

CTRS Financial Implications

1. CTRS costs for different percentage options

Three scenarios have been modelled for the Council Tax Reduction Scheme for 2020/21. These are as follows:

1. No change. The maximum amount of CTRS will remain at 65%;
2. Increase the maximum amount of CTRS by 1%;
3. Decrease the maximum amount of CTRS by 1%.

The table below shows the estimated impact of these three options across all of the preceptors, ie, Northampton Borough Council (NBC), Northamptonshire County Council (NCC), and Northamptonshire Police and Crime Commissioner (NPCC):

Impact on all preceptors	2020/21		
		Increase support by 1%	Decrease support by 1%
CTRS scheme percentage	65%		
CTRS Cost	10,166,893	10,245,054	10,088,733
Government Grant	-7,187,141	-7,187,141	-7,187,141
Initial Gap	2,979,752	3,057,913	2,901,592
Adjustments	-2,862,666	-2,862,666	-2,862,666
(Surplus)/Deficit	117,087	195,247	38,926

this shows that:

- Remaining at 65% would lead to a deficit of £117k over all of the preceptors;
- Increasing support by 1% would increase the deficit by £78k over all of the preceptors;
- Decreasing support by 1% would decrease the deficit by £78k over all of the preceptors.

These scenarios are illustrations to give an idea of the potential impact of a 1% change. Larger changes would have a greater impact, with each 1% increase in support costing £78k, and each 1% decrease in support saving £78k.

The impact of any deficit or surplus is not evenly distributed across the preceptors: the impact on NBC is greater due to NBC facing greater funding reductions. The estimated impact of these three options just on NBC is shown below:

Impact on NBC alone	2020/21		
		Increase support by 1%	Decrease support by 1%
CTRS scheme percentage	65%		
CTRS Cost	1,369,792	1,380,322	1,359,261
NBC Grant	-987,016	-987,016	-987,016
Initial Gap	382,776	393,306	372,245
Adjustments	-385,689	-385,689	-385,689
(Surplus)/Deficit	-2,913	7,618	-13,443

This shows that:

- Remaining at 65% would lead to a surplus of £2.9k for Northampton Borough Council;
- Increasing support by 1% would lead to a deficit of £7.6k for Northampton Borough Council;
- Decreasing support by 1% would lead to a surplus of £13.4k for Northampton Borough Council.

Each 1% increase in support would cost NBC £10.5k, with each 1% decrease in support saving NBC £10.5k.

2. Changes in Funding

These figures are only estimates of what the cost of the CTRS will be. One significant element of the estimate calculation is the level of government funding that the preceptors will receive. These figures have been produced using the best current estimates of funding going forwards, but this is liable to change as and when funding settlements are agreed.

3. Future years

All the figures above are just for 2020/21. The deficits and surpluses shown in these figures are expected to worsen in the years beyond 2020/21 as the funding cuts are expected to continue into these future years.