

Appendices: 3



**NORTHAMPTON**  
BOROUGH COUNCIL

Report Title

LOCAL COUNCIL TAX REDUCTION SCHEME

## CABINET REPORT

**AGENDA STATUS: PUBLIC**

<b>Cabinet Meeting Date:</b>	6 <sup>th</sup> December 2017
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Finance
<b>Accountable Cabinet Member:</b>	Brandon Eldred
<b>Ward(s)</b>	All

### 1. Purpose

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- 1.1 This report recommends the Council Tax Reduction Scheme for 2018/19, including amendments.
- 1.2 The report follows a period of consultation and provides the recommended scheme for approval at Council.

### 2. Recommendations

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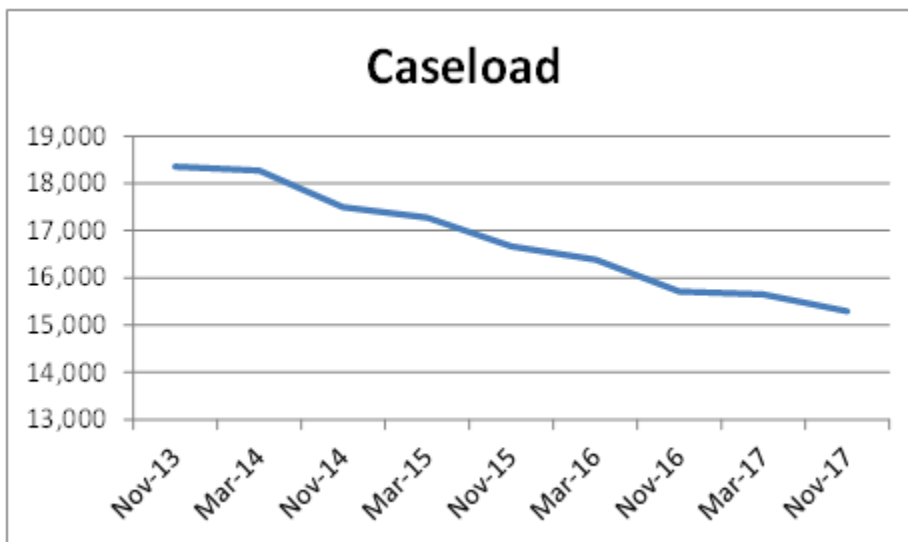
- 2.1 That Cabinet approve the recommendation for the Council Tax Reduction Scheme (CTRS) to remain at a 35% reduction in 2018/19.
- 2.2 That Cabinet recommends the CTRS for approval at Council on the 11th December 2017.

### 3. Issues and Choices

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#### 3.1 Report Background

- 3.1.1 Local Authorities are required to set up their own CTRS from the general funding allocation. This allocation is reducing annually at a forecasted rate of approximately 10% per annum until at least 2018, possibly longer.
- 3.1.2 Reduced funding means the Council is required to consider how to meet its commitment to the CTRS.
- 3.1.3 The graph below demonstrates that the CTRS caseload has continued to reduce. Monitoring closely over the period that the CTRS has been operating, has enabled modelling of final expenditure to be estimated more accurately.



- 3.1.4 Central Government suggested that Local Authorities could meet the funding deficit by implementing other changes, to ensure that Local Authorities maximise their opportunities to be financially efficient with the current budgetary pressures. As part of the implementation of the CTRS from 1<sup>st</sup> April 2013 we have already:
- Reconfigured funding, in particular its transfer of services to LGSS.
  - Used the new flexibility over Council Tax to remove the reliefs in respect of second homes and some empty properties; and other reforms of the council tax system, including the use of an electronic leaflet and removal of expensive printing costs traditionally associated with the annual billing process.
- 3.1.5 Under management from the Department for Communities and Local Government (DCLG), using devolved power under the Local Government Finance Act 1992 (as amended); Northampton Borough Council has been operating a means tested local reduction. This saw a 35% reduction in the support available to working age customers in 2017/18.

- 3.1.6 Local Authorities are expected to ensure their CTRS is suitable for its local community and promotes the Governments position on Welfare Reform, by protecting the vulnerable and encouraging work for those of working age.
- 3.1.7 Pensioners will not be affected by the proposed changes to our CTRS and will remain fully protected. This means that NBC will continue to administer protection for year 2018/19 for approximately 5,797 pensioners.
- 3.1.8 Claimant's aged between 18 and 62 are classed as working age (not of pensionable age) and are subject to the CTRS. Approximately 9,485 customers fall into this group and will be affected for collection and financial purposes by a reduction of their existing award. The reduction is applied by a reduction in benefit after all calculations have been made.
- 3.1.9 A full income disregard of War Widows Pension and War Disablement Pension will continue. This was originally adopted as part of the 2013/14 CTRS in Northampton. Protection for working age customers in receipt of these benefits will also continue.
- 3.1.10 Additional protection will continue for those in receipt of disablement benefits and **Appendix A** provides the groups afforded additional support under the scheme. The scheme will also continue to support people back into work through a 4-week run on period of support.
- 3.1.11 Part of the feedback from previous consultations is that people feel that reducing the amount of support would probably cause hardship for some people.

## **3.2 Issues**

- 3.2.1 The options for amending the CTRS, as detailed in 3.3 below, were consulted upon. These would reduce or mitigate the impact of the reduced funding for the CTRS.
- 3.2.2 Positive responses from the consultation centred on the concept of 'fairness' and everyone having to contribute to protect services
- 3.2.3 Negative responses included concerns about being able to afford increasing contributions toward Council Tax bills, in addition to already increasing priority bills and static incomes.
- 3.2.4 Questions were raised about how those already on a low income being able to afford additional money and the impact on their ability to afford necessities and increased debt.
- 3.2.5 It was also raised that the proposed percentages were too high and that any increase be kept to a minimum to support those most vulnerable
- 3.2.6 Suggestions were made on other areas that funding could be found such as cutting down on all community grants and charitable donations.
- 3.2.7 It was highlighted that these changes could impact vulnerable people and low income families.

3.2.8 Awareness was demonstrated of the impact of non-payment and subsequent increase on recovery costs.

### **3.3 Local Council Tax Reduction options for 2018/19**

#### **3.3.1 Option 1: No change - remain at 65%**

This would mean that CTRS is calculated the same as in 2017/18. However due to reduced funding for CTRS the Council would need to find additional funding.

#### **3.3.2 Option 2: The scheme remains at 65%, but increase the taper on excess income from 20% to 65%**

This means that the claimants in receipt of non-passported benefits would pay more and/or the council would be required to provide additional funding support for the scheme in 2017/18. Claimants in receipt of passported benefits would receive support at the same level as 2017/18.

Non-passported benefit claims are

- Earnings based
- Job Seekers Allowance (contribution based)
- Employment Support Allowance (contribution based)
- Universal Credit

Passported benefit claims are

- Income support
- Job Seekers Allowance (income based)
- Employment Support Allowance (income based)
- Pension Credit Guarantees

#### **3.3.3 Option 3: The scheme remains at 65%, but also apply an additional reduction of £1.20 to the final weekly award.**

This means that all claimants would pay more and/or the council would be required to provide additional funding support for the scheme in 2017/18.

#### **3.3.4 Option 4: Reduce the Maximum amount of CTRS from 65% to 57%**

This means that all claimants would pay more and/or the council would be required to provide additional funding support for the scheme in 2017/18.

#### **3.3.5 Option 5: Limit the liability on all awards to Band A then apply a 35% reduction**

This means that all claimants living in accommodation above Band A would pay more and/or the council would be required to provide additional funding support for the scheme in 2017/18.

### **3.4 Choices – Northampton Local Council Tax Reduction Scheme**

#### **3.4.1 Option 1: No change - remain at 65%**

The current scheme has worked well and provides additional protection and

support for the most vulnerable in the community, alongside supporting incentives to those starting work.

The funding for the existing scheme will reduce again in 2018/19, resulting in the Council being expected to find additional monies from other sources to protect the existing level of support afforded through CTRS. However the drop in caseload over the last year, as demonstrated in 3.1.3 has meant the current scheme remains self-funding.

Funding for the existing scheme would not change for the combined Northamptonshire County Council, Northamptonshire Police and Crime Commissioner, and Northampton Borough Council.

#### **3.4.2 The scheme remains at 65%, but increase the taper on excess income from 20% to 65%**

Funding for the existing scheme will reduce again in 2018/19 and therefore the Council would have been left to find £104,698 from other sources to protect the existing level of support afforded through CTRS.

This means that working age CTRS claimants in receipt of non-passported benefits would need to pay more Council tax. It would also act as a dis-incentive to people entering into work.

When the Council consulted for the 2018/19 scheme, respondents felt that the new proposals would cause additional hardship, that the proposed increase was too high, and suggested a lower weekly figure, and suggested alternative ways of funding the shortfall by reviewing Council spending on other projects.

This also means that the Council will need to fund the difference between the additional paid by the working age CTRS recipients and the funding available and will impact on the wider community in Northampton.

There was concern that increasing the amount payable to 43% would cause considerable difficulties for both individuals and the council in terms of collecting the shortfall in support.

Increasing the contribution rate is likely to lead to increased administration costs in recovering the Council Tax owed.

#### **3.4.3 The scheme remains at 65%, but also apply an additional reduction of £1.20 to the final weekly award.**

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This means that working age CTRS claimants would need to pay more Council tax.

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#### **3.4.4 Reduce the Maximum amount of CTRS from 65% to 57%**

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There was concern that increasing the amount payable to 43% would cause considerable difficulties for both individuals and the council in terms of collecting the shortfall in support.

Increasing the contribution rate is likely to lead to increased administration costs in recovering the Council Tax owed.

#### **3.4.5 Limit the liability on all awards to Band A then apply a 35% reduction**

Funding for the existing scheme will reduce again in 2018/19 and therefore the Council would have been left to find £104,698 from other sources to protect the existing level of support afforded through CTRS.

This means that working age CTRS claimants living in accommodation that is above Band A would need to pay more Council tax.

When the Council consulted for the 2018/19 scheme, respondents felt that the new proposals would cause additional hardship, that the proposed increase was too high, and suggested a lower weekly figure, and suggested alternative ways of funding the shortfall by reviewing Council spending on other projects.

This also means that the Council will need to fund the difference between the additional paid by the working age CTRS recipients and the funding available and will impact on the wider community in Northampton.

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considerable difficulties for both individuals and the council in terms of collecting the shortfall in support.

Increasing the contribution rate is likely to lead to increased administration costs in recovering the Council Tax owed.

### **3.5 Recommended Option (Chosen CTR Scheme)**

- 3.5.1 A reduction of 35% in CTRS from working age recipients from 1st April 2018. This option balances the financial position in 2018/19. At the time of the consultation a greater reduction was a distinct possibility, however since the consultation the financial position has improved due to a reduction in the CTRS caseload.
- 3.5.2 Protection as set out in Appendix A will be continue to be afforded to ensure the Council protects disabled and vulnerable citizens, whilst ensuring there remains an incentive to work.
- 3.5.3 Alongside this the Council will continue to provide protection for recipients of war widows and war disablement pension. Therefore income and capital disregards for this group will be retained.
- 3.5.4 A four–week period of extended payments will continue to be provided for customers moving into work. This period will mean that benefit rates are retained for 4 weeks before any reduction is made.
- 3.5.5 The Council will review carefully the position in 2018/19. Alongside this it will ensure its policies and procedures to support those in hardship meet the needs of our citizens in providing or referring for financial advice.

## **4 Implications (including financial implications)**

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### **4.1 Policy**

- 4.1 The report outlines options for our CTRS, which if chosen, will set policy.

### **4.2 Resources and Risk**

- 4.2.1 There are significant financial implications to the Council, Northamptonshire County Council and the Northamptonshire Police and Crime Commissioner as a result of the requirement to run a local council tax scheme, whilst protecting pensioners.
- 4.2.2 The Council aims for the CTRS to be self-funding. This means that the level of CTRS is set each year at a level were the forecast costs of the scheme match the funding of the scheme. The funding of the scheme is based on an assumed proportion of the Council's central government funding and business rates being allocated to CTRS.
- 4.2.3 Over the last few years there has been a steady reduction in the CTRS caseload – this has been reducing the cost of the scheme. However, at the same time there has also been a steady decrease in the level of central

government funding, reducing the funding for the scheme. Overall for the last few years the level of CTRS has had to be increased year on year in order for the scheme to break even against this notional funding level.

- 4.2.4 In 2018/19 it is forecast that CTRS caseloads will continue to fall. Central government funding is also continuing to fall. However, in 2018/19 the council is also forecasting some growth in business rates, which will partially offset the reduced central government funding. That means that in 2018/19 it will be possible to maintain the scheme at 35% and still break even against the notional funding level.
- 4.2.5 The current financial modelling undertaken on the recommended CTRS for 2018/19 is based on the latest intelligence around collection rates and government funding forecasts and is considered to be self-funding. However, the position would need to be closely monitored during the financial year and the position re-assessed for 2019/20
- 4.2.6 Increased recovery and associated court costs could see increased resource requirements within the revenues team. The impact of other welfare reforms could also contribute to reduced collection on Council Tax and wider corporate debts. The Council has taken full account of pressures across corporate income and debt in calculating the impact of the recommended CTRS.
- 4.2.7 If the Council fails to agree and implement an amended scheme by 31st January 2018 we will need to retain our current scheme. As a result the Council's budget would need to be balanced by other means.

### **4.3 Legal**

- 4.3.1 As part of the process of amending the CTRS, legal advice will be obtained in order to ensure that processes and procedures that underpin the CTRS are compliant.

### **4.4 Equality**

A full equality impact assessment has been completed - this can be found at **Appendix C**.

- 4.4.1 The equality impact assessment recognises that the amendment to the CTRS will place an additional financial burden on working age customers in 2018/19. Included within this group will be individuals and families with vulnerable characteristics.
- 4.4.2 In order to mitigate against the impact on this group and in particular those vulnerable citizens the Council has continued to afford protection within the more generous means-tested element of the CTRS. This can be found at **Appendix A**. Alongside this the Council will continue to consider fair debt collection principles and provide or refer those under financial pressure for debt advice.



## 4.5 Consultees (Internal and External)

- 4.5.1 Local Authorities are obligated to carry out a thorough consultation in-line with the Governments Consultation Principles July 2012, in order to reduce the opportunity for the scheme not to reflect the needs of the local population. The methodology and results of the consultation is attached at **Appendix B**.
- 4.5.2 Consideration required that any consultation that occurred be proportional to the needs of the community and time barred in line with good practice
- 4.5.3 Care must be given to ensure that all members of the community have access to this consultation to ensure that everyone is given a right to be heard on CTRS.
- 4.5.4 The Council's methodology and approach included the following:
- On-line survey
  - News release(s)
  - Social media (Facebook, Twitter, etc.)
  - Northampton Borough Council's internet pages
  - All e-mail communication from the Benefit, Council Tax and Customer Services mailboxes included an invitation link to take-part in the consultation
  - Display screens in the One Stop Shop
  - Details of the consultation were emailed to the Multi Agency Forum and our welfare partners, including registered social landlords.
  - Invitations to participate was sent to key stakeholders, including Precepting Authorities, parishes, local Councillors and Members of Parliament
  - Engagement with housing associations and voluntary and community sectors via their various networks
  - Northampton Borough Council's Community Forum members were invited to take part
  - 1,350 email invitations were issued to email addresses held on the Benefit and Council Tax database
- 4.5.5 Consultation results:
- The website was viewed 289 times during the consultation period. This demonstrates that media coverage of the consultation was active, however members of the public, did not complete the form to air their views.
  - A total of 17 people completed the on-line survey.
  - 2 people expressed an interest in attending the drop-in information sessions.
  - 22 individual comments were received in response to the consultation questions.
  - 0 people emailed for further information
- 4.5.6 Nationally, the response to Local Authority engagement on local Council Tax schemes has been low. Benchmarking with other Local Authorities has established that this is the case.

#### **4.6 How the Proposals deliver Priority Outcomes**

- 4.6.1 The CTRS is a statutory requirement as a result of national austerity measures and wider reforms of the benefit system.

#### **4.7 Other Implications**

None

### **5. Background Papers**

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- 5.1 Appendix A – Specific Protection
- 5.2 Appendix B – Consultation
- 5.3 Appendix C – Equalities Impact Assessment

**Glenn Hammons, Section 151 Officer, Northampton Borough Council**  
**Robin Bates, LGSS Head of Revenues & Benefits**