

Appendices:
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NORTHAMPTON
BOROUGH COUNCIL

CABINET REPORT

Report Title	LOCAL COUNCIL TAX REDUCTION SCHEME
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	16 th December 2015
Key Decision:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Finance
Accountable Cabinet Member:	Mike Hallam
Ward(s)	All

1. Purpose

- 1.1 This report recommends the Council Tax Reduction Scheme for 2016/17, 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 a 21% reduction in Council Tax Reduction Scheme (CTRS) in 2015/16 to a 29% reduction in 2016/17.
- 2.2 That Cabinet recommends the CTRS amendment for approval at Council on the 25th January 2016.

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 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 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.
- 3.1.4 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 21% reduction in the support available to working age customers in 2015/16.
- 3.1.5 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.
- 3.1.6 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 2016/17 for approximately 6,455 pensioners.
- 3.1.7 Claimant's aged between 18 and 62 are classed as working age (not of pensionable age) and are subject to the CTRS. Approximately 10,425 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.
- 3.1.8 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.
- 3.1.9 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.
- 3.1.10 As part of the 2014/15 consultation The Council confirmed that they would need to increase the maximum discount to 36%. People told us that they felt that such a change 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.
- 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 such as food, fuel, travel or clothing for children.
- 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 the recent parking permit scheme, stopping non-essential work within the borough or restructuring within the authority.
- 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 2016/17

3.3.1 Option 1: Reduce the Maximum amount of CTRS from 79% to 69%

This means that the claimants would pay more and the council would not be required to provide additional funding support for the scheme in 2016/17

3.3.2 Option 2: No change

This would mean that CTRS is calculated the same as in 2015/16. However due to reduced funding for CTRS the Council would need to find additional funding.

3.3.3 Option 3: Reduce the Maximum amount of CTRS from 79% to 63% (two years)

This is where the Council continues with the existing policy to increase the % that each taxpayer has to pay in line with national changes. This would result in the recipients of a reduction needing to pay more Council Tax, but this reduction would be held for two years and there would not be any additional cost to the Council.

3.4 Choices – Northampton Local Council Tax Reduction Scheme

3.4.1 Reduce the Maximum amount of CTRS from 79% to 69%

Decreasing the maximum amount by 1% would reduce the cost of the local scheme to the Council by £12,322.

This means that working age CTR recipients would need to pay more Council tax. When the Council consulted for 2014/15 it stated that for 2015/16 it would need to reduce the maximum discount to 64%. People told the Council that they felt that such a change would probably cause hardship for some people. The Council were also clear however that the scheme must continue to be paid for by the funding available and not through impacting the wider community in Northampton.

There is a concern that increasing the amount payable to 36% would cause considerable difficulties for both individuals and the council in terms of collecting the shortfall in support. Therefore for 15/16 the Council settled on 21% as the amount payable for working age recipients of CTR.

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

3.4.2 No change – remain at 21%

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. Funding for the existing scheme will reduce again in 2016/17 and therefore the Council would be left to find £125,749 from other sources to protect the existing level of support afforded through CTRS.

3.4.3 Reduce the Maximum discount from 79% to 63% (two years)

Decreasing the maximum amount by 1% would reduce the cost of the local scheme to the Council by £12,322.

This means that working age CTR recipients would need to pay more Council tax. When the Council consulted for 2014/15 it stated that for 2015/16 it would need to reduce the maximum discount to 64%. People told the Council that they felt that such a change would probably cause hardship for some people. The Council were also clear however that the scheme must continue to be paid for by the funding available and not through impacting the wider community in Northampton.

There is a concern that increasing the amount payable to 36% would cause considerable difficulties for both individuals and the council in terms of collecting the shortfall in support. Therefore for 15/16 the Council settled on 21% as the amount payable for working age recipients of CTR.

This option allows the Council to keep the level of reduction for the next two years to 37% with no additional cost to the Council.

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 29% in CTRS from working age recipients from 1st April 2016. This option balances the financial position in 2016/17. This is a slightly lower amount than consulted upon, however the financial modelling since the consultation 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 any proposed increase in 2016/17. 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 our CTRS, 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 CTRS for 2016/17 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 2017/18
- 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 CTRS.
- 4.2.5 If the Council fails to agree and implement an amended scheme by 31st January 2016 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

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

4.4.2 The equality impact assessment recognises that the amendment to the CTRS will place an additional financial burden on working age customers in 2016/17. Included within this group will be individuals and families with vulnerable characteristics.

4.4.3 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
- 2,317 email invitations were issued to email addresses held on the Benefit and Council Tax database

4.5.5 Consultation results:

- The website was viewed 303 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 42 people completed the on-line survey.
- 20 people expressed an interest in attending the drop-in information sessions.

- 35 individual comments were received in response to the consultation questions.
- 5 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

- 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