

**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. Cabinet is requested to recommend to Council a Local Council Tax Support Scheme for the year 2017/18 following consultation.

### **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 31 January 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 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 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 proposed council tax support scheme within this report is therefore a scheme for 2017/18.
- 6 Cabinet received a report on 13 September 2016 requesting approval to consult on a number of potential options for a scheme for 2017/18. The outcome of this consultation has informed the proposed Local Council Tax Support Scheme for 2017/18.

### **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

attempt to distribute the reduced funding available amongst those claimants most in need of financial assistance, whilst still achieving a contribution to meet the funding reduction.

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 outline proposed scheme for 2017/18 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;

- 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
- Child benefit should be disregarded as income.
- A discretionary fund should be maintained.

9 The proposed scheme therefore retains the minimum contribution of all working age claimants at 8.5% of their Council Tax liability and does not recommend an increase to this figure.

## **Recommendations**

10 Cabinet is requested to recommend that Council:

- (i) Approves the proposed scheme as set out in paragraphs 8 and 9 of the report.
- (ii) Delegates powers to the Strategic Director, Corporate Resources, 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 budget cuts on Council Tax support claimants.
- (iii) To mitigate the impact of funding reductions on Council finances.

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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.

### 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.

### **Proposal**

4. The proposed scheme for 2017/18 will retain the same 8 underlying principles and remain the same as the scheme in place in previous years apart from some adjustments to the underlying entitlement calculation.
5. Those changes, which have been consulted on are:
  - Allow minor changes to be made to the scheme whenever the Government makes welfare and benefit changes that have an impact on the scheme and those entitled to support
  - To retain the minimum amount that a working age claimant must pay towards their Council Tax bill at 8.5%

### **Consultation**

6. Where the draft scheme for a year remains the same as in previous years, no formal consultation is required to be undertaken. Where even minor changes are considered to a scheme, the Council must undertake a formal consultation with stakeholders.
7. Consultation on those changes therefore took place between 15<sup>th</sup> September 2016 and 10<sup>th</sup> November 2016.
8. The Council consulted on the option to increase the minimum contribution amount to either 10% or 12.5% or 15%, however, the proposal is to retain the minimum contribution at 8.5% of liability.
9. 137 residents and groups completed the survey and included Advice Agencies, Housing Associations and Private Landlords, residents and members. Stakeholders indicated their overall support- 74% (96 respondents) to the proposal to allow minor changes to be made to the scheme whenever the Government made welfare and benefit changes that had an impact on the scheme and those entitled to support. The consultation provided the following levels of support for the options around the minimum contribution: 47% supported 8.5% liability, 28% supported 10% liability, 7% supported 12½% liability and 15% supported 15% liability. 3% provided no response to this question.
10. Corporate Resources Advisory Group commented on the proposals following a presentation on 24 November 2016 and the details are attached at appendix 2.
11. The Leader and Deputy Leader have been consulted.

### **Alternative Options**

12. Alternative options could involve the adoption of a scheme which offers more support to residents by increasing at a greater rate the Council's commitment of

resources or the council could adopt a scheme which offers less support by increasing the minimum contribution to either 10%, 12.5% or 15%.

### **Implications of Recommended Option**

#### **13. Resources:**

- a) Financial Implications** – 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.

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 £100 per year/£1.92 per week).

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. 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 funding for this area has been significantly reduced, it is impossible to identify this separately. The best estimate of the Council's overall subsidy in relation to the scheme is approximately £6m.

- 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

- 14. 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 has mitigated the risk of legal challenge and the ability to adopt a scheme for 2017/18

- 15. Equality and Diversity Implications** - A Comprehensive Impact Assessment has been carried out following the outcome of the consultation responses.

- 16. Crime and Disorder Implications** – No impact.

- 17. Health Implications** – Financial concerns arising from the Governments Welfare Reforms may adversely affect the mental and physical health of some residents.

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

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

20. **Area and 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