

Northampton Borough Council

Council Tax Reduction Scheme for 2020/21

Background Information for review and initial options

Purpose

For Northampton Borough Council to consider the initial options in respect of the Council Tax Reduction Scheme (CTRS) for the 2020/21 financial year.

Executive Summary

Northampton Borough Council is legally required to give annual consideration on whether to revise its local Council Tax Reduction Scheme and to consult with interested parties if it wishes to change the scheme.

In December 2018, the Council decided to adopt a CTR scheme for 2019/20 that sought to balance the significant cut to the council's resource for CTR, and the council's wider budget challenges, with the need to support the most vulnerable members of our community. The decision was taken to keep the maximum amount of CTRS at 65%.

This report sets the background and options for reviewing our CTR scheme for working age applicants for 2020/21. It also provides information on our CTR scheme as well as collection and recovery of council tax. The findings from this consultation will help inform any changes that may be required. The scheme for 2020/21 must be agreed by the 31st January 2020.

Options

The initial options for consideration in respect of 2020/21 include:

1. **No change – maximum amount of CTRS to 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%.
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. **Decrease 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.

Agreement is needed on the options to take to a public consultation. Public consultation will run over four weeks, and will be undertaken between the 14th October 2019 and the 10th November 2019.

Background

CTRS replaced Council Tax Benefits (CTB) in April 2013. Local authorities were required to set up their own Council Tax discount scheme. Previously, the responsibility for CTB was held by central government and funded by the department for works and pensions (DWP). The responsibility for funding has now passed to local government through the annual Settlement Funding Assessment, with a reduction of 10% in the amount of funding compared to the previous CTB system.

Local Authorities therefore had to decide whether to absorb the funding reduction across other areas of their budget or, pass it on to CTRS recipients by requiring them to make a contribution to their Council Tax demand.

Authorities were tasked with designing a CTR scheme for people of working age. Rules for people of pension age are set in regulations prescribed by the government and they continue to receive assistance at no less amounts than had been available under the CTB scheme.

Whilst the Council has some discretion in designing its CTR scheme for people of working age, the government state that the Council must protect vulnerable groups. Although there is no definition of vulnerable, each authority has to make its own decision. However, the Government has highlighted Local Authority statutory duties regarding:

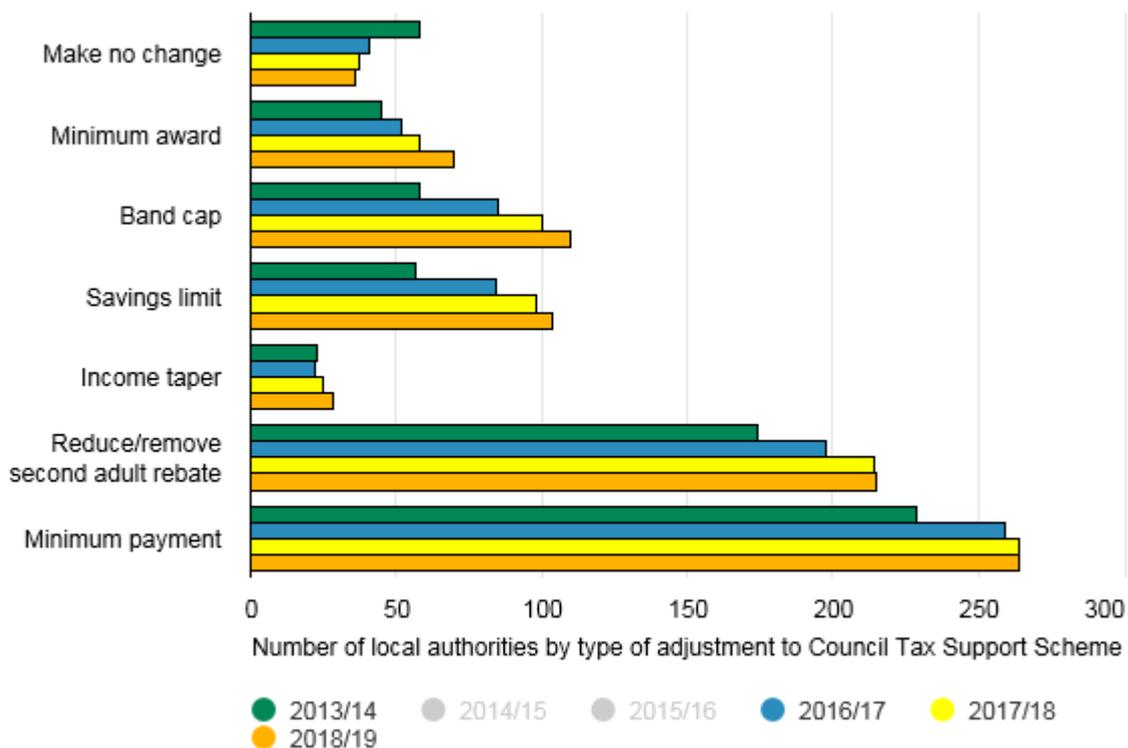
- Children and duties under the 2010 Poverty Act to reduce and mitigate the effects of child poverty
- Disabled people duties under the Equality Act 2010
- Homelessness Prevention and duties under the 1996 Housing Act to prevent homelessness with special regard to vulnerable groups.

The current scheme considers disabled people's needs and those responsible for children. It also fully disregards income from War Disablement and War Widows Pension.

It is based on the former Council Tax Benefit Scheme with the exception that all working age claimants could only claim a discount for 65% of the amount they would have received under the old CTB scheme. An explanation of how the old CTB scheme can be found in Appendix 1.

The approach that Local Authorities have taken has varied greatly. Some authorities have absorbed the funding reduction and do not require residents in receipt of CTRS to contribute towards their Council Tax. Others have asked residents to pay up to 45% of their annual bill. There have also been variations in the components of the schemes across England:

The graph below shows the number of councils that have introduced a particular change. Some local authorities introduced more than one new measure (for example reducing the second adult rebate and introducing a band cap), so councils may be counted more than once



- 217 councils have reduced or removed the second adult rebate (the benefit homeowners not on a low income are entitled to if they share their home with someone on a low income), 3 more than the previous year, April 2016, and 40 more than April 2013.
- 110 councils have introduced a band cap which involves limiting the amount of benefit received in higher value properties to the amount provided to those in lower value properties, 10 more than the previous year and 41 than in April 2013. The most common band cap applied is D.
- 104 councils have lowered the maximum savings limit (the savings limit over which one is no longer eligible for Council Tax Benefit), six more than the previous year and 41 more than in April 2013. Most reduced the threshold to £6,000.

- 70 councils have introduced a minimum CTS entitlement, 13 more than in April 2013. A minimum CTS entitlement of £5 per week would mean that claimants entitled to less than this would receive nothing.
- 27 councils increased the income taper (the amount by which support is withdrawn as income increases) from the CTB rate of 20p per £1. There are now around five councils who use income bands instead of income tapers.

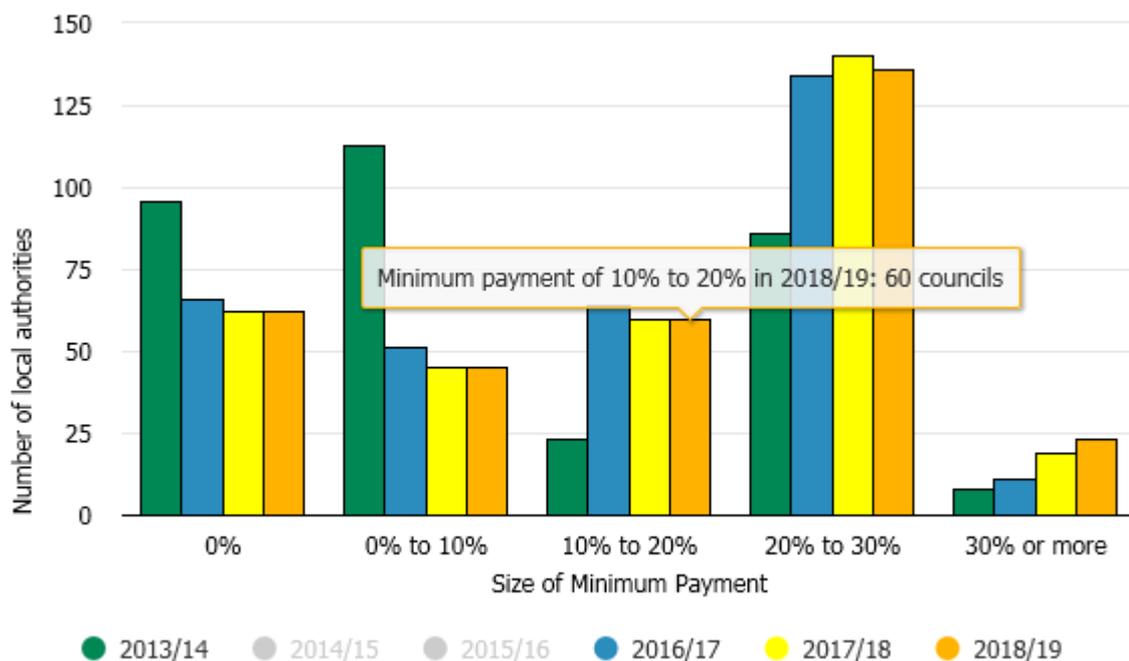
The most common change that local authorities made from the former CTB system was to introduce a “minimum payment” which requires everyone to pay at least some council tax regardless of income.

From April 2014, 245 schemes included a minimum payment, 16 more than in April 2013. From April 2015, this number increased to 250, from April 2016 it reached 259, and from April 2017 it reached 264. This figure stayed the same in April 2018.

A minimum payment can be administered in a range of ways. Most local authorities with a minimum payment require all residents to pay a proportion of their council tax, and they are only entitled to council tax support for the remaining share. For example, a resident must pay 20% of their council tax liability but can apply for Council Tax Support to help pay for the remaining 80%.

The size of this minimum payment varies by area; in 45 councils it is less than 10% of council tax liability and 136 councils it is from 20% up to 29%. Whilst for 19 councils it is 30% or more.

The graph below shows the number of councils by the level of minimum payment:



- There has been a large and steady drop in the number of councils with smaller minimum payments levels (of 10% or less); from 113 in April 2013 to 45 in April 2018.
- The number of councils with a minimum payment of between 10% and 20% has remained the same at 60 in April 2018 compared with the previous year, but up from 23 in April 2013.
- 20% to 30% is the most common minimum payment, with 136 councils choosing this level in April 2018, up from 86 in April 2013.
- The number of councils with a minimum payment of 30% or more has gone up to 23. This is up from 19 the previous year, and 8 in April 2013.

In designing the current CTR scheme the Council have considered customers’ ability to pay and the collectability rate. People of pension age are able to claim up to 100% of their Council Tax liability. The current scheme has not adopted many of the changes seen across the Local Authorities in England for working age recipients, and has one key element:

- Maximum support of 65% of Council Tax – everyone of working age has to pay at least 35% towards their liability.

Options

The options considered for 2020/21 include:

1. No Change, Maximum amount of CTRS remains at 65%

This is where the Council continues with the same scheme 2019/20 and makes no further changes. This means the Council Tax contribution rate for those in receipt of CTRS remaining at 35%. This would result in a surplus of £2,913.

2. Increase the maximum amount of CTRS.

Increasing the maximum amount by 1% would increase the cost of the local scheme to the Council by £10,531. Each additional 1% increase would further increase the cost by £10,531.

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

This also means that the Council will need to fund the difference between the lower amount paid by the working age CTRS recipients and the funding available and will impact on the wider community in Northampton.

3. Decrease the maximum amount of CTRS.

Decreasing the maximum amount by 1% would reduce the cost of the local scheme to the Council by £10,531. Each additional 1% reduction would further decrease the cost by £10,531.

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

When the Council consulted for the 2017/18 scheme, which could have seen a reduction to 63%, respondents felt that the new proposals would cause additional hardship, that the proposed increase was too high and suggested a lower weekly figure, and suggested alternative ways of funding the shortfall by reviewing Council spending on other projects.

There was concern that increasing the amount payable to 37% would cause considerable difficulties for both individuals and the council in terms of collecting the shortfall in support. Therefore for 17/18 the Council settled on 35% 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.

Current performance against collection rates – this can be found in appendix 3

Costs

The current best estimate of the financial implications on the precepting authorities are detailed below. A more detailed explanation of the impact on NBC and the other precepting authorities can be found in Appendix 2

1. **No change – maximum amount of CTRS to remain at 35%.** This is where the Council continues with the same scheme from 2018/19 and makes no further changes.
2. **Increase the maximum amount of CTRS.** To increase support for CTRS recipients, supplemented by additional funding from the Council.
3. **Decrease the maximum amount of CTRS.** To decrease support for CTRS recipients, reducing the additional funding that the Council has to find.

For the estimated costs of all options, please see Appendix 4.

Legal Considerations

Section 33 of the Welfare Reform Act 2012 abolished Council Tax Benefit and any replacement scheme is excluded from the scope of the Universal Credit system set up by Section 1 of that Act. The Local Government Finance Act 2012 amends the Local Government Finance Act 1992 to make provision for the localisation of Council Tax Reduction.

Section 13A was added to The 2012 Act to state that Council Tax will be reduced to the extent set out by in an authority's Council Tax Reduction Scheme and to such further extent as the authority sees fit (new s13A(1)(c) replicating the existing provision for authorities to adopt specified additional classes).

Local Authorities must make a council tax reduction scheme setting out the reductions which are to apply in its area by person or persons in classes consisting of persons whom the authority considers to be in financial need.

Paragraph 5 of Schedule 1A to the local Government Finance Act 1992, as inserted by schedule 4 to local government Finance Act 2012, requires the authority to consider whether, for each financial year, the CTR scheme is to be revised or replaced. Where the scheme is to be revised or replaced the procedural requirements in paragraph 3 of that schedule apply. Any revision/replacement must be determined by 31st of January in the preceding year to the year which the changes apply.

The council must therefore consider whether the scheme requires revision or replacement and if so, consult with precepting authorities, publish a draft scheme and then consult with such persons as are likely to have an interest in the operation of that scheme prior to determining the scheme before 31st January. If any proposed revision is to reduce or remove a reduction to which a class of person is entitled, the revision must include such transitional provision as the council sees fit.

Case law has confirmed that the consultation must

- Be undertaken when proposals are at a formative stage;
- Include sufficient reasons for particular proposals to allow those consulted to give intelligent consideration and an intelligent response;
- Give consultees sufficient time to make a response; and

- Be conscientiously taken into account when the ultimate decision is taken.

Conclusion

Key Considerations applicable to all options

Any of the options to reduce or increase the level of support the Council offers through CTRS will have an adverse or positive impact. The estimated financial impact of each option has been considered.

The overall level of finance available will be considered when choosing what options are acceptable.

Although the council is not legally required to include transitional protection for claimants moving from one CTR scheme to another, the legislation does state that Members must consider if transitional arrangements may be needed and if protection should apply to all groups or just certain groups. Providing protection could limit the ability to realise savings.

Consultation/Timescale

Any decision to change the Local Scheme must be agreed by full Council by the 31st January 2020.

Before implementing any change to the CTR scheme for 2020/21 a public consultation must take place. It is important to not just consider the options to reduce funding for the CTR scheme, but also to give the public options on how the scheme can be kept at the same level by making funding available from other sources or by reducing other services.

Northampton Borough Council will publish its draft scheme when consultation starts with interested parties, through the council's website. Social media and the local press will be used to promote the consultation. In addition to this, feedback will be gathered from major preceptors, various welfare support groups, advice groups and parish councils.

The consultation on the 2020/21 scheme will need to take place from 14th October 2019 until 10th November 2019.

Conclusion

Increasing the maximum amount of CTRS will put further budgetary pressures on the Council. This is caused by the additional cost of providing further support.

Reducing or maintaining the maximum amount of CTRS could provide for a balanced budget and minimal impact of the rest of the Council's services.

Any change to the level of Council Tax will also need to be factored in the final scheme. Any increase in Council Tax will be considered as part of the Council's main budget setting process and consultation.