



Finance & Performance Sub-Committee 28 October 2019

Council Tax Support Scheme 2020/21

Purpose of report

To consider the options for a local Council Tax Support (CTS) Scheme for 2020/21

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%
2019/20	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	2,093 (49%)	2,197 (51%)	4,290
2019/20 @30.09.19	2,084 (49%)	2,154 (51%)	4,238
Total Reduction %	22%	25%	24%

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	£1,571,927 (43%)	£2,048,611 (57%)	£3,620,538
2019/20 estimated	£1,633,732 (44%)	£2,073,678 (56%)	£3,707,410
Total Reduction %	17%	7%	12%

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 was then included in the overall Revenue Support Grant (RSG) figure, which continued to reduce year on year. For the purpose of modelling the CTS scheme for previous years, we assumed that the funding had been reduced in line with the overall grant. The RSG reduced to nil in 2019/20 therefore the business rates baseline is now the only funding being used in the CTS scheme calculation.

3.0 Financial Modelling

- 3.1 High level indicative modelling estimates have been reviewed which suggest that the percentage reduction required in 2020/21 for the CTS scheme to be cost neutral is around 26%.

4.0 CTS Scheme 2020/21 – 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 2020/21 of around £177K, of which £14K 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 26% 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.

	Option	1	2
Average Band	Number of customers affected	20% Reduction £	26% Reduction £
A	1,093	4.51	5.86
B	725	5.26	6.84
C	165	6.02	7.82
D	62	6.77	8.80
E	18	8.27	10.75
F	16	9.78	12.71
G	5	11.28	14.66
H	0	13.53	17.60

5.0 Important issues to consider

- 5.1 The impacts of the 2013/14 – 2019/20 CTS schemes and changes to the Council Tax discount and exemptions need to be considered when reviewing the scheme for 2020/21.
- 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 Government policy e.g. 25% Single Persons' Discounts.
- 5.3 The tables below detail the number of reminders and summonses issued by ENC for non payment of council tax for the last seven financial years:

Reminders

Financial Year	Minimum payment	Total number of all reminders	Total number of reminders for working age CTS cases	CTS cases as a % of all reminders
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	20%	14,296	1,879	13%
2019/20@ 30.09.19	20%	8,872	1,282	14%

Summonses

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	20%	3,890	1,151	30%
2019/20 @ 30.09.19	20%	2,051	612	30%

- 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%
2018/19	20%	97.88%

- 5.5 As at 30 September 2019 the 'in year' collection rate is 57.70% which is 0.02% up on the same point last year.
- 5.6 The 'in year' collection rate for working age CTS claimants in 2017/18 was 79.5% and for 2018/19 was 81.2%. The rate as at 30 September 2019 for these claimants is 50.60%, which is 0.10% down 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	18	£8.5K
2014/15	31	£11.5K
2015/16	59	£18K
2016/17	123	£40K
2017/18	209	£68K
2018/19	372	£104.5K
2019/20 @ 30.09.19	411	£129K

- 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. The impact on these claimants' health and well-being also needs to be considered.

- 5.9 Enforcement Agents are sometimes used when all other recovery avenues have been exhausted.
- 5.10 There are currently 319 cases with the Enforcement Agents and 218 claimants with a deduction being made from their benefit. Although this is a decrease on the same point last year, it is worth noting that the arrears being recovered still date back to 2013/14 and the value of arrears outstanding has increased by £26.5K from the same point last year.
- 5.11 The figures in 5.3 – 5.10 indicate that income collection is being affected by the percentage of council tax that working age claimants are required to pay; any further increase to the percentage could start to significantly impact on income collection. 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 The national financial landscape is changing fundamentally as local government moves towards self-sufficiency and away from dependence on central government.
- 5.13 The tax base for East Northamptonshire is growing each year and we expect to see another increase in 2020/21.
- 5.14 Following the Secretary of State’s announcement that two new unitary councils will be formed in Northamptonshire with a vesting date of 1st April 2021, harmonisation of council tax and the council tax support scheme will need to be completed across the four district and boroughs in North Northamptonshire (ENC, Corby, Wellingborough and Kettering). The exact methodology surrounding this harmonisation is currently being explored, but it will need to include bringing together the differing local rates for the schemes to ensure a consistent rate for the whole of North Northamptonshire.
- 5.15 The table below details the current percentage reduction rates for the other LA’s in North Northamptonshire:

LA	BCW	CBC	KBC
% Reduction	20%	8.5%	45%

The 2020/21 CTS schemes for BCW, CBC and KBC are currently going through the committee process.

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 2020, 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
	Negative impact on claimants' health and well-being	Probable	Support through grant-funded voluntary sector
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:


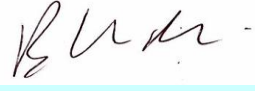
- Good Value for Money – The scheme is designed to minimise the impact on local tax payers overall.
- Good Quality of Life – Prosperous – The scheme is designed to provide an appropriate level of support to people on low incomes.
- Effective Management – The council is required to review the CTS scheme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

15.0 Recommendation

15.1 The Sub-Committee is recommended to **Resolve to Recommend to Policy and Resources Committee on 4 November and to Council on 9 December 2019**

- 1) That the Council adopts the existing Council Tax Support Scheme for East Northamptonshire for 2020/21, with no amendments (Option 1).

(Reason – To deliver a Council Tax Support Scheme for 2020/21 that meets all the statutory requirements).

Legal	Power: Local Government Finance Act 2012 Welfare Reform Act 2012					
	Other considerations:					
Background Papers:						
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