



## Finance & Performance Sub-Committee 29 October 2018

### Council Tax Support Scheme 2019/20

#### Purpose of report

To consider the options for a local Council Tax Support (CTS) Scheme for 2019/20

#### Attachment

None

#### 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 where possible.
- 1.2 Although this is a 'Local Scheme' the key variables of it have been determined on a national basis – for example, people of pensionable age are effectively 'protected'. This means they cannot have their entitlement reduced as a consequence of the operation of a local CTS scheme.
- 1.3 The table below provides a summary of the history of the CTS scheme since its introduction in 2013/14.

Year	Level of Council Tax Support/Benefit	Minimum amount of Council Tax liability to pay
2012/13*	100%	0%
2013/14	91.5%	8.5%
2014/15	87.5%	12.5%
2015/16	87.5%	12.5%
2016/17	80%	20%
2017/18	80%	20%
2018/19	80%	20%
*Previous Council Tax Benefit Scheme		

#### 1.4 Claimant Numbers

The table below provides a summary of the history of the number of CTS claimants.

Year	Working Age claimants	Pensionable Age claimants	Total claimants
2013/14	2,683 (48%)	2,867 (52%)	5,550
2014/15	2,494 (48%)	2,705 (52%)	5,199
2015/16	2,361 (48%)	2,556 (52%)	4,917
2016/17	2,270 (48%)	2,475 (52%)	4,745

2017/18	2,163 (48%)	2,352 (52%)	4,515
2018/19 @ 30.09.18	2,094 (48%)	2,278 (52%)	4,372
<b>Total Reduction %</b>	<b>22%</b>	<b>21%</b>	<b>21%</b>

## 1.5 Council Tax Support Expenditure

The table below provides a summary of the history of CTS expenditure.

Year	Working Age expenditure	Pensionable Age expenditure	Total expenditure
2013/14	£1,977,987 (47%)	£2,224,875 (53%)	£4,202,862
2014/15	£1,807,191 (46%)	£2,136,739 (54%)	£3,943,931
2015/16	£1,717,556 (46%)	£2,036,655 (54%)	£3,754,211
2016/17	£1,549,167 (43%)	£2,049,939 (57%)	£3,599,106
2017/18	£1,531,965 (43%)	£2,064,556 (57%)	£3,596,521
2018/19 estimated	£1,516,646 (43%)	£2,043,644 (57%)	£3,560,290
<b>Total Reduction %</b>	<b>23%</b>	<b>8%</b>	<b>15%</b>

## 2.0 Government funding for Council Tax Support

- 2.1 Government funding for the scheme is allocated to each billing authority as part of the local government funding settlement. For the first year of the scheme, the amount that Government gave to councils was 90% of what Council Tax Benefit (CTB) was forecast to be in 2013/14 had it remained.
- 2.2 Funding for CTS was delineated as a separate line in the local government funding settlements in the first year of the scheme. It has since been included in the overall Revenue Support Grant figure, which has continued to reduce year on year. For the purpose of modelling the CTS scheme for previous years, we have assumed that the funding has been reduced in line with the overall grant. Whilst the revenue support grant has declined significantly, it has been partly offset by the increase to the business rates baseline, which is also used in the calculation of the CTS scheme.
- 2.3 While Government grants to councils are being phased out, local government will move to 75% business rates retention by 2020, under which scheme local government will retain additional business rates income to spend on local services. It has not been confirmed, but this may well be how councils will be expected to fund CTS in the future.

## 3.0 Financial Modelling

- 3.1 High level indicative modelling estimates have been reviewed which suggest that the percentage reduction required in 2019/20 for the CTS scheme to be cost neutral is around 31%.

## 4.0 CTS Scheme 2018/19 – options

### 4.1 Option 1 – Status Quo

**No change to the percentage reduction in the current scheme.**

- 4.2 This would mean retaining the current CTS scheme based on reduced support for working age people, who would be required to pay at least 20% of their Council Tax liability.
- 4.3 This would present an estimated overall funding gap in 2019/20 of around £304K of which £25K relates to

ENC.

**4.4 Option 2 – Breakeven**  
**Increase the percentage reduction in the current CTS scheme.**

4.5 To enable the scheme to be cost neutral, working age people would be required to pay at least 31% of their Council Tax liability.

4.6 *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 reduction.

	<b>Option</b>	<b>1</b>	<b>2</b>
<b>Average Band</b>	<b>Number of customers affected</b>	<b>20% Reduction £</b>	<b>31% Reduction £</b>
<b>A</b>	1,099	4.27	6.61
<b>B</b>	729	4.98	7.72
<b>C</b>	165	5.69	8.82
<b>D</b>	62	6.40	9.92
<b>E</b>	18	7.82	12.13
<b>F</b>	16	9.25	14.33
<b>G</b>	5	10.67	16.54
<b>H</b>	0	12.80	19.84

**5.0 Important issues to consider**

5.1 The impacts of the 2013/14 – 2018/19 CTS schemes and changes to the Council Tax discount and exemptions need to be considered when reviewing the scheme for 2019/20.

5.2 Members will recall that, like many councils, the Council chose to use a new range of flexibilities in Council Tax discount and exemptions so that the pressure on the CTS scheme is minimised – these flexibilities have been fully utilised unless there are any changes to national government policy e.g. 25% Single Persons' Discounts.

5.3 The table below details the number of reminders and summonses issued by ENC for non payment of council tax for the last seven financial years:

<b>Financial Year</b>	<b>Minimum payment</b>	<b>Total number of all reminders</b>	<b>Total number of reminders for working age CTS cases</b>	<b>CTS cases as a % of all reminders</b>
2012/13	0%	11,958	N/A	N/A
2013/14	8.5%	15,809	1,950	12%
2014/15	12.5%	14,896	1,989	13%
2015/16	12.5%	13,750	2,105	15%
2016/17	20%	13,310	2,120	16%
2017/18	20%	13,797	1,901	14%
2018/19 @ 30.09.18	20%	9,010	1,414	16%

Financial Year	Minimum payment	Total number of all summonses	Total number of summonses for working age CTS cases	CTS cases as a % of all summonses
2012/13	0%	3,906	N/A	N/A
2013/14	8.5%	4,025	1,315	33%
2014/15	12.5%	4,341	1,606	37%
2015/16	12.5%	3,634	1,252	34%
2016/17	20%	3,475	1,237	36%
2017/18	20%	3,282	1,208	37%
2018/19 @ 30.09.18	20%	2,252	774	34%

5.4 The table below details ENC's 'in year' council tax collection rates for **all** Council Tax payers for the last six financial years:

Financial Year	Minimum payment	Collection rate
2012/13	0%	97.05%
2013/14	8.5%	97.83%
2014/15	12.5%	97.98%
2015/16	12.5%	98.03%
2016/17	20%	98.09%
2017/18	20%	97.92%

5.5 As at 30 September 2018 the 'in year' collection rate is 57.68% which is 0.31% down on the same point last year.

5.6 The 'in year' collection rate for working age CTS claimants in 2016/17 was 79.6% and for 2017/18 was 79.5%. The rate as at 30 September 2018 for these claimants is 50.7%, which is 4.3% up on the same point last year.

5.7 The table below summarises the Council Tax arrears owed by working age CTS claimants in EN.

Financial year	Number of claimants	Amount of debt at enforcement stage
2013/14	36	£11K
2014/15	53	£16K
2015/16	114	£30K
2016/17	230	£61K
2017/18	447	£118K
2018/19 @ 30.09.18	469	£117K

5.8 A deduction from benefit is one of the most common ways to recover Council Tax arrears, however in most cases the debt is not recovered within the year it relates to. Claimants find it difficult to 'break this cycle' as they struggle to pay their current liability in addition to their arrears.

5.9 Enforcement Agents are sometimes used when all other recovery avenues have been exhausted.

5.10 The table below details the number of claimants on either an attachment to benefit or with the Enforcement Agents.

<b>Financial year</b>	<b>Number of claimants on a deduction from benefit</b>	<b>Number of claimants referred to Enforcement Agents</b>
2013/14	4	9
2014/15	4	20
2015/16	21	50
2016/17	68	103
2017/18	115	159
2018/19 @ 30.09.18	32	47

- 5.11 The figures in 5.3 – 5.10 indicate that we are probably moving to a situation where income collection could start to significantly diminish if we keep increasing the percentage reduction. Members will have to consider the impact on overall collection rates if further changes are to be made – the need to have a sustainable medium term budget remains of significant importance.
- 5.12 As previously mentioned, the national financial landscape is changing fundamentally as local government moves towards self-sufficiency and away from dependence on central government. The review of business rates funding and its implications is part of this but consideration will also be given to how the CTS scheme could be better funded.
- 5.13 The tax base for East Northamptonshire is growing each year and we expect to see another increase in 2019/20.
- 5.14 A new Electronic Document Management system will be implemented within the Revenue & Benefits Service within the next 4 months, which should realise some efficiencies.
- 5.15 Universal Credit Full Service is planned to be completely rolled out in EN by December 2018; the impacts at present are unknown but it is likely that caseload may reduce with more people being supported into work.
- 5.16 Following the Council's resolution on 29th August 2018 to respond to the Secretary of State Housing, Communities and Local Government's invitation with the Northamptonshire Local Government Reform Proposal, the council is awaiting the final decision on whether two new unitary councils will be formed in Northamptonshire. This decision cannot be pre-judged, however if they were to go ahead, there would need to be a harmonisation process between the Districts and Borough Councils on Council Tax and CTS schemes to bring them all into alignment for 2020/21.

## **6.0 Consultation**

- 6.1 Public consultation will only be required if Members propose changes to the scheme.

## **7.0 Equality and Diversity Implications**

- 7.1 A full Equality Impact Assessment was carried out for the current scheme; this will be reviewed if Members propose to consult on changing the scheme.

## **8.0 Privacy Impact Implications**

- 8.1 There are no privacy implications.

## 9.0 Legal Implications

9.1 Adopting a scheme by 31 January 2019, after appropriate consultation (if required), will be complying with the relevant legislation.

## 10.0 Risk Management

10.1 A number of risks have been identified and are set out in the table below

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

## 11.0 Resource and Financial Implications

11.1 The financial implications are set out in the body of the report.

## 12.0 Constitutional Implications

12.1 There are no constitutional implications.

## 13.0 Implications for our Customers

13.1 An increase to the liability reduction may also lead to an increase in the number of customers seeking money and debt advice.

## 14.0 Corporate Outcomes

14.1 The Corporate Outcomes are:

- Good Value for Money – the scheme is designed to minimise the impact on local tax payers overall.
- Good Quality of Life – Prosperous – the scheme is designed to provide an appropriate level of support to people on low incomes.
- Effective Management – the council is required to review the CTS scheme annually.


## 15.0 Recommendation

15.1 The Sub-Committee is recommended to

### **Resolve to recommend to Policy and Resources Committee on 5 November and to Council on 28 January 2019**

- 1) That the Council Tax Support Scheme 2019/20 for East Northamptonshire adopts the existing Council Tax Support Scheme with no amendments..

*(Reason – to deliver a Council Tax Support Scheme for 2019/20 that meets all the statutory requirements).*

<b>Legal</b>	Power: Local Government Finance Act 2012 Welfare Reform Act 2012				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Lucy Hogston, Revenue & Benefits Manager ☎ 01832 742194 ✉ lhogston@east-northamptonshire.gov.uk					
<b>Date: 17 October 2018</b>					
<b>CFO</b>		<b>MO</b> 18/10/18		<b>CX</b>	