

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

THE COUNCIL TAX SUPPORT SCHEME

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 Since 2013/14 the council has operated a Council Tax Support Scheme. This replaced the previous national Council Tax Benefit. There is a requirement to review the scheme each year and determine whether any changes are to be made for 2016/17.
- 1.2 The cost of the scheme falls on the council. A careful assessment of the impact on households is needed, but affordability and implications for all council taxpayers is also a consideration.
- 1.3 The paper considers experience to date including that of other councils to illustrate the options available.
- 1.4 An increase in the minimum Council Tax payment from the current 8.5% to 23% is proposed. This was the scheme on which the council originally consulted in the summer and autumn of 2012. It would bring the level of support offered into line with neighbouring authorities.

2. BACKGROUND INFORMATION

- 2.1. From the start of 2013/14, Council Tax Benefit (CTB) was replaced by Council Tax Support (CTS). Council Tax Benefit could be claimed by households with a low income. It was not paid to the household but instead reduced the amount of Council Tax they had to pay, with the benefit paid directly to the Council. For many low income households this meant they paid no Council Tax at all.
- 2.2. This national scheme was replaced by local schemes with councils being given more freedom to set their own scheme. Some parameters of the scheme were still set by Central Government: for example the support for pensioners has to be maintained in any new scheme. Further advice was provided to Councils to design schemes which encouraged work and protected the vulnerable. The definition of which groups were deemed to be vulnerable was left to the individual authority.
- 2.3. At the same time the national funding for the scheme was reduced by 10% with councils encouraged to make efficiencies. Councils therefore had to decide whether to maintain the existing levels of support and absorb the additional cost or change the level of support for working age claimants. They also became responsible for any shortfall or surplus in the CTSS.

2.4. In developing the North Lincolnshire CTSS a number of principles were adopted:

- a. Eligibility would be the same as for the previous Council Tax Benefit (based on income and savings)
- b. The scheme would provide mandatory protection for eligible pensioners
- c. Council Tax support would be limited to the funding level provided through the business rate retention scheme
- d. The scheme would provide an incentive to work for working age claimants
- e. Provision would be made to offer financial support on an exceptional basis for those with unavoidable financial difficulties

2.5. Before implementing a scheme the Council held a public consultation on the scheme it proposed to implement. It also consulted with the Fire and Police Authorities (now the Police Commissioner) since, as major precepting bodies, changes to the taxbase affect the funding they can raise through council tax. It proposed that working age claimants should make a minimum contribution of 23% of their council tax liability. There was general support for the scheme proposed in the consultation and the principles on which the scheme was constructed.

2.6. In practice many councils set a minimum council Tax contribution of 8.5% as government offered grant in the first year of the scheme to limit increases. North Lincolnshire Council was one of these authorities. It has continued to operate this scheme for the past three years and has managed to do so as the cost of the scheme was lower than anticipated; collection rates remained high; and savings were available in the local welfare budget to offset any shortfall.

2.7. Around seventy councils chose to maintain the same level of support as under the Council Tax Benefit system and absorbed the cost. However, since then the numbers of councils doing this or retaining an 8.5% contribution rate has reduced year on year (see Appendix A). Nonetheless, setting a minimum contribution is the most common way in which councils have reduced the cost of the scheme (250 out of 326 billing authorities). The most common rate of contribution is 20%.

2.8. The temporary welfare funding is no longer available to support the scheme at its current level. The challenge of addressing the public sector deficit also means that the council needs to look at the affordability of the scheme. Increasing the minimum contribution is a key option it can consider, in line with the original consultation conducted in 2012.

2.9. There are other components of support which some councils have chosen to change from the previous CTB Scheme

- Changes to the income taper inherent in the scheme. That is the rate at which support is removed as income increases
- The maximum amount of savings a claimant could have before they are no longer eligible to a discount
- A cap on the discount that can be applied to a property in a higher Council Tax band to that applied to lower banded properties

- The discount a homeowner not on a low income would receive if they lived with second adult who was on low income.
- Protection for more groups than pensioners for example working age disabled people.

3. OPTIONS FOR CONSIDERATION

- 3.1. There are a range of options the Council could consider, but the most straightforward and equitable is to increase the minimum Council Tax payment from 8.5% to a higher percentage.
- 3.2. Most Councils have now increased their minimum Council Tax payment with 20% being the most common in 2015/16, see Appendix A. A steadily increasing number of Councils have a minimum payment in excess of 20%.
- 3.3. The schemes set up by the four Humber Authorities are very similar. They all include a minimum Council Tax payment and only Hull has introduced any other change to the scheme. The level of the minimum payment does differ between the four Councils. Kingston upon Hull has a 20% minimum payment with North East Lincolnshire and East Riding of Yorkshire setting a 25% minimum. In the County of Lincolnshire East Lindsey, Boston and South Holland all have a 25% minimum payment and South Kesteven has a 20% minimum payment.
- 3.4. Introducing other components to the current scheme are possible as outlined in section 2. These are evaluated in section 4 of the report.

4. ANALYSIS OF OPTIONS

- 4.1. The cost of the support scheme for working age taxpayers is currently estimated to be £5.5m overall (£4.5m for the council) see Appendix B for more detail. It is no longer possible to compare this figure with government support for the scheme which has been subsumed into the general Settlement grant (see 2.4c. above)
- 4.2. The most straightforward option to reduce the costs of the scheme is to increase the minimum Council Tax payment from 8.5%. Appendix B illustrates a number of options above the current 8.5% rate. It shows the marginal reduction in costs of increasing the required minimum contribution to a range of percentages between 10% and 30%. One table shows the implications for North Lincolnshire Council; the other for the Council combined with Police and Fire. For example:
- At 15% a reduction in costs of £331k (council share £275k)
 - At 20% a reduction of £585k (council share £485k)
 - At 23% a reduction of £737k (council share £613k)
- 4.3. Having consulted previously on a 23% minimum contribution the council could choose to move to this level for 2016/17 and beyond. Any other substantive changes would require a new consultation.
- 4.4. There are other arguments for moving to a scheme more in line with near neighbours. In the first place it removes the potential for claimants to move areas to access a more generous scheme. It also draws on the experience of other CTSS schemes in the first three years which show that it is possible to recover a greater proportion of cost from claimants and so reduce the subsidy provided from general taxation. This is consistent with the Government's

stated intention to move towards a lower tax, lower welfare economy as announced in the Summer Budget.

4.5. The projections shown in Appendix B allow for a level of non-collection and an increase in the current hardship fund for each of the options shown. This will allow those affected time to adjust to the changes. Recent test cases to the Valuation Tribunal in other council areas make clear that having such a discretionary fund is important to avoid unfairness and the negative effect this would have on the Council's reputation.

4.6. The Council could consider introducing other components into the scheme as outlined at paragraph 2.9, but this would require a new consultation which would delay setting of the council tax base. These options can be considered at a future review of the scheme.

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

5.1. Financial

The financial impact of the proposed changes is set out at section 4 and Appendix B. It is estimated that an increase in the minimum contribution to 23% would generate an additional £737k a year in council tax (council share £613k).

5.2 Staffing, Property, IT

There are no additional staff, property or IT implications from implementing the revised scheme.

6. OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)

6.1. Statutory

An impact assessment has been completed and no significant impacts have been identified. The hardship fund will assist with specific cases of difficulty.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

7.1. The proposed change would implement the original scheme on which the council consulted.

7.2. There was a high degree of agreement on the principles of the scheme by respondents to that consultation:

- i) Eligibility for the Local Council Tax Support Scheme to be the same as for Council Tax Benefit (based on specified income and savings levels) - 79% agreed or strongly agreed
- ii) Council tax support not to be subsidised by reducing services or increasing council tax - 83% agreed or strongly agreed
- iii) The scheme to provide an incentive to work for working age claimants -80% agreed or strongly agreed
- iii) A support fund to offer financial support for those who face unavoidable financial difficulties - 74% agreed or strongly agreed.

7.3 The scheme was also supported by the Police Commissioner and the Fire Authority who precept on the council for part of their funding.

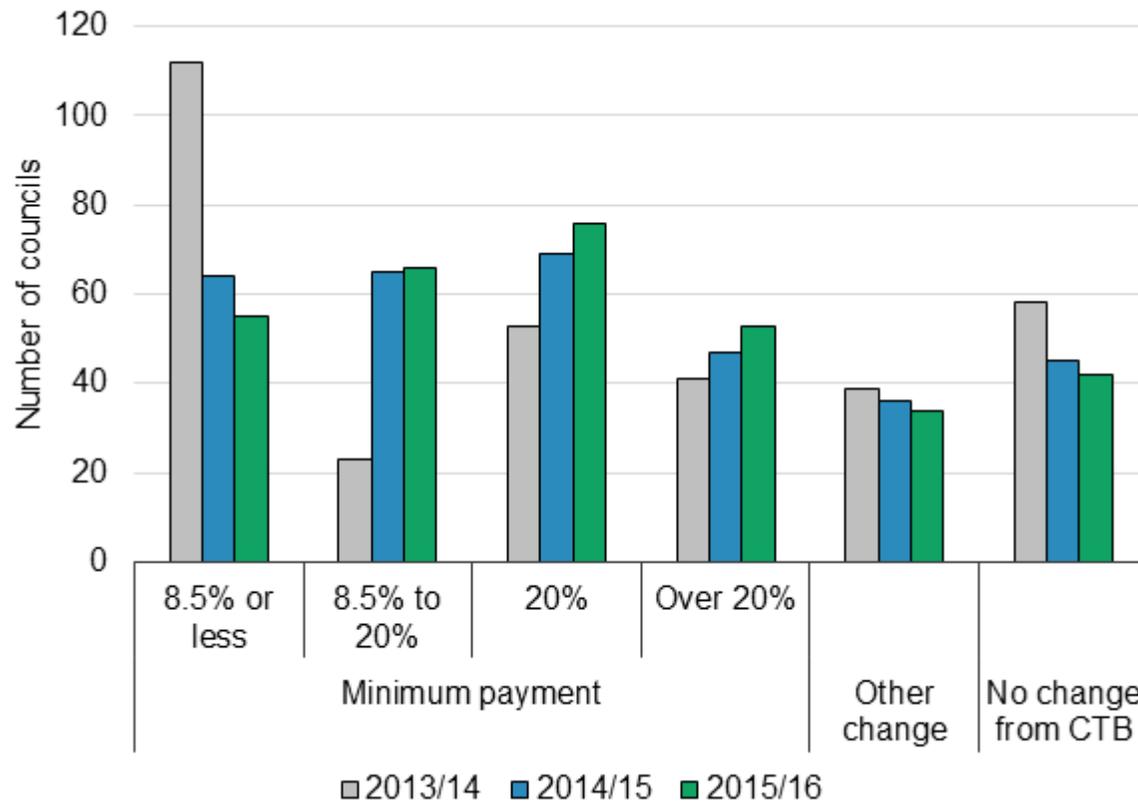
8. RECOMMENDATIONS

8.1. That the Council considers a change to the local Council Tax Support Scheme, with an increase in the minimum Council Tax payment from 8.5% to 23% from 2016/7.

DIRECTOR OF POLICY AND RESOURCES

Civic Centre
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB
Author: Mark Kitching/Peter Fijalkowski
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Background Papers used in the preparation of this report - Nil



Minimum Council Tax Payments

Appendix B

NLC Only					
Minimum CT	Cost	Reduction in	Hardship	Additional Bad	Net reduction
	£000's	Cost from	Fund	Debt Provision	in cost
		current scheme			
		£000's	£000's	£000's	£000's
8.5%	4,549	0	0	0	0
10%	4,475	74	-4	-7	63
15%	4,226	323	-16	-32	275
17%	4,127	422	-21	-42	359
20%	3,978	571	-29	-57	485
23%	3,828	721	-36	-72	613
30%	3,480	1,069	-53	-107	909

NLC, Police and Fire					
Minimum CT	Cost	Reduction in	Hardship	Additional Bad	Net reduction
	£000's	Cost from	Fund	Debt Provision	in cost
		current scheme			
		£000's	£000's	£000's	£000's
8.5%	5,471	0	0	0	0
10.0%	5,381	90	-5	-9	76
15.0%	5,082	389	-19	-39	331
17.0%	4,963	508	-25	-51	432
20.0%	4,783	688	-34	-69	585
23.0%	4,604	867	-43	-87	737
30.0%	4,185	1,286	-64	-129	1,093