

**TITLE OF REPORT: Local Council Tax Support Scheme for 2017/18**

**REPORT OF: Darren Collins, Strategic Director, Corporate Resources**

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### **Purpose of the Report**

1. To request Cabinet approval to begin consultation on a proposed Local Council Tax Support Scheme for 2017/18.

### **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 to revise its scheme each year, or replace it with another scheme and to do so before 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.
3. The Act requires that the Council must, before developing a scheme, consult with 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.
4. When designing a scheme the Council must 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 must also have regard, when designing a scheme, to the Government's clear policy objectives and intended effects from Local Council Tax Support Schemes which are that it:
  - Supports the 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.
  - Gives local authorities a greater stake in the economic future of their area, creating stronger incentives to support people into work.
6. The Council is provided with grant funding for the scheme but this has now been subsumed into general grant funding and this is now significantly less than the funding provided under the previous scheme. A scheme must provide the level of

support for those of pension age, based upon national rules. The working age rules have to be set locally and the current caseload of claimants shows that around 50% are of working age and 50% are of pensionable age. This means that to recover the costs of this demand driven scheme the impact falls disproportionately on working age claimants.

7. Since 2013, the Gateshead Council scheme has been underpinned by eight principles which reflect the Government's policy objectives and the Council's responsibilities to individuals and vulnerable groups. These principles also recognised that it is sometimes more difficult for some people of working age to seek work.
8. There has been a minimum contribution level set of 8.5% for working age claimants since 2013 but given the other constraints on council finances, consideration needs to be given to either retaining that minimum level of contribution or increasing it.
9. Changes in other Department for Work and Pensions benefits will also result in an adverse financial impact should no changes be made to the current scheme and the proposals and changes to be consulted upon for a scheme for 2017/18 are aimed at mitigating that impact where possible.
10. Under legislation, the Council's own Local Council Tax Support Scheme must be approved each year by Council by 31 January at the latest. The proposal within this report is therefore a draft scheme for 2017/18.

### **Proposed Approach**

11. To comply with the current timescales for the implementation of the Local Council Tax Support Scheme the Council must undertake meaningful consultation setting out a preferred proposed scheme and alternative options and their impact.
12. Extensive modelling has taken place to understand the impact on the Council and current claimants of the current scheme and any proposed scheme and alternatives.
13. The outline preferred proposed scheme for 2017/18 will retain the same provision for pensioners and the original 8 underlying principles outlined below but will require some changes to the base calculation of entitlement;

#### **Principle 1: Certain groups should be protected**

All working age claimants to continue to pay at least 8.5% of their council tax liability. Views are to be sought on whether the minimum contribution should be increased in consultation to 10%, 12.5% or 15%.

Circumstances such as family composition and disability will continue to be taken into account.

However, there will be changes to the premiums allowable in the calculation, to mirror those in the national scheme that may reduce entitlement for some claimants with an additional child from April 2017.

## **Principle 2: The scheme should encourage people to seek work**

The first £10 of a single claimant's earnings and £15 of a couple's earnings are not counted when calculating entitlement. There is also a £25 disregard for single parents and an earnings disregard for disabled people. It is proposed that these disregards will be retained.

Where a claimant is in receipt of Universal Credit, that benefit had work allowances built into it therefore no further allowance was provided within the Council's CTS scheme. However the Government have now removed those work allowances from Universal Credit for some groups of claimants and therefore it is proposed to amend the Council's scheme to provide the above allowances and therefore continue to encourage people to seek work. This change will be consulted on.

## **Principle 3: Everyone in the household should contribute**

Non dependents in a household are required to contribute. Their contribution will increase in line with Government recommendations and be on a sliding scale according to income.

## **Principle 4: Benefit should not be paid to those with relatively large capital or savings**

The level of savings a claimant can have is proposed to remain at £16,000. A tariff will apply 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 continue to be excluded as income.

## **Principle 6: There should be a minimum level of support**

The minimum award of council tax support will be £1 per week

## **Principle 7: Child benefit income will not be included as income**

Child benefit income will be disregarded in the calculation.

## **Principle 8: Discretionary fund**

A discretionary fund will allow for additional support to be provided to the most vulnerable in exceptional circumstances and be available to mitigate the impact on anyone who might be particularly adversely affected by changes to the scheme.

14. More details on how the above principles could be applied are set out in the attached appendix 2.

15. It is proposed that the approach outlined in paragraphs 11-14 is adopted as the draft scheme for consultation for the following reasons:

- The scheme is consistent with previous years and retains the existing principles in force since April 2013.
- The scheme seeks to minimise any reduction in support available, which will help claimants to manage the impact on their income of other welfare changes.
- There will be an impact on the Collection Fund as additional Council Tax will need to be collected from working age claimants. However the proposed scheme seeks to minimise any contribution from those claimants who because of individual circumstances may find it difficult to get into work.
- The scheme balances the requirements to support claimants with the need to prevent an even greater impact on the Collection Fund resulting in the local scheme, and ultimately all local council tax payers, bearing the impact of the Government's welfare changes.

### **Alternative options**

16. Whilst paragraph 13 of the report sets out the proposals for a preferred scheme for 2017/18, the Council must also consider and consult upon any alternative options available. The alternatives which have been modelled take into consideration the financial impact on both the council and claimants and include:

- No change to the current scheme
- Increase in the minimum percentage contribution for claimants to 10%, 12.5% or 15%
- Underlying changes to the calculation of entitlement
- A combination of the above

### **Recommendations**

17. Cabinet is recommended to:

- I. Agree to the proposals as set out in paragraph 13 of the report as the draft Local Council Tax Support Scheme to allow consultation to take place
- II. Note that it will receive a further report for consideration following the consultation period, so that a final scheme can be recommended to Council in line with statutory deadlines.

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## APPENDIX 1

### Policy Context

1. The proposal in this report will support the vision for Gateshead as outlined in the Council plan in particular the key council priority of ensuring a sustainable Gateshead through best use of resources, within the context of the Government's welfare reform agenda.

### Background

2. The Welfare Reform Act 2012 included the abolition of the Council Tax Benefit scheme with effect from 1 April 2013.
3. 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.
4. The Council is no longer provided with a separate grant to cover the cost of its scheme and any funding is now absorbed within general grant funding and not separately identifiable, with the amount being significantly less than the amount required to deliver this demand driven scheme and also significantly less than the amount previously provided.

### Consultation

5. The public consultation will have a number of objectives which are to:
  - Increase awareness and understanding of Council Tax Support amongst residents, claimants and other organisations.
  - Increase awareness and understanding of the reasons behind the changes to the proposed scheme for 2017/18
  - Seek stakeholders' views on the proposed changes
  - Use feedback to support the Equalities Impact Assessment process
  - Seek stakeholders' views on the alternative options.

### Who we will be engaging with

- Full consultation with Councillors
- Corporate Resources Advisory Group
- Precepting bodies
- Gateshead Residents
- Non-residents who may choose to take part
- The community and voluntary sector
- Advice agencies
- Housing Associations and private landlords

## Method

A number of different methods of engagement will be used to ensure people have a wide range of opportunities to get involved in the consultation, including;

- On line survey
- Paper copy of the survey (on request)
- Focus groups
- Consultation with partners
- Leaflets in various locations across the Borough
- Gateshead TV
- Email alert to various groups & social media
- Council News & Council Info
- TGHC news

## Timescales

The timescales for the consultation will be 8 weeks starting mid September to mid November 2016.

## Alternative Approaches

6. Alternative approaches would involve the adoption of a scheme which offers more support to residents by retaining the existing scheme without change, to make some minor changes to reflect Government changes, or to adopt a scheme which offers less support by increasing the minimum contribution to 10%, 12.5% or 15%.
7. The option to retain the minimum contribution of 8.5% plus some minor changes to the scheme to reflect other Government changes would not increase the cost of the scheme to the Council, but would retain its commitment to work incentives, retain a reasonable collection rate and reduce the potential impact of other Government changes.
8. An alternative option which retains the existing scheme without change would require the Council to fund an additional £100,000 from other resources and may result in an increase in claimants being entitled to support, but would also result in around 1,000 claimants being adversely affected as they move over to Universal Credit and reducing the incentive to seek work in line with principle 2.
9. The alternative option to increase the minimum contribution would reduce the funding of the scheme by around £100,000 but this reduction would potentially be minimised by increased losses on collection of Council Tax overall.

## Implications of Recommended Option

10. **Resources:**
  - a) **Financial Implications** – The preferred proposed approach enables the Council to operate a support scheme that is sustainable within current overall

cost, whilst going some way to mitigating the impact on working age claimants of the Government's welfare changes.

Feedback from the consultation exercise will be incorporated into the design of the scheme if necessary.

Adopting the scheme means that approximately 11,000 council tax payers will continue to pay no more than 8.5% of their council tax (around £98 per year/ £1.88 per week – £0.10 per week increase)

The full impact on the Collection Fund continues to be monitored and the behaviour of those claimants who are required to pay has been analysed during the current and previous years. Full monitoring and the impact on the collection fund is continuing to be assessed but collection from this client group has exceeded previous assumptions in the first three years of the scheme and continues to do so in 2016/17.

The removal of the ring-fence within the Government funding calculation means that whilst funding for this area has been significantly reduced, it is impossible to identify this specifically.

**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

11. **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.

Comprehensive consultation should mitigate the risk of legal challenge which would impact on the ability to adopt a scheme for 2017/18.

12. **Equality and Diversity Implications** - An Equalities Impact Assessment has been carried out on the proposed draft scheme to identify those actions that will be put in place if the proposed scheme were to be adopted by the Council. Further impact assessments will be conducted following the outcome of the consultation responses.

13. **Crime and Disorder Implications** – No impact.

14. **Health Implications** – Financial concerns arising from the Government's Welfare Reforms may adversely affect the mental and physical health of some residents.

15. **Sustainability Implications** - There are no sustainability implications arising from this report.

16. **Human Rights Implications** – There are no Human Rights implications arising from this report.

17. **Area and Ward Implications** – This scheme affects all current and future 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



## APPENDIX 2

### Further details on the key principles of the proposed scheme

1. When considering the most appropriate approach, consideration has been given to Government grant, policy objectives and the Council's duties. Whilst still using most of the current scheme qualifying conditions, the proposed scheme operates within the funding restrictions but maintaining the key scheme principles.
  - Protection for certain groups
  - incentivise work
  - help people with modest savings
  - disregard War Pensions as income
  - minimum level of support of £1.00 per week
  - disregard Child Benefit as income
  - discretionary fund to help the most vulnerable
2. The local scheme since 2013 has included wide provision that recognises the needs of those with children, caring responsibilities and those with a disability, as well as incentivising work. These provisions will still apply in the proposed scheme.

#### Support families by

- Allowing for premiums within the Applicable Amounts for families.

#### Support those with disabilities by

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

#### Support people back into work by

- Including a wage disregard for single claimants, couples and lone parents
- Awarding additional support for the first four weeks of moving into work in certain circumstances.

#### Support those with caring responsibilities by

- Allowing for a premium to the Applicable Amount

#### Support claimants with modest savings by

- Setting an upper limit of £6,000 for capital and investments

Additional benefits of the scheme allow

- A disregard of War Disablement Pension and War Widows pension, War Widowers, Guardians Allowance, Adoption Allowance, Foster Allowance, Charitable and Voluntary payments received when assessing the income to be used in calculating entitlement.
  - A £15.00 disregard from Widowed Parents Allowance and Maintenance received by a claimant or partner when assessing the income to be used in calculating entitlement.
3. Changes to the scheme which are linked to other Welfare changes and to account for Universal Credit (UC) changes include:
- Mirroring the applicable amounts and premiums set in the HB scheme relating to child premiums for new claims with more than 2 children after 1 April 2017
  - Administrative changes to the scheme to allow the Council to amend the scheme during its course to take account of any government changes to both the HB scheme and to Universal Credit that would have an impact on claimants.
  - Applying local disregards where appropriate for certain clients in receipt of Universal Credit to support work incentives
  - Clarifying how the Council account for and calculate Universal Credit income which is applicable within the local scheme.
  - Make provision to accommodate changes in the Universal Credit scheme to make it easier for claimants to re-apply following a change in UC.
  - Include the statutory regulation changes relating to Temporary Absence from the home.