

NORTH LINCOLNSHIRE COUNCIL

COUNCIL

COUNCIL TAX SUPPORT SCHEME

1. OBJECT AND KEY POINTS IN THIS REPORT

1.1 A decision is required on the Local Council Tax Support Scheme (CTSS) the Council will offer for 2014/15. It is an annual decision and the Council can decide whether to continue with the current scheme or to make changes.

1.2 The decision on the level of council tax discount will have an effect on the local taxbase. The paper therefore links to the separate decision on setting the council tax base for 2014/15 on the Council agenda.

1.3 The report explains the principles of the current scheme, how it has been working in the current year, and presents two options for the future with an estimate of their relative costs. The cabinet member for Policy and Resources has previously considered the matter, as it falls within his remit, and proposes that the current scheme is retained for the next two years.

2. BACKGROUND INFORMATION

Local Council Tax Support Scheme

2.1 The Local Council Tax Support Scheme offers means-tested assistance to those on low incomes who would otherwise have difficulty paying council tax. It is part of the national welfare system and replaced Council Tax Benefit in April 2013. At that point responsibility for the scheme passed from the DWP to the council, and government grant was transferred, with the risk or benefit of future variability in demand falling to the council. Each Council then implemented its own local scheme following public consultation.

2.2 The North Lincolnshire scheme aimed to contain the cost of support to the amount of grant transferring from government. It meant an increase in the amount council tax payers receiving benefit would pay, and in many cases there would be an amount to pay for the first time. The Council set up a modest Support Fund to help those facing a reduction and suffering from financial hardship as a result. The scheme is similar to the previous national scheme, but benefits are lower.

- 2.3 In developing a proposed scheme 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

2.4 The scheme adopted for 2013/14 followed these principles. It provides full protection to pensioners (as prescribed by Government), and limits the reduction in support for working age tax payers to 8.5%. This is less than the 23% reduction which the original draft scheme envisaged as the government offered additional funding for one year to those schemes which limited the reduction to 8.5%. The council accepted the offer and modified the scheme accordingly.

2.5 The changes to council tax support affect precepting bodies as well as the council itself. That includes the Police Commissioner, the Fire Authority and parish and town councils. For 2013/14 the two major precepting bodies were consulted and both expressed support for the principles of the scheme, and their agreement that the costs of the scheme are minimised. The council made a grant available to parish and town councils to offset the loss in taxbase due to the new council tax discount.

2.6 The council must now review the scheme and confirm what criteria will apply for 2014/15. The legislation provides for councils to modify schemes year on year, but not in-year, should changes be needed. The scheme for 2014/15 must be agreed by no later than 31 January 2014. If no decision is made on a local scheme by that date a default scheme defined by regulations will automatically come into force.

3. OPTIONS FOR CONSIDERATION

3.1 Two options are presented in this paper:

- To continue with the current scheme and set the discount at the same level as this year; or
- To implement the 23% reduction scheme

ANALYSIS OF OPTIONS

- 4.1 Experience to date can help to evaluate the options, remembering that the first year of the scheme (2013/14) is not yet complete, and that council tax payers can move in and out of eligibility during the year if their circumstances change.
- The cost of the discount is currently £0.3m less than originally estimated
 - In part this is due to fewer eligible tax payers than used in the modelling, 5% lower at 16,069
 - Council tax collection rates are projected to be in line with budget
 - Demand for the council tax Support Fund has been minimal (projected spend of £4k).
- 4.2 The budgeted collection rate of 98.5% allows for additional losses on collection as the number of households liable to pay has increased, and many of these owe small amounts. The council is therefore taking action in more cases than last year and is using grant funding to employ two debt assistants to proactively engage with customers to make arrangements for payment which avoid the need for court action. The data suggests that the adoption of the 8.5% scheme has avoided the higher levels of default which were expected if a 23% reduction had been adopted.
- 4.3 There are other factors to consider. For next year we know that
- The amount included in general government grant for council tax support will be the same as in 2013/14
 - The one-off grant of £267k offered in 2013/14 will not be available
 - But that the costs of local Council Tax Support will be less than expected if caseloads remain at 2013/14 levels or reduce further.
- 4.4 **Appendix 1** compares the likely cost of the two alternatives in 2014/15, for the Council and its major preceptors (Police and Fire), at the level of council tax assumed in the current financial plan. For this Council
- It is estimated that the net cost of continuing with the current 8.5% scheme would be £1.069m
 - And that the cost of a scheme which requires a 23% reduction for those of working age would cost £0.804m, a difference of £0.265m
 - The cost of both options would reduce by a further £0.2m if council tax is frozen.

The comparison assumes that, based on the current experience of minimal demand, a Council Tax Support Fund is not needed for the 8.5% reduction scheme as the sums involved are modest; but is required for the 23% scheme.

- 4.5 The difference between the two options of £0.265m is of the same scale as the one year grant which the council received in 2013/14 (£0.267m) for holding the reduction to 8.5%. If similar grant funding could be found then the council would be able to maintain the current scheme.
- 4.6 There is potential funding available from other elements of welfare funding for which the council is now responsible. From April 2013, elements of the Social Fund transferred from the DWP to the council. The council has devised its own scheme, Local Welfare Provision, similar in scope to the previous Social Fund arrangements, but with criteria and payment methods set locally to reduce the potential for abuse of the scheme. It provides
- a) Crisis support for residents who experience a disaster or emergency
 - b) Community Support Grants to help individuals or households to remain in the community.
- 4.7 Projections indicate that the local welfare provision of £0.453m in 2013/14 will not be required in full and is likely to have surplus funds of between £0.250m and £0.3m this year and of a similar amount next year. The projection allows for the increase in take-up in recent months, with an expectation that numbers eligible for support will rise during the winter as energy and other costs affect available household income. There is no requirement that the council scheme replicates previous DWP arrangements. The funding is not ring-fenced and it can be used by councils in alternative ways.
- 4.8 A number of factors have contributed to the current underspend including:
- DWP continue to assist with crisis situations via benefit payments in advance and budgeting loans for those in receipt of DWP benefits who might otherwise qualify for a care grant
 - The process for crisis awards is more robust than the previous DWP arrangements. The scheme is administered by telephone, with payment through the Post office by means of a bar code, and for defined purposes. The council does not provide cash in hand and there is a maximum of two awards in a 12 month period.
- 4.9 Use of surplus welfare provision funds to maintain the current 8.5% Council Tax Support Scheme would be an appropriate alternative use. It would provide continuity in current arrangements, and in the level of support for those who need it. It could be sustained for the next two years if demand in 2014/15 is consistent with demand in 2013/14. It would help keep the levels of

bad debt down, as a scheme requiring larger 23% contributions would lead to greater debt problems, an increased demand for welfare support, and greater administrative challenges for the council. There are good arguments for continuing with stable arrangements, and the cost, as now, would be grant-funded.

- 4.10 The proposed scheme is attached at **Appendix 2**. This is essentially the same scheme as was approved for 2013/14 except that there is no provision for a separate council tax support fund. It assumes that the reduction to working age benefits is limited to 8.5%.

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

- 5.1 **Appendix 1** shows the financial implications of the two alternative scheme proposals. It shows the trade off between how much benefit recipients pay, grant support and cost to the council and those bodies which precept on it. The estimated difference of £0.265m between the two options can be covered by the projected surplus local welfare funding. The net cost will be further reduced by an estimated £0.2m if the council freezes its council tax for 2014/15.

- 5.2 The surplus local welfare funding over two years 2013/15 would therefore be up to £0.6m on current projections. This means that, should the council so wish, by carrying forward the surplus from one year to the next it can fund the 8.5% scheme for 2014/15 and 2015/16 with no additional call on the council tax payer.

- 5.3 The administration of the local council tax support scheme is the responsibility of the billing authority. However the scheme has implications for major precepting bodies, the Police Commissioner and the Fire Authority. Police and Fire authorities are compensated for most of the council tax discount through government grant in the same way as the council. It is proposed in the council taxbase report, which follows on this Council agenda, that Council consider compensating parishes as in 2013/14. This is allowed for in the estimates made here.

6. **OUTCOMES OF INTEGRATED IMPACT ASSESSMENT (IF APPLICABLE)**

- 6.1 The council is required to take account of the impact of the changes to council tax support on different groups.

- 6.2 An Impact Assessment was completed for the proposed local scheme in 2013/14. All groups will have their Council Tax Support entitlement calculated using existing Council Tax Benefit regulations, but for working age claimants the local scheme will reduce the discount to 8.5%. In addition

- a) The scheme explicitly provides for no reduction in council tax support for pensioners on low incomes

- b) It continues to recognise the additional financial burden of disability through a system of additional allowances and premiums, within the means test
- c) It continues to recognise the additional financial burden of those with children through a system of additional allowances, and
- d) It applies a full disregard for war disablement, war widows' pensions and the armed forces compensation scheme.

7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED

- 7.1 A new public consultation is not required on the Council Tax Support Scheme as no fundamental changes are proposed.
- 7.2 The Police Commissioner and Fire Authority have been consulted on these proposals. Their views will be confirmed before Council meets.
- 7.3 There are no declared conflicts of interest.

8. RECOMMENDATIONS

- 8.1 That the Council Tax Support Scheme at Appendix 2 is confirmed for 2014/15
- 8.2 That the Council confirms its intention to retain the scheme for 2015/16.

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Background Papers used in the preparation of this report

Report to cabinet member, Policy and Resources 'Council Tax Support and Welfare Schemes', 22 November 2013

APPENDIX 1

	Estimated Impact of the Council Tax Support Scheme	Partially funded by		Impact on Budget after Government Funding Allocation	Other Costs		Total Impact on Budget	
		Met by claimants	Government Grant		Additional Government Grant	Cost of Support Fund		Bad Debt Provision
2014/15 @8.5% reduction	£m	£m	£m	£m	£m	£m	£m	
North Lincolnshire Council	-11.282	0.479	9.746	0.000	-1.057	0.000	-0.012	-1.069
Fire & Rescue	-0.671	0.028	0.579	0.000	-0.064	0.000	-0.001	-0.064
Police & Crime Commissioner	-1.490	0.063	1.413	0.000	-0.014	0.000	-0.001	-0.016
	-13.443	0.570	11.738	0.000	-	0.000	-0.014	-
					-1.135			-1.149

	Estimated Impact of the Council Tax Support Scheme	Partially funded by		Impact on Budget after Government Funding Allocation	Other Costs		Total Impact on Budget	
		Met by claimants	Government Grant		Additional Government Grant	Cost of Support Fund		Bad Debt Provision
2014/15 @ 23% reduction	£m	£m	£m	£m	£m	£m	£m	
North Lincolnshire Council	-11.282	1.331	9.746	0.000	-0.205	-0.133	-0.466	-0.804
Fire & Rescue	-0.671	0.079	0.579	0.000	-0.013	0.000	-0.023	-0.036
Police & Crime Commissioner	-1.490	0.176	1.413	0.000	0.098	0.000	-0.052	0.047
	-13.443	1.586	11.738	0.000	-	-0.133	-0.541	-
					-0.119			-0.793

1. Introduction

At Spending Review 2010 the Government announced that it would localise support for council tax from 2013/14. The Welfare Reform Act 2012 provided for the abolition of Council Tax Benefit, to be replaced by a new local Council Tax Support Scheme from 1 April 2013. This is the proposed support scheme for North Lincolnshire for 2014/15.

2. Prescribed Requirements

The following requirements are to be prescribed by the Secretary of State and will therefore apply to the Council's local CTS scheme.

Pension Age Claimants

It is a government requirement that a Pension Age claimant must see no reduction in the percentage level of support they would have received under Council Tax Benefit, to that which they will receive under the Council Tax Support Scheme.

Persons from Abroad

The government applies the same restrictions as under Council Tax Benefit to exclude foreign nationals with limited immigration status and non-economically active European Economic Area (EEA) individuals who are not exercising European Union (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.

3. North Lincolnshire Council Tax Support Scheme

Under the scheme there will be two distinct claimant groups;

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

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. 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 A) 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 or
- have at least one second adult living with them who is not their partner, not somebody who pays rent, and who is on a prescribed low wage or benefit

Calculation of entitlement

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

- i) A claimants entitlement to support will be calculated using existing Council Tax Benefit regulations
- ii) The level of support to which the claimant is entitled will be deducted from their Council Tax liability
- iii) 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 complete an application form and have their eligibility measured under the above criteria.

In Summary

Pension Age claimants will;

- Have their Council Tax Support entitlement calculated using existing Council Tax Benefit regulations
- Receive the same level of financial support under the local Council Tax Support scheme as they would have done under Council Tax Benefit

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 Council Tax 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 Annex to the appendix for definition) 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.

For claimants in receipt of the new universal credit an assessment will be made of household income against the relevant applicable amounts identified in Annex A

Calculation of Entitlement

Under the local Support Scheme the following process will be followed:

- i) A claimant's entitlement to support will be calculated using existing Council Tax Benefit regulations
- ii) Once 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
- iii) When this adjustment has been made an entitlement of 91.5% of the sum will be allowed under the local council tax support scheme
- iv) 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.

Claim Process

Working Age claimants will complete an application form and have their eligibility measured under the above criteria.

In Summary

Working Age claimants will;

- have their Council Tax Support entitlement calculated using existing Council Tax Benefit regulations
- be entitled to 91.5% of the level of support which they would be entitled to under the current Council Tax Benefit regulations

4. North Lincolnshire Council Tax Support Scheme Summary

The key features of the 2014/15 scheme for North Lincolnshire are:

- Existing Council Tax Benefit regulations will apply when calculating the level of support which a claimant is entitled.
- The scheme will continue to disregard in full previously agreed elements of a claimants income, such as war disablement and war widows pensions in all cases
- Claimants of Pension Age will receive the full level of support they are entitled to using the existing council tax benefit regulations
- Claimants of Working Age will receive 91.5% of the entitlement as calculated using the existing benefit regulations
- 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

Applicable Amounts

Annex A

Applicable amounts start with a personal allowance, this is the minimum level of weekly income the Government deems necessary to live on. It is based on age and status (single or part of a couple).

The indicative allowances detailed below are current rates. These values may be **subject to change** when regulations for 2014/15 are set by government.

Working Age

- Single and under 25: £56.80
- Single and 25 or over: £71.70
- Couple with at least one member 18 or over: £112.55

(for lone parents the under 25 rate only applies to under 18s)

Pension Age

- Single and under 65: £145.40
- Single and 65 or over: £163.50
- Couple both under 65: £222.05
- Couple with at least one member 65 or over: £244.95

Note: There are additional premiums on top of the personal allowance, for those responsible for a child, with a disability or in receipt of ESA.