

Appendices:
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NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	LOCAL COUNCIL TAX SUPPORT SCHEME
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	18 th December 2013
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Finance
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	All

1. Purpose

- 1.1 This report recommends the Council Tax reduction scheme for 2014/15, 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 proposed amendment to the scheme from an 8.5% reduction in Council Tax Support (CTS) in 2013/14 to a 15% reduction in 2014/15.
- 2.2 That Cabinet recommends the CTS scheme amendment for approval at Council on the 20th January 2014.

3. Issues and Choices

3.1 Report Background

- 3.1.1 In April 2013 the CTS scheme was implemented by Northampton Borough Council. The funding for CTS was incorporated into the Council's funding allocations from Government. The amount transferred was based on historic levels of council tax benefit grants less 10% to reflect the reducing government resources. As the funding for CTS is included within the Council's general funding allocation it is reducing annually at the same rate as the rest of the Council's funding, which is forecast to be 10% per annum until at least 2018, possibly longer. To ensure the CTS scheme is not subsidised by the borough's council tax payers or by reduced service levels the Council would need to approve a CTS scheme which is self-funding. The scheme approved by Council in 2013/14 was self-funding through the sources set out in the following paragraphs.
- 3.1.2 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 came into effect on the 1st April 2013 and saw an 8.5% reduction in the support available to working age customers.
- 3.1.3 Central Government's funding arrangements for 2013/14 were at a lower amount than received for the previous Council Tax Benefit scheme. A further reduction in funding is anticipated in 2014/15 and 2015/16 as the funding for CTS starts to be included as part of the Council's annual settlement.
- 3.1.4 Local Authorities are expected to ensure their CTS Scheme 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.
- 3.1.5 A further review of a chosen scheme will be undertaken for 2015/16. This could recommend no change to the scheme, be a completely new scheme or a further refined version of the 2014/15 scheme.
- 3.1.6 Pensioners will not be affected by the proposed changes to our CTS Scheme and will remain fully protected.
- 3.1.7 A full income disregard of War Widows Pension and War Disablement Pension will continue. This was originally adopted as part of the 2013/14 CTS Scheme in Northampton.
- 3.1.8 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.

3.2 Issues

- 3.2.1 DCLG provided funding for an additional transitional grant to help fund CTS Schemes in their first year (2013/14). However, no such grant will be made available for subsequent years. This means the Council is required to consider how to meet this further reduction.

- 3.2.2 Central Government suggested that in 2013/14 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 CTS Scheme from 1st April 2013. NBC has already:
- Reconfigured funding, in particular its transfer of services to Local Government Shared Services (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.
- 3.2.3 Pensioners remain protected as part of the 2014/15 scheme. Therefore NBC will continue to administer protection for year 2014/15 for approximately 7,074 residents.
- 3.2.4 Claimant's aged between 18 and 62 are classed as working Age (not of pensionable age) and are subject to the CTS Scheme. Approximately 11,588 accounts 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.

3.3 Choices (Options)

- 3.3.1.1 There are two proposed options for amending the CTS Scheme which were consulted upon. These would reduce or mitigate the impact of the reduced funding for the CTS Scheme over the next two years. The options consulted upon are shown in section 3.3.2.
- 3.3.1.2 Positive responses from the consultation centred on the concept of 'fairness' and everyone having to contribute and that the scheme does help support people in paying their Council Tax bills.
- 3.3.1.3 Some acceptance of the current economic climate was also expressed, as was a view that if these changes were implemented it would prompt better budgeting and would give a push to find rewarding work and therefore regain self-respect and pride.
- 3.3.1.4 Negative responses included concerns about being able to afford increasing contributions toward Council Tax bills, because this amounted to a large proportion of an already limited income.
- 3.3.1.5 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 such as food, fuel or clothing for children.
- 3.3.1.6 It was also raised that the proposed increases are well above inflation and that benefits would not increase in line with increases. This is compounded by rising prices (e.g. food and utilities) and the impact of other welfare reforms. An increased reduction to 36% was seen as unaffordable.

- 3.3.1.7 Anxieties were expressed about how these changes will affect tenants' ability to sustain their tenancy and the implications if these people were made homeless due to arrears.
- 3.3.1.8 It was highlighted that reduced support could cause increased hardship, poverty and misery across the Borough
- 3.3.1.9 It was highlighted that these changes could impact vulnerable people and jeopardise mental health recovery and independent living. Causing health problems e.g. stress and worry and potentially cause existing health conditions to deteriorate.
- 3.3.1.10 This will impact on other local services that support those with mental health problems, disabilities, social services, troubled families unit etc. This will cost more than these proposed changes will save.
- 3.3.1.11 Neutral responses resulted from the respondent not being affected by the changes, either because they were of pension age or were not receiving CTS.

3.3.2 Local Council Tax Reduction Options

3.3.2.1 Maintain the existing CTR Scheme

The option to maintain the 8.5% reduction made in 2013/14, alongside meeting the loss of the transitional grant in 2014/15 was considered as the Council calculated the budgetary pressures in 2014/15. Unfortunately the tough economic situation nationally meant that this option was not viable.

- 3.3.2.2 Therefore as part of consultation two options have been consulted upon. These are:

3.3.2.3 Option 1 Increase Percentage Reduction for 2014/15

This option proposed a 15% reduction in awards across working age customers for 2014/15.

3.3.2.4 Option 2: Increase Percentage Reduction for 2015/16

This option proposed a reduction of up to 36% in awards across working age customers for 2015/16.

3.4 Choices – Northampton Local Council Tax Reduction Scheme

- 3.4.1 The Council has undertaken a four week consultation in order to obtain the views of citizens and stakeholders.
- 3.4.2 Following the consultation a full impact assessment has been carried out encompassing the views expressed by those that responded to ensure the impact to existing and future citizens in need of financial support is minimised.
- 3.4.3 The impact of retaining the existing 2013/14 scheme would see a financial cost to the Council. This would be an additional cost to NBC and its major preceptors and represent a pressure on the Councils general fund in 2014/15.

- 3.4.4 In order to address the impact of this increased pressure an additional reduction in support has been considered. This option increases the reduction in CTS award to 15% from 8.5%.
- 3.4.5 The pressure facing the council in future years to retain a self-balancing CTS scheme will remain as Government funding continues to reduce. In order to balance the Councils budget in future years it may be necessary to reduce the level of support further. As a result the Council have also consulted on a range of reduction in 2015/16 of up to 36%.
- 3.4.6 The Council has existing policies and procedures that aim to balance the need for maximising income to pay for services, with the need to protect tax payers from homelessness or additional charges. These policies and procedures were put in place over the last 3 years as a direct result of welfare reform announcements. They are reviewed regularly.
- 3.4.7 Recommended Option (Chosen CTR Scheme)**
- 3.4.8 A reduction of 15% in CTS support from working age recipients from 1st April 2014. This option balances the financial position in 2014/15 and contributes to the expected shortfall in CTS funding in 2015/16.
- 3.4.9 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.
- 3.4.10 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.
- 3.4.11 A four–week period of extended payments will continue to be provided. This period will mean that benefit rates are retained for 4 weeks before any reduction is made.
- 3.4.12 Any further amendments to the CTS scheme, if required, from the 1st April 2015 will need to be considered during 2014/15. Any change will need to be agreed by full Council no later than the 31st January 2015.
- 3.4.13 Regulations also require the Council to consult on any further proposed changes to the scheme from 1st April 2015.
- 3.4.14 The Council will review carefully any proposed increase in 2015/16. 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

- 4.1.1 The report outlines options for a Local Council Tax scheme, which if chosen, will set policy.

4.2 Resources and Risk

- 4.2.1 There are significant financial implications to the Council and the two other major precepting authorities as a result of the requirement to run a local council tax scheme with a reduction in funding, whilst protecting pensioners.
- 4.2.2 If the Council maintains the existing scheme there would be a funding gap across the Council, County and Police Authority.
- 4.2.3 The current financial modelling undertaken on the recommended CTS scheme for 2014/15 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 2015/16.
- 4.2.4 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 CTS Scheme.
- 4.2.5 If the Council fails to agree and implement an amended scheme by 31st January 2014 we will need to retain our current scheme. The cost of the 2013/14 scheme would not be affordable to the Council and therefore have a financial impact on the Council in 2014/15.

4.3 Legal

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

4.4 Equality

- 4.4.1 Northampton Borough Council must demonstrate to DCLG, that in order to amend the CTS Scheme, a full stakeholder review has taken place and these people have been consulted, to ensure that the scheme reflects the needs of the community as a whole. **This can be found at Appendix B.**
- 4.4.2 A full equality impact assessment has been completed - this can be found at **Appendix C.**
- 4.4.3 The equality impact assessment recognises that the amendment to the CTS Scheme will place an additional financial burden on working age customers in 2014/15. Included within this group will be individuals and families with vulnerable characteristics.
- 4.4.4 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 CTS Scheme. 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 order to reduce the opportunity for the scheme not to reflect the needs of the local population. The Cabinet Office Code of Practice for Consultation in 2004,

defined consultation in five principles, which Northampton Borough Council will adopt;

- Proportional
- Inclusive
- Genuine
- Consistent
- Transparent

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 the CTS Scheme.

4.5.4 A four week consultation was undertaken and included:

- Members
- Forums including:
 - Northampton Pensioner
 - Northampton LGBT and Q
 - Northampton Disabled People Forum
- Members of the Public via web & a number of drop-in sessions

4.5.6 A total of 35 responses were received by 1st December 2013, and 7 people attended the drop-in sessions.

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.

4.5.7 The methodology and results of the consultation is attached at **Appendix B**.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 The CTS Scheme 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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