



Welfare Reform Sub-Committee – 7 January 2016

Council Tax Support Scheme 2016/17

Purpose of report:

To inform members of the outcome of the consultation on the local Council Tax Support (CTS) scheme proposal for East Northamptonshire and recommend a scheme for approval by full Council on the 25 January 2016.

Attachment(s)

Appendix 1 – Equalities Impact Assessment

Appendix 2 – Analysis of consultation responses

Appendix 3 – Financial modelling

1.0 Background

- 1.1 The Welfare Reform Act 2012 introduced a responsibility for local councils to design and operate local CTS schemes to replace the national council tax benefit scheme. The Act was clear that any schemes would need to continue to protect the vulnerable and encourage claimants to get back to work.
- 1.2 The Act also specifically protects claimants of pensionable age from having their entitlement reduced as a consequence of the operation of a local CTS scheme.
- 1.3 The scheme adopted in East Northamptonshire for 2013/14 removed 'Second Adult Rebate' and made all working age claimants responsible for paying at least 8.5% of their council tax liability. Their CTS entitlement was calculated against the remaining 91.5% of liability.
- 1.4 The scheme adopted in East Northamptonshire for 2014/15 and 2015/16 made all working age customers responsible for paying at least 12.5% of their council tax liability. Their CTS entitlement is calculated against the remaining 87.5% of liability.

2.0 Government Funding of Council Tax Support

- 2.1 Members will be aware that the national 10% reduction in government funding for Council Tax Support Schemes over the last three years has been offset locally by the changes in the level of CTS for working age customers and maximising income from owners of empty properties by removing exemptions and applying a premium to long-term empty properties as provided for by the council tax technical reforms legislation.
- 2.2 The Government has not yet released indicative figures for 2016/17. For the purposes of this report an assumption has been made that funding will reduce again by 10%. However the government has also announced a review of CTS schemes which will focus on how schemes have been implemented and their effects. It has been stated that the review will also consider the option of bring CTS within the Universal Credit regiment.

3.0 Proposals

3.1 On the 12 October 2015 the WRSC were presented with various options for a CTS scheme for 2016/17 onwards and the estimated financial effects. Members approved consultation to start on the following five proposed amendments to the existing CTS scheme.

- **Proposal 1** – Reduce the amount of liability used in the scheme to 80% meaning that working age people have to pay 20% of their bill as a minimum.
- **Proposal 2** – Freeze components within CTS (allowances and premiums) and remove the family premium for children born or new claims made after April 2016.
- **Proposal 3** – Reduce the period of backdating claims from 6 months to 4 weeks.
- **Proposal 4** – To align the period in which earnings are taken into account when calculating CTS and Housing Benefit.
- **Proposal 5** – To remove the advantage of extra help to Universal Credit claimants who are repaying debts.

4.0 Consultation

4.1 Consultation on the proposed scheme ran from 26 October 2015 to 23 November 2015.

The consultation included:

- An online survey hosted on the website for the duration of the consultation for all residents to complete.
- A paper copy survey available upon request from our offices in Thrapston, Rushden, Oundle and one afternoon a week in Irthlingborough library.
- Articles and information in the Nene Valley News.
- An opportunity to hear or read about the options in the local media and be kept up to date through the Council's social media channels.
- Mail shot to all current CTS recipients.
- Email shot to landlords, voluntary and community groups.

4.2 The consultation exercise asked respondents to confirm whether they strongly agreed, agreed, neither agreed nor disagreed, disagreed or strongly disagreed with the five proposals detailed above.

4.3 Three hundred and ten (302 online and 8 paper) consultation responses were received, this is an increase in the previous CTS consultation for 2014/15 which generated 118 responses. Below is a high level summary of the responses.

4.4

- **Proposal 1** – Reduce the amount of liability used in the scheme to 80% meaning that working age people have to pay 20% of their bill as a minimum.

Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
69	101	30	62	48
170 (55%)			110 (35%)	

- **Proposal 2** – Freeze components within CTS (allowances and premiums) and remove the family premium for children born or new claims made after April 2016.

Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
51	85	55	58	37
136 (48%)			95 (33%)	

- **Proposal 3** – Reduce the period of backdating claims from 6 months to 4 weeks.

Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
76	102	34	45	28
178 (62%)			73 (26%)	

- **Proposal 4** – To align the period in which earnings are taken into account when calculating CTS and Housing Benefit.

Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
66	130	72	9	7
196 (69%)			16 (6%)	

Proposal 5 – To remove the advantage of extra help to Universal Credit claimants who are repaying debts.

Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree
79	101	46	35	20
180 (64%)			55 (20%)	

- 4.5 Respondents were also able to provide their comments and views in a free text box.
- 4.6 The majority of the customers who supported the proposals did not go on to make further comments about the scheme. However there were two themes in a number of comments around the ideas that people on benefits should pay more as they use more services and council tax should not increase to offset CTS.
- 4.7 The comments received against the proposals were generally related to specific groups, clear concerns expressed for those groups such as carers or people with disabilities who had limited or no option to return to work.
- 4.8 All the responses and comments have been analysed and full details are provided in Appendix 2.

5.0 Autumn Statement - revised financial modelling

- 5.1 The options presented to the WRSC on the 12 October 2015 were originally based on the following assumptions:
- Grant funding will continue to reduce by 10% per year
 - CTS expenditure will stay the same
 - CTS caseload will stay the same
 - Council Tax will increase by 1.99% per year
 - Council Tax collection rates will stay the same
 - Changes to Tax Credit awards are implemented from April 2016
- 5.2 The Autumn statement confirmed that the changes to tax credits would no longer take place during 2016/17 and County Councils responsible for adult social care would be able to increase their council tax by a further 2%. NCC has proposed to adopt the latter for 2016/17.
- 5.3 Further financial modelling has been carried out to take these two changes into account and full details can be found in Appendix 3.
- 5.4 In summary; this is showing that the current CTS scheme would not be cost neutral in 2016/17; there would be a funding gap of around £209K (ENC element £17.5K).

- 5.5 The table below summarises the percentage reduction required each year for the CTS scheme to be broadly cost neutral.

Financial year	2016/17	2017/18	2018/19	2019/20
% Reduction	20.5%	29%	35%	40%

- 5.6 *Summary.* This table shows the minimum amount of council tax a household would have to pay each week depending on their property band and the % of liability that is subject to means-testing.

Average Band	Number of customers affected	Current scheme	Proposed scheme
		12.5% Reduction £	20% Reduction £
A	1330	2.31	3.69
B	799	2.69	4.30
C	190	3.08	4.92
D	87	3.46	5.53
E	28	4.23	6.76
F	26	5.00	7.99
G	3	5.77	9.22
H	0	6.92	11.07

6.0 Issues to consider

- 6.1 The impacts of the 2013/14, 2014/15 and 2015/16 CTS scheme and changes to council tax discounts and exemptions need to be considered when recommending a scheme for 2016/17.

- 6.2 The table below details the number of reminders and summonses issued

Financial Year	Total number of reminders	CTS cases as a % of total reminders	Total number of summonses	CTS cases as a % of total summonses
2012/13	11958	N/A	3096	N/A
2013/14	15809	36%	4025	23%
2014/15	14896	18%	4341	24%
2015/16 @30/09/15	8675	24%	2467	35%

- 6.3 An in year Council Tax collection rate of 97.83% for all Council Tax payers was achieved for 2013/14; this increased to 97.98% for 2014/15 and we are slightly above target for 2015/16.

- 6.4 However, the in year collection rate for Council Tax Support customers has fallen, 91.3% was achieved in 2013/14, 88.2% for 2014/15 and 48.7% for the first quarter of 2015/16 which is 5% down at the same point last year.

- 6.5 The percentage CTS claimants are required to pay didn't change from 2014/15 to 2015/16 therefore other financial pressures may be contributing towards their inability to pay. This could become more significant, particularly in light of the other Welfare Reforms announced in the Budget.

- 6.6 The Council is currently limited to an increase in Council Tax of 2% which is set by Central Government. The current Medium Term Financial Plan assumes a 1.99%

increase in 2016/17 (this may be subject to change when the budget is set in February 2016). A local referendum would be required if we were to propose any further increases in Council Tax.

6.8 If the Council Tax increase is set below the current forecast of 1.99% or the Council agrees to a further Council Tax freeze in 2016/17 then the CTS percentage reduction would need to be even higher to maintain a cost neutral scheme.

6.9 The changes that the Council made to the various council tax discounts and exemptions effectively used up all the options that were available in that area to help close the funding gap. There could be further room created but it would require changes national policy (such as single persons discounts or the protection provided to pensioners) which is widely considered unlikely.

6.10 **Countywide picture**

The table below details the current percentage and proposed reduction rates for the other LA's in the County:

LA	BCW	CBC	DDC	KBC	NBC	SNC
% Reduction 2015/16	20%	8.5%	20%	25%	21%	8.5%
Proposed % reduction 2016/17	20%	8.5%	20%	45%	29%	8.5%

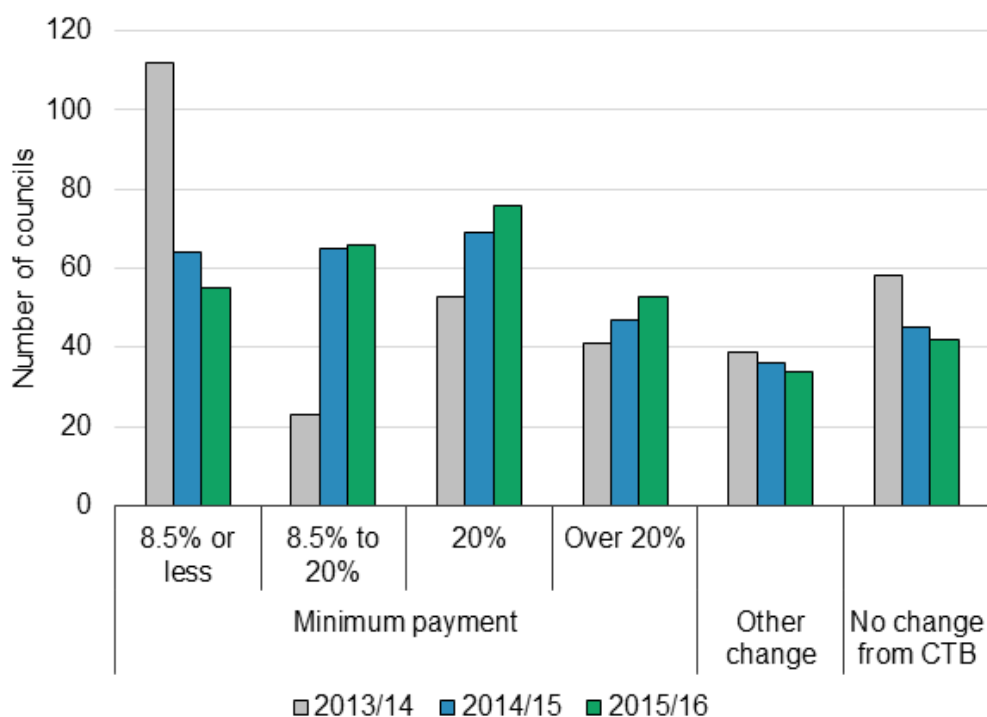
Neighbouring authorities have not seen a decrease in their overall collection rate as a consequence of increasing the percentage reduction in 2015/16.

6.11 **National picture**

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.

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

- There has been a large drop in the number of councils with smaller minimum payments levels (of 8.5% or less); from 112 in April 2013 to 64 in April 2014 to 55 in April 2015.
- The number of councils with a minimum payment of between 8.5% and 20% in April 2015 was 66, up from 65 in April 2014 and 23 in April 2013.
- 76 councils had a minimum payment of 20% in April 2015, up from 69 in April 2014 and 53 in April 2013.
- 53 councils had a minimum payment over 20% in April 2015, up from 47 in April 2014 and 41 in April 2013.



7.0 Equality and Diversity Implications

7.1 A full Equality Impact Assessment has been carried out (Appendix 1).

8.0 Legal

8.1 Adopting a scheme by 31 January 2016 after appropriate consultation will be complying with the legislation.

9.0 Risk Management

Risk	Consequence	Likelihood	Controls
Affordability of local scheme for customers	Increased Council Tax Arrears	Probable	Proactive recovery process
Legislative timetable very challenging	Insufficient time to amend Council Tax bills	Unlikely	Careful management
Scheme open to legal challenge	Reputation loss or claim	Possible	Appropriate consultation and EIA
Software and systems not ready to calculate awards	Financial/reputation loss	Unlikely	Simple amendments applied to the default scheme
Council not able to recover increase in arrears	Collection fund deficit/increased budget pressure	Possible	Prudent financial planning/proactive recovery

10.0 Resource and Financial Implications

10.1 The financial implications are set out in the body of the report above and Appendix 3.

11.0 Constitutional Implications

11.1 There are no constitutional implications.

12.0 Corporate Outcomes

12.1 Value For Money – the scheme is designed to minimise the impact on local tax payers overall.

Prosperous – the scheme is designed to provide an appropriate level of support to people on low incomes.

13.0 Recommendation

13.1 Members are recommended to

- 1) Give due regard to the Equality Impact Assessment in Appendix 1, and
- 2) Give due regard to the consultation responses received in Appendix 2, and
- 3) Resolve to recommend to Council that the Council Tax Support Scheme 2016/17 for East Northamptonshire adopts the existing Council Tax Support Regulations with the following amendments:
 - a) the scheme is based on 80% of the annual Council Tax liability
 - b) freeze components within CTS (allowances and premiums) and remove the family premium for children born or new claims made after April 2016
 - c) reduce the period of backdating claims from 6 months to 1 month
 - d) align the period in which earnings are taken into account when calculating CTS and Housing Benefit
 - e) remove the advantage of extra help to Universal Credit claimants who are repaying debts.
- 4) Review the scheme during 2016/17 to ensure that a financially sustainable scheme is in place for 2017/18.

(Reason – to deliver a Council Tax Support Scheme for 2016/17 that meets all the statutory requirements).

Legal	Power: Local Government Finance Act 2012 Welfare Reform Act 2013				
	Other considerations:				
Background Papers:					
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(Committee Report Normal Rev. 22)