

NORTH LINCOLNSHIRE COUNCIL

**GOVERNANCE AND TRANSFORMATION
CABINET MEMBER**

THE COUNCIL TAX SUPPORT SCHEME CONSULTATION

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 Since 2013/14 the council has operated a local Council Tax Support Scheme to reduce the amount of council tax payable by working households on low incomes.
- 1.2 The council policy objective is getting people into work and the medium term financial plan aims to raise a further £300k through changes to the council tax support scheme.
- 1.3 This paper considers the options.
- 1.4 Where changes are planned the council must first consult. This paper proposes the form of that consultation.

2. BACKGROUND INFORMATION

- 2.1 Since 2013/14 the council has operated a local Council Tax Support Scheme (CTSS) which reduces the amount of council tax payable by working households on low incomes. It is part of wider welfare reforms introduced by the Welfare Act 2012 and it replaced the previous national Council Tax Benefit (CTB) scheme.
- 2.2 The cost of the scheme falls on the council and its major precepting bodies (the Police Commissioner and the Fire Authority). A transfer of funding from government was made to enable councils to continue to provide a level of support. However it is now for the council to determine the nature of the scheme and the level of support it offers, within limits set in national legislation.
- 2.3 The current CTSS requires working age households to pay a proportion of their council tax bill:
 - Working age households receive a discount of 77% of their council tax liability and are required to pay the balance.
 - Pension age households are entitled to the benefits of the previous CTB scheme in law, with up to a 100% discount.
 - In both cases the amount of support depends on household income.

2.4 Council Tax support is currently provided to around 14,000 households in North Lincolnshire. There are two distinct groups with different entitlements:

	Number	Number	
Pensioner age customers		6,671	
100% subsidy	4,039		
Liable to pay	2,632		Average £7.45 per week
Working age customers			
Liable to pay		7,331	Average £5.63 per week
Total		<u>14,002</u>	

This compares with 16,926 households at the point when the scheme was originally established. The numbers claiming the benefit have fallen significantly as economic circumstances have improved, and the cost has reduced from an estimated £11.3m in 2012/13 to a current estimate of £9m. The figures quoted in the report will show first the total cost/saving for the council.

2.5 It is important that the scheme remains affordable. To address the financial and service challenges of the next four years it is proposed to raise a further £300k through changes to the Council Tax Support Scheme from 2017/18.

2.6 As the council prepares to review its scheme for 2017/18 it has the opportunity to reconsider the characteristics of the scheme and the level of support it can afford. This assessment needs to be made in the context of the overall financial position of the council and its priorities. Judgement has to be made about the appropriate balance between funding raised through council tax, business rates and government grant- and the cost of services.

2.7 It is helpful to consider how the North Lincolnshire scheme compares to those of other authorities:

- Almost all working age schemes are modelled on the previous CTB scheme which is the required model for pensioner households
- Most councils require working age residents to pay some council tax regardless of income (259 of 326)
- Of these the minimum payment is 20% or more in 180 councils, and 30% or more in 11 councils
- Councils have also made changes to other characteristics of the scheme such as the second adult rebate and the savings limit

2.8 If changes to the North Lincolnshire scheme are proposed, it will be necessary to carry out a public consultation. The council will need to demonstrate that it has considered the impact of its proposals to ensure that they do not unfairly affect a particular group and that it has given due consideration to responses received. In addition it must consult with the Police Commissioner and the Fire Authority which precept on the council. For this reason we need to consider our options now in advance of setting a scheme for 2017/18 at Council in

December. The consultation period is at local discretion, and in 2012 the consultation lasted eight weeks.

3. OPTIONS FOR CONSIDERATION

- 3.1 There are a number of options for changing the scheme. The first option is to look again at the minimum payment level. This would affect all working age claimants. The current rate of 23% is less than in North East Lincolnshire (25%) and York (30%). Each percentage increase would generate a potential saving of £45k. To generate a saving of £300k would require a minimum payment of around 30%. The level can be set at any percentage point as the scheme is set and managed locally, but must take account of the social and economic impact and to public consultation.
- 3.2.1 A second option is to restrict the maximum entitlement of the scheme according to the band of the property. This would apply to all working age claimants. It involves limiting the amount of benefit received in higher value properties to those in lower value properties. In North Lincolnshire seven in ten properties are in the two lowest bands A and B. If a cap is set at the band B level there would be a saving of around £300k. If the level was set at Band C it would reduce the saving to £150k. A restriction of this kind is already in place at 86 other councils.
- 3.3 There are other elements of the scheme which can be changed, essentially means tested criteria which limit entitlement in particular cases. These changes can technically be done, but taken together these only generate savings of a little over £100k:
- Restrict entitlement to those who have £6,000 or less capital (the current maximum level is £16,000) (84 councils) saving £50k
 - Restrict the minimum level of entitlement to £2 per week. There is no minimum level at present (52 councils) saving £13k
 - Remove the back dating of claims, currently a maximum of 13 weeks. Backdating is not used extensively saving £40k
 - Remove the 'second adult rebate' (198 councils). This is payable to households where the Council Tax payer does not qualify for a reduction, but has a second adult living in the property who is not a dependent and is on a low income. The household may receive a maximum reduction of 25% saving £9k
- 3.4 The existing council scheme already provides for cases of hardship. The level of that fund can be revisited in the light of any scheme changes that are made. Similarly if there are any specific groups the council wishes to protect this can be done through the hardship scheme.

ANALYSIS OF OPTIONS

- 4.1 There are two options presented in this paper which will deliver the required cost savings:
- By increasing the minimum payment level to 30%, or
 - By introducing a cap on support to the band B level,

- 4.2 Savings have been estimated on the current profile of those who receive council tax support. Actual levels vary with the prevailing economic situation. It is important to note that in less favourable economic circumstances the cost of offering support will increase for the council; just as it has benefited from improved economic performance over the past three years.
- 4.3 An increase in the minimum payment option would affect all claimants to the same degree. This was the option taken last year, when the council implemented its original proposal to set a minimum contribution at 23% of the council tax liability. The change brought North Lincolnshire into line with near neighbours and the largest number of councils. A further increase to 30% could be very challenging for many of those who receive support.
- 4.4 Capping the maximum level of support at band B would ensure that the additional savings would reduce payments to those in more expensive properties while protecting the majority of local householders who generally occupy lower value properties. It is proposed that this is the option on which the council consults, and the draft scheme for consultation is set out in the appendix to this report.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

5.1 Financial

The paper sets out options which would deliver the £300k savings target in the medium term financial plan.

5.2 Staffing, Property, IT

There are no additional staff, property or IT implications of carrying out the consultation.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1 Statutory

An impact assessment has been completed. This finds that the proposal does not discriminate against groups protected under equalities legislation, nor against any particular type of working age household. It also finds that the proposal to cap the maximum level of council tax reduction is a reasonable way to limit the cost of the reduction scheme.

No decision has yet been made to implement the change. The proposed period of consultation provides an opportunity for interested parties to comment on the proposal.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 This paper proposes a period of public consultation before any decision is taken.

8. RECOMMENDATIONS

- 8.1 That Cabinet Member approves the draft scheme for consultation.

DIRECTOR OF POLICY AND RESOURCES

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Background Papers used in the preparation of this report: None

North Lincolnshire Council Tax Support Proposed Scheme Outline

1. Introduction

The Welfare Reform Act 2012 provided for the abolition of council tax benefit, which paved the way for localised council tax reduction schemes.

As part of this change the Government stated that pensioners must be protected from any changes to their level of entitlement under the local schemes when compared with the old Council Tax Benefit calculation. Working age claimants not being the subject of any Government direction, shall however be subject to the provisions of the locally defined scheme.

This document sets out the Council's proposed scheme for 2017/18 and should be read in conjunction with the consultation questionnaire seeking comments and views on the proposed arrangements.

The proposals may be subject to change for the following reasons;

- in response to findings from the consultation process
- any statutory provisions made that take precedence over the scheme proposals
- changes in caseload profile may lead to a reduction or increase in the level of support which can be made available

However, the final scheme shall be subject to approval by the Council no later than 31st January 2017.

The Council is required to publish details of its proposed draft scheme and some of the contents of this document are by its very nature, technical in detail. However every effort has been made to present the information in Plain English.

2. North Lincolnshire Council Tax Support Scheme Key Principles

In developing the proposed scheme a number of key principles have been taken into account:

- a) That eligibility for the Local Council Tax Support Scheme will be the same as for the current Housing Benefit calculation (based on specified income and savings levels)
- b) That the scheme will provide mandatory protection for eligible pensioners
- c) That some provision is made to offer financial support on an exceptional basis for those who face unavoidable financial difficulties, through a Council Tax Support Fund
- d) That support is restricted to the level of a band B property for working age claimants.

3. North Lincolnshire Council Tax Support Scheme

Under the proposal there will be two distinct claimant groups;

- those who have reached Pension Age
- those who are Working Age

This document will outline the impact of the localised Council Tax Support scheme on each of these groups.

Pension Age Claimants

For Pension Age claimants there will be a number of qualifying criteria which will determine the level of support the claimant is entitled to. As per Government intention, a Pension Age claimant must see no reduction in the percentage level of support they received under Council Tax Benefit, to that they will receive under Council Tax Support.

In order to calculate the level of support which a claimant is entitled to, the means test currently defined within the Council tax Benefit regulations will be applied.

Qualifying Criteria

The individual must:

- have attained the qualifying age for state pension credit
- not be someone with a partner of working age in receipt of;
 - Income Support
 - income based Job Seekers Allowance
 - income based Employment and Support Allowance
- be liable to pay Council Tax for a property within the North Lincolnshire boundary
- not have capital savings above £16,000
- have applied for the scheme
- have income which is less than their applicable amount (see Annex 1) or
- have income over their applicable amount which will be reduced at a prescribed percentage (20%) when calculating the level of support to which they are entitled

Under the localised Support Scheme the following process will be followed;

1. a claimants entitlement to support will be calculated using existing Housing Benefit regulations
2. the level of support to which the claimant is entitled will be deducted from their Council Tax liability
3. for the balance of Council tax liability for the remainder of the claim period or financial year, a Council Tax bill will be generated and arrangements to pay made with the customer, if their entitlement to Council Tax Support does not cover the entire liability

Claim Process

Pension Age claimants will;

- have their Council Tax Support entitlement calculated using existing Housing Benefit regulations
- have a simplified claim process

Working Age Claimants

The level of support to which a claimant is entitled will be based on their individual circumstances, both at the time of claiming and as their circumstances change over time.

In order to calculate the level of support which a claimant is entitled to, the means test currently defined within the Housing Benefit regulations will be applied.

Qualifying Criteria

The individual must:

- not yet have attained the qualifying age for state pension
- be a person whose partner has not yet attained the qualifying age for state pension, except where the applicant is in receipt of
 - Income Support
 - income based Job Seekers Allowance
 - income based Employment and Support Allowance
- be liable to pay Council Tax for a property within the North Lincolnshire boundary
- not have capital savings above £16,000
- have applied for the scheme
- have income which is less than their applicable amount (see Annex1)
or
- have income over their applicable amount which will be reduced at a prescribed percentage (20%) when calculating the level of support to which they are entitled

An individual in receipt of income support, income related jobseekers allowance or income related employment and support allowance will have income and earnings counted as zero for the purpose of calculating their entitlement to support.

Under the localised Support Scheme the following process will be followed;

1. a claimants entitlement to support will be calculated using existing Housing Benefit regulations
2. when this calculation has been completed a maximum entitlement of 77% will be allowed under the localised scheme
3. once the level of award is calculated, it will be subject to further adjustment to take into account any non-dependant adults that normally reside in the property who would be expected to contribute to Council Tax
4. for the balance of Council Tax liability for the remainder of the claim period or financial year, a Council Tax bill will be generated and arrangements to pay made with the customer
5. once the level of support is calculated it will be restricted to the level of a band B property regardless of the higher banding of the property

Claim Process

Working Age claimants will;

- have their Council Tax Support entitlement calculated using existing Housing Benefit regulations
- be entitled to 77% of the level of support which they would have been entitled to under the previous Council Tax Benefit regulations, subject to a maximum payable to a Band B property

4. Council Tax Support Fund

A Council Tax Support Fund is also available to help those who face substantial financial difficulties due to the changes of the Local Council Tax Scheme funded by the council. The award would give extra support to those experiencing difficulties in paying rent and/or council tax.

This fund is available to people experiencing a reduction in the level of support they receive due to the localisation of the Council Tax Support Scheme.

The essential test is one of hardship, comparing the customer's income and savings with their outgoings; but support would only be for housing and council tax costs. In assessing hardship, a view will be taken of the reasonableness of the current outgoings and the emphasis will be on helping claimants to adjust their outgoings so that they are able to better afford their necessary costs at the end of the support period.

5. Prescribed Requirements

The government's prescribed requirements will ensure that local Council Tax Support (CTS) schemes operated by Local Authorities contain any requirements prescribed by the Secretary of State. Currently, the following requirements are to be prescribed by the Secretary of State and will therefore apply to the Council's local CTS scheme and affect both working age and non-working age claims alike.

Persons from Abroad

The government intends to apply the same restrictions as exist under the Council Tax Benefit to exclude foreign nationals with limited immigration status and non-economically active EEA individuals who are not exercising EU treaty rights from receiving Council Tax reductions.

Refugees

Those persons that have recognised refugee status, humanitarian protection, discretionary leave or exceptional leave to remain in the country outside of the immigration rules and who are exempt from the habitual residence test will be entitled to apply for Council Tax Support as long as their status has not been revoked.

Permitting a person to act for another person

Current arrangements for a person to act on behalf of another will continue. For example, where a person has been granted a power of attorney for a Council Tax Payer or in cases where a couple wishes to make an application.

6. North Lincolnshire Council Tax Support Scheme Summary

The proposed scheme in North Lincolnshire is;

- existing Council Tax Benefit regulations will apply when calculating the level of support which a claimant is entitled
- if the claimant is of Pension Age they will receive the full level of support they are entitled to using the existing regulations

- if the claimant is of Working Age they will receive 77% of the entitlement as calculated using the existing regulations
- if the claimant is working age the level of support provided will be limited to that of a Band B property regardless of the actual band of the property lived in
- entitlement to support will be deducted from Council Tax liability and a bill will be generated for any remaining balance which must be paid by the claimant
- a support fund remains in place to help claimants who will face substantial financial difficulties due to the Council Tax Support scheme

Annex 1 - Applicable Amounts

Applicable amounts start with a personal allowance, this is the minimum level of weekly income that the Government says you need to live on. It is based on your age and if you are single or part of a couple.

Working Age

- Single and under 25: £57.90
- Single and 25 or over: £73.10
- Couple with at least one member 18 or over: £114.85
- Lone parent aged 18 or over: £73.10

Pension Age

- Single and under 65: £155.60
- Single and 65 or over: £168.70
- Couple both under 65: £237.55
- Couple with at least one member 65 or over: £252.30

Please note: You may also be entitled to additional premiums on top of your personal allowance, if you are responsible for a child, have a disability or are in receipt of ESA

**North Lincolnshire Council
Council Tax Reduction Scheme 2017/18
Consultation Questions**

In March 2013 Council Tax Benefit was abolished and replaced by a local scheme of Council Tax Support. It provides financial support towards the cost of council tax bills for low income households. In localising the scheme the amount of financial support available was reduced.

Over the past few years North Lincolnshire Council has worked hard to minimise the effect of these changes on local communities by not reducing the level of financial support by the full level of the reduction in grant the council received.

Maintaining this level of protection has a substantial financial cost estimated to be £10.7m. It reduces the funding available to support local services. Therefore since the initial implementation of the scheme the minimum amount of Council Tax that customers who receive Council Tax Support have to pay has increased from 8.5% in 2013/14 to 23% in 2016/17, maintaining this level for 2017/18.

The purpose of this consultation exercise is to request your view on a further change to the level of support in place for households. The specific change we propose to make to the scheme would set a maximum level of support payable.

Council Tax Support is available for any resident in North Lincolnshire who meets the criteria. To reduce the cost of this support we propose to restrict financial support to the rate of a band B property. This means that those in higher band (C to H) properties would only receive the same level of support as those in a band B property.

	YES	NO	NO VIEW
<i>Do you agree with the limiting of financial support to the level of a band B property?</i>			

Comment (optional)

The closing date for this consultation is 30 October 2016. The results of the exercise will be published on line at www.northlincs.gov.uk after this date.

THANK YOU FOR TAKING THE TIME TO COMPLETE THIS SURVEY.

PLEASE RETURN YOUR COMPLETED FORM TO:

**LOCAL TAXATION & BENEFITS
HEWSON HOUSE
BRIGG DN20 8XB**