

Appendices: 3



NORTHAMPTON
BOROUGH COUNCIL

Report Title

LOCAL COUNCIL TAX REDUCTION SCHEME

CABINET REPORT

AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	12 th December 2018
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Finance
Accountable Cabinet Member:	Brandon Eldred
Ward(s)	All

1. Purpose

- 1.1 This report recommends the Council Tax Reduction Scheme for 2019/20, including amendments.
- 1.2 The report follows a period of consultation and provides the recommended scheme for approval at Council.

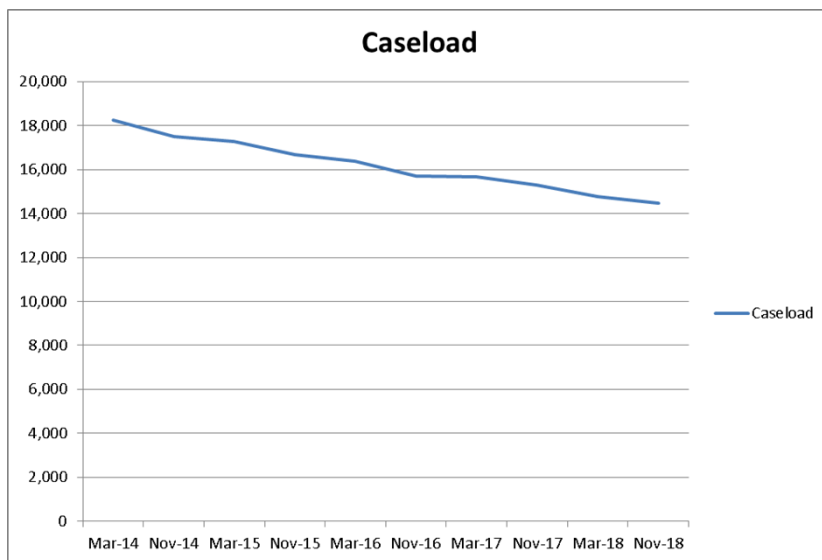
2. Recommendations

- 2.1 That Cabinet approve the recommendation for the Council Tax Reduction Scheme (CTRS) to remain at a 35% reduction in 2019/20.
- 2.2 That Cabinet recommends the CTRS for approval at Council on the 14th January 2019.

3. Issues and Choices

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 2019, 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 each year. 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 1st 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 2018/19.

- 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 2019/20 for approximately 6,802 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 7,868 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 It was highlighted that these changes could impact vulnerable people and low income families.
- 3.2.7 Awareness was demonstrated of the impact of non-payment and subsequent increase on recovery costs.

3.3 Local Council Tax Reduction options for 2019/20

3.3.1 Option 1: No change - remain at 65%

This would mean that CTRS is calculated the same as in 2018/19.

3.3.2 Option 2: Increase the maximum amount of CTRS from 65% to 70%.

This is where the council decreases the % that each recipient has to pay. This would result in the recipients of a reduction needing to pay less Council Tax, and the Council would need to find further additional funding for 2019/20 due to funding reductions in the local government finance settlement and increased CTRS expenditure.

3.3.3 Option 3: Reduce the maximum amount of CTRS from 65% to 60%.

This is where the Council increases the % that each recipient has to pay. This would result in the recipients of a reduction needing to pay more Council Tax.

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 2019/20, 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.

When the Council consulted for the 2019/20 scheme, this was the most popular option overall, whether in receipt of CTRS or not, and regardless of age, gender, or disability status.

3.4.2 Option 2: Increase the maximum amount of CTRS from 65% to 70%.

Funding for the existing scheme will reduce again in 2019/20 and therefore the Council would have been left to find £55,331 from other sources to provide this increased level of support from CTRS.

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

When the Council consulted for the 2019/20 scheme, this was the least popular option overall, with only 38% of respondents in favour. This figure increased to 67% when looking at just those in receipt of CTRS.

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.

3.4.3 Option 3: Reduce the maximum amount of CTRS from 65% to 60%.

Funding for the CTRS scheme will reduce again in 2019//20 and reducing the level of support from CTRS in this way would provide £55,331 of additional income.

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

When the Council consulted for the 2019/20 scheme, respondents felt that the new proposals would cause additional hardship, that the proposed increase was too high, and suggested alternative ways of funding the shortfall by reviewing Council spending on other projects.

There was concern that increasing the amount payable to 40% 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.

3.5 Recommended Option (Chosen CTR Scheme)

- 3.5.1 A reduction of 35% in CTRS from working age recipients from 1st April 2019. This option balances the financial position in 2019/20.
- 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 2019/20. 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)

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 where 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.

4.2.4 In 2019/20 it is forecast that CTRS caseloads will continue to fall. Central government funding is also continuing to fall. However, in 2019/20 the council is also forecasting some growth in business rates, which will partially offset the reduced central government funding. That means that in 2019/20 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 2019/20 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 2020/21.

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 2019 we will need to retain our current scheme.

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 2019/20. 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
 - 31,694 email invitations were issued to email addresses held on the Benefit and Council Tax database

4.5.5 Consultation results:

- The website was viewed 1,421 times during the consultation period. Facebook and Twitter posts were viewed by 11,666 people, with 184 following links to the consultation documents. This demonstrates that media coverage of the consultation was active.
- A total of 2,800 people completed the on-line survey.
- 159 people expressed an interest in attending the drop-in information sessions, with 4 actually attending.
- 920 individual comments were received in response to the consultation questions.

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

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

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