** – This scheme affects all current and future working age benefit recipients across Wards within the borough.

### **Background Information**

Welfare Reform Act 2012

Local Government Finance Bill

Communities and Local Government - Statement of intent

Communities and Local Government - Vulnerable people –key local authority duties

Welfare Reform and Work Bill 2015

Comprehensive Impact Assessment