

Appendices:
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Report Title	LOCAL COUNCIL TAX REDUCTION SCHEME
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CABINET REPORT

AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	23 rd December 2019
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 2020/21, including amendments.
- 1.2 The report follows a period of consultation and provides the recommended scheme for approval at Council.

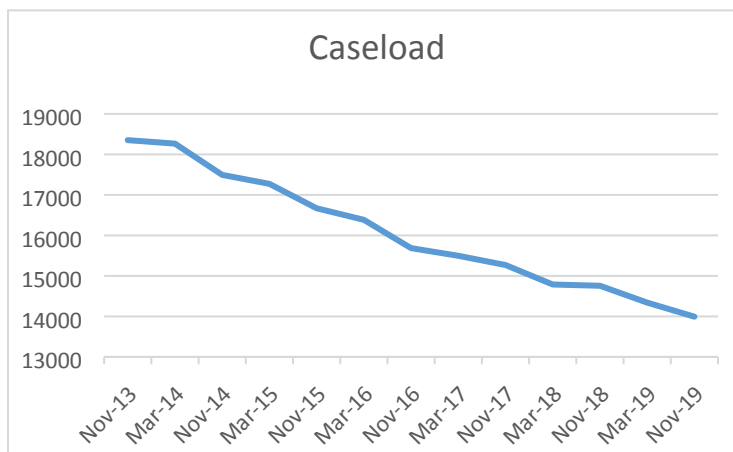
2. Recommendations

- 2.1 That Cabinet approve the recommendation for the Council Tax Reduction Scheme (CTRS) to remain at a 35% reduction in 2020/21.
- 2.2 That Cabinet recommends the CTRS for approval at Council on the 20th January 2020.

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.
- 3.1.2 When the scheme was originally implemented, it was funded by Central Government. Several years ago this funding was provided to Local Authorities as part of their central government grant and with this funding, are expected to provide a service. Since that time, Central Government funding to Local Authorities has dropped year on year, therefore this requirement feeds into the overall demands and pressures on funding.
- 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 2019/20.

- 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 2020/21 for approximately 5,309 pensioners.
- 3.1.8 There are 8,571 claimants who are classed as working age and are currently entitled to the CTR scheme. These customers will be affected for collection and financial purposes by any change in their existing award. The entitlement is applied by a reduction in benefit after all other 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 could 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 highlighted that these changes could impact vulnerable people and low income families.
- 3.2.6 Awareness was demonstrated of the impact of non-payment and subsequent increase on recovery costs.

3.3 Local Council Tax Reduction options for 2020/21

3.3.1 Option 1: No change - remain at 65%

This is where the Council continues with the same scheme as 2019/20 and makes

no further changes. This means the Council Tax contribution rate for those in receipt of CTRS remains at 35%

3.3.2 Option 2: Increase the maximum amount of CTRS.

This is where the council increases the support for recipients of CTRS, and means that they would have to pay less Council Tax. Each 1% increase would cost the Council £10,531.

3.3.3 Option 3: Reduce the maximum amount of CTRS.

This is where the council decreases the support for recipients of CTRS, and means that they would have to pay more Council Tax. Each 1% decrease would save the Council £10,531.

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 will reduce again in 2020/21, 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.

When the Council consulted for the 2020/21 scheme, this was the most popular option overall, whether in receipt of CTRS or not, and regardless of age, gender, or disability status, with 74% of respondents in favour.

3.4.2 Option 2: Increase the maximum amount of CTRS.

Funding will reduce again in 2020/21 and therefore the Council would have been left to find £10,531 for each 1% increase 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 2020/21 scheme, 40% of respondents were in favour of this option. This figure increased to 73% 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: Decrease the maximum amount of CTRS.

Funding will reduce again in 2020/21 and reducing the level of support from CTRS in this way would provide £10,531 of additional income for each 1% decrease in support

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

tax.

When the Council consulted for the 2020/21 scheme, this was the least popular option with 65% of respondents against it. Respondents felt that this proposal would cause additional hardship, and suggested alternative ways of funding the shortfall by reviewing Council spending on other projects.

There was concern that increasing the amount payable 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 2020. This option balances the financial position in 2020/21.
- 3.5.2 Protection as set out in Appendix A will 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 2021/22. 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 the Council's 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, Fire 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 which 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 The forecast in 2020/21 is that CTRS caseloads will continue to fall. Central government funding is also continuing to fall. That means that in 2020/21 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 2020/21 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 2021/22.
- 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 2020, they will need to retain the 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 2020/21. 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
 - 5,415 email invitations were issued to email addresses held on the Benefit and Council Tax database
- 4.5.5 Consultation results:
- The website was viewed 15,702 times during the consultation period. Facebook and Twitter posts were viewed by 11,316 people, with 104 following links to the consultation documents. This demonstrates that media coverage of the consultation was active.
 - A total of 1,337 people completed the on-line survey.
 - 32 people expressed an interest in attending the drop-in information sessions, with 0 actually attending.
 - 398 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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