

Integrated Impact Assessment (IIA)

Informing our approach to fairness

Name of proposal	Council Tax and adult social care precept
Date of assessment	September 2018
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Version control

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This is our assessment of the potential equality and other impacts of this 2019-20 proposal, based on the available evidence. We will review this assessment throughout the consultation period. A formal review will take place of all proposals when consultation closes to consider comments and information from all stakeholders, research or new and emerging policy or announcements.

This is the ninth year of austerity and Government-imposed funding cuts. Coupled with unfunded cost pressures, like increasing demand for services and inflation, this has resulted in us needing to achieve savings of £267 million over the last eight years.

Our financial position remains challenging. Over the next three years we need to save a further £60 million, with £16.9 million required in 2019-20.

The following proposal is put forward within this context and should be read in conjunction with 'Shaping our future together: Our medium-term plan 2019-20 to 2021-22'. This explains how we are responding to the continuing financial challenge, setting out our plans for the three years.

Section A: Current service

1. What does the service / function / policy do?

In 2018-19, Council Tax represented around 19.0% of our total external income (excluding Dedicated Schools Grant and Housing Benefit Subsidy Grant). Council Tax income is used to fund a wide range of services for the people of Newcastle, as well as police and fire services (which set their own levels of Council Tax).

In 2016-17 the government introduced a separate Council Tax increase for adult social care services, which became known as the adult social care precept. This was introduced in response to the significant cost pressures facing local authorities with adult social care responsibilities and must be used to fund adult social care services.

The total amount of Council Tax we will collect is determined by the "Council Tax base" as well as the level of Council Tax agreed by the council. The Council Tax base is the total of the weighted number of properties at each Council Tax band (ranging from Band A for the lowest valued properties to Band H for the most expensive properties) adjusted for the estimated long-term collection rate.

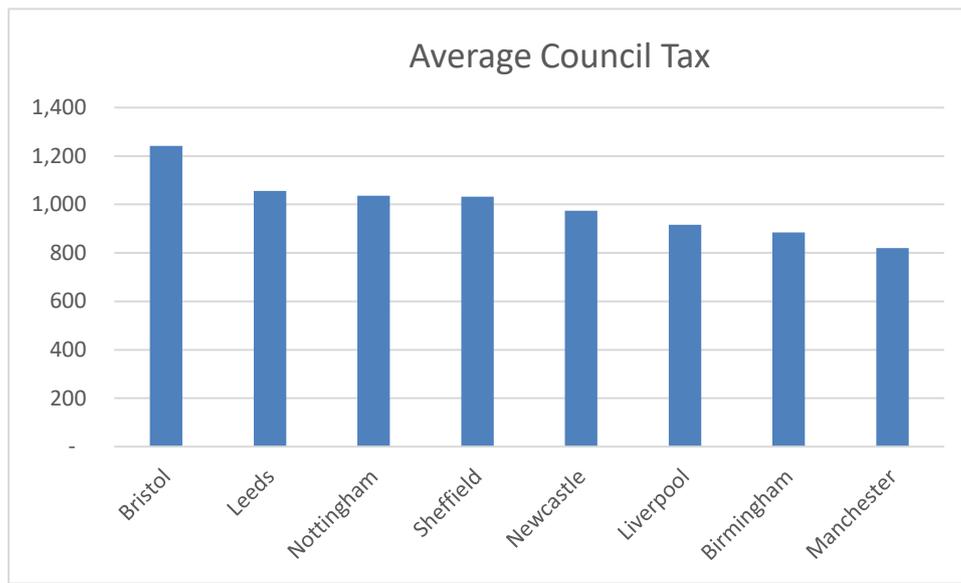
The Council Tax base for 2018-19 was calculated at 65,754 Band D equivalents and the Band D charge was £1,480.13 (excluding adult social care, parish, police and fire precepts) and therefore it is anticipated that we will collect about £97.3m in Council Tax in 2018-19. The Band D Adult Social Care Precept for 2018-19 was £100.81 which is anticipated to generate £6.6m in 2018-19. The amount of Council Tax we will collect in 2019-20 will be impacted by the following factors – new properties added, properties demolished and the number of discounts, exemptions and reliefs that are awarded or withdrawn.

The Band D charge for 2018-19 including adult social care, police and fire was £1,771.21 (including adult social care precept, police and fire but excluding parish precepts) as shown below:

Band	Annual charge (£)
A	1,180.80
B	1,377.61
C	1,574.41
D	1,771.21
E	2,164.81

F	2,558.42
G	2,952.01
H	3,542.42

Due to relatively high number of Band A and Band B properties the average rate of Council Tax paid by residents is low compared with other local authorities (307th out of 326 local authorities). The position when compared to other Core Cities is set out on the following page.



The long-term collection rate target in 2018-19 was set at 97.5% but it is proposed to increase this to 98.0% in 2019-20.

In April 2013, Government abolished Council Tax Benefit, which helped lower income households who would otherwise struggle to pay their Council Tax bill and maximised the amount of revenue available locally to fund council services. Working age people on low incomes who previously received the benefit must now pay something towards their Council Tax. We recognise this puts an additional burden on household finances for people on low incomes. Government reforms have also created a shortfall in our budget because the amount we are able to raise does not cover the full value of the income we received in the form of Council Tax Benefit. In 2018-19 we estimate the council has lost funding of £11.2m from the introduction of Council Tax support.

We made some changes to our Council Tax Reduction Scheme in 2018-19 to replace a complex means test with a simpler banded scheme. We are not proposing any further changes to this scheme in 2019-20.

While our collection remains high amongst Core Cities, we have already taken a number of steps to improve Council Tax recovery we have:

- Changed the culture in the way we tackle and collect our Council Tax debt. We have also created an in-house enforcement team to improve the collection process and performance.
- Introduced an online portal for residents to access their accounts 24/7 and view their Council Tax payments, liability, pay and report change in circumstances.
- Introduced new and tougher enforcement action for those who will not pay Council Tax even after bailiffs have been instructed to collect debt and been unsuccessful. This includes

threatening bankruptcy and committal to prison and applying charging orders to properties where absolutely necessary.

In comparison to other local authorities we have lower than average thresholds for writing off Council Tax debt, however, we only write off debt after 6 years when it becomes uneconomical to collect.

Following changes to the Local Government Finance Act 2012 Councils were given discretionary powers to change some Council Tax empty property discounts and exemptions. With effect from 1 April 2013 the Council introduced a long term empty property premium at 50%. This means that where a property has been empty for two years 150% Council Tax is charged.

2. Who do you deliver this service for?

Council Tax is payable by all residents, although some receive discounts, exemptions and support depending on their personal circumstances.

3. Do you have any statutory requirements?

Council Tax was introduced with effect from 1 April 1993 by the Local Government Finance Act 1992. The legislation sets out the definition of dwellings to be valued for Council Tax and the procedures for seeking an alteration to the band. The billing authorities for each area have the duty to collect the tax. Current statute states that if a council proposes to increase Council Tax by more than 3% then a referendum must be undertaken. The maximum increase in the adult social care precept is also specified by government each year, and this may not be exceeded. In the provisional Local Government Finance Settlement announced on 15 December 2016, government announced additional flexibilities to the precept. The original government proposal was to allow increases to Council Tax by up to 2% in each of the following three years (i.e. 6% in total over 2017-18, 2018-19 and 2019-20). This was amended to allow increases of up to 3% in 2017-18 and 3% in 2018-19 as long as the overall increase over the three years from 2017-18 to 2019-20 did not exceed 6%.

4. How much do you spend on this service?

n/a

5. What workforce delivers this service?

n/a

Section B: Change proposal

1. What is the proposal to change the service?

The government has assumed that all local authorities will increase Council Tax by the maximum amount in 2019-20 (i.e. 3% plus the remaining increase in the adult social care precept).

To set a balanced budget in 2019-20 we need to increase the amount of income raised through Council Tax. We are proposing to increase Council Tax by 2.95%, which will increase income by £3.1 million (based on an assumed 1% increase in the Council Tax base). We propose to use this income to avoid the need to make further reductions to service provision beyond those set out. This increase is below the level that is defined as excessive by the Secretary of State for the purpose of the Local Government Finance Act 1992.

In addition, we propose to also increase the government's Council Tax precept for adult social care to help fund the rising cost of providing adult social care services. In 2017-18 we increased the adult social care precept by 3% and in 2018-19 we increased the adult social care precept by 2%. We are therefore proposing to increase the adult social care precept by 1% in 2019-20, which will generate an additional £1.0 million of Council Tax income (based on an assumed 1% increase in the Council Tax base) to help fund the rising cost of providing adult social care services.

The impact of the combined increase of 3.95% is as follows: (excluding any increases to police and fire precepts)

Band	Current 2018-19 Charge (£)	Proposed 2019-20 Charge (£)	Proposed Annual Increase (£)	Proposed 2019-20 Charge for Single People (£)	Proposed Annual Increase for Single People (£)
A	1,180.80	1,222.42	41.62	916.82	31.22
B	1,377.61	1,426.17	48.56	1,069.63	36.42
C	1,574.41	1,629.90	55.49	1,222.43	41.62
D	1,771.21	1,833.64	62.43	1,375.23	46.82
E	2,164.81	2,241.11	76.30	1,680.83	57.23
F	2,558.42	2,648.60	90.18	1,986.45	67.63
G	2,952.01	3,056.06	104.05	2,292.05	78.04
H	3,542.42	3,667.28	124.86	2,750.46	93.65

Council Tax Exemption for Care Leavers up to the age of 25

The Children and Social Work Act 2017, introduced in April 2017, established a new duty on local authorities to provide support and advice to all care leavers up to the age 25 and to publish the local care leaver offer. For the people who have been looked after by Newcastle City Council, we propose to offer a discretionary hardship payment up to the age of 25 for the full amount of their annual Council Tax liability. This is a new policy aimed at assisting this group of young people as they begin their adult working lives, and the cost of this proposal in 2019-20 has been estimated at £121k, which will be funded from growth in the Council Tax base in 2019-20.

Long Term Empty Property Premium

The provisional Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill states that from:

- 1 April 2019 the long term empty premium can be increased to a maximum of 100%
- 1 April 2020 the long term empty premium for properties that have been empty between 2 and five years the premium can be 100% and for any properties over 5 years it can be up to 200%
- 1 April 2021 the long term empty premium for properties that have been empty between 2 and five years the premium can be 100% and for any properties empty for between 5 and 10 years it can be up to 200% and any empty over 10 years the premium can be 300%

The is proposing to increase the empty property premium in line with the legislation set out above. If agreed this would generate additional Council Tax income of **£380k**, which will be used to avoid the need to make further reductions to service provision beyond those set out in this report and its appendices.

Long-Term Collection Rate

In setting the council's budget we must estimate how much of the Council Tax owed we will be able to collect. The current estimated long-term collection rate for Council Tax is 97.5%. The council performs well in collecting Council Tax with in-year rates amongst the highest within core cities and North East local authorities. In 2017-18 there was a significant surplus on the Collection Fund and a further surplus is anticipated in 2018-19. The council will therefore be increasing its assumed long-term collection rate from 97.5% to 98.0% when it sets its Council Tax base in January 2019. This will increase the Council Tax precept (all other things being equal) by **£560k** in 2019-20. Note that this is a change in the assumptions the council makes in setting its annual budget, not a change in tax collection approach or practice which would impact on residents.

NOTE: the above two items total £940k (i.e. £380k plus £560k) and are included in Appendix 2

2. What evidence has informed this proposal?

Information source	What has this told you?
Financial projections	Increasing Council Tax will generate additional revenue for the council that will avoid the need to make further reductions to service provision beyond those set out in this report and its appendices.
Arrears figures for those in receipt of Council Tax Reduction have risen	People in receipt of benefits are struggling to meet rent and Council Tax due to welfare reform changes. The projections we have modelled show that the increase in charges for most residents already receiving a reduction are small and we will continue to provide Council Tax Reduction in 2019-20 for those people.
Provisional local government financial settlement 15 December 2016	That local authorities can increase the adult social care precept by up to 6% over the 2017-18 to 2019-20 period.
Provision local government financial settlement 19 December 2017	That local authorities can increase Council Tax by up to 3% in line with inflation without triggering a referendum.
Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill July 2018 – Lords amendments due to be progressed	Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Bill

3. How much will you spend on this service?

n/a

4. What will the net savings be of this proposal?

n/a

5. What impact will this have on the workforce?

n/a

6. Who have you engaged with about this proposal?			
Date	Who	No. of people	Main issues raised
December 2017	Residents	22 individuals (12 through Let's Talk consultation, 10 through Social Media)	3 people said - Can't afford a 5% increase when wages go up between 0-2% 3 people feel – unhappy with the Council Tax being raised year on year 2 people said - Stop spending money on road changes / cycle lanes 2 people said - Council Tax Bands are unfair, wealthy should be charged more 2 people said - Cut pay and reduce number of senior staff 2 people said - Use surplus and reserves to stop 1 person said - I support the proposal 1 person said - Look at reducing services which could be contracted out 1 person said - Don't increase budgets on non-essential services
December 2017	NCVS	Voluntary Organisation	Concerned about those residents previously covered by transition but now paying Council Tax, particularly those who are already in arrears
December 2017	Green Party	Organisation	More radical devolution from central to local government – giving full powers to local authorities to set and manage local taxation, benefits, work programmes and public services
7. What are the potential impacts of the proposal?			
Specific group / subject	Impact (actual / potential disadvantage, beneficial outcome or none)	Detail of impact	How will you address or mitigate disadvantage?
People with protected characteristics			
Age	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents	Continue to provide Council Tax Reduction Scheme. Continue to provide a Council Tax hardship scheme.

			Use income from adult social care precept to continue to support the most vulnerable.
Disability	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents	<p>Continue to provide Council Tax Reduction Scheme.</p> <p>Continue to provide a Council Tax hardship scheme.</p> <p>Use income from adult social care precept to continue to support the most vulnerable.</p>
Sex	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents	<p>Continue to provide Council Tax Reduction Scheme.</p> <p>Continue to provide a Council Tax hardship scheme.</p> <p>Use income from adult social care precept to continue to support the most vulnerable.</p>
Marriage and civil partnership	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents	<p>Continue to provide Council Tax Reduction Scheme.</p> <p>Continue to provide a Council Tax hardship scheme.</p> <p>Use income from adult social care precept to continue to support the most vulnerable.</p>

Pregnancy and maternity	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents	<p>Continue to provide Council Tax Reduction Scheme.</p> <p>Continue to provide a Council Tax hardship scheme.</p> <p>Use income from adult social care precept to continue to support the most vulnerable.</p>
Race and ethnicity	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents	<p>Continue to provide Council Tax Reduction Scheme.</p> <p>Continue to provide a Council Tax hardship scheme.</p> <p>Use income from adult social care precept to continue to support the most vulnerable.</p>
Religion and belief	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents	<p>Continue to provide Council Tax Reduction Scheme.</p> <p>Continue to provide a Council Tax hardship scheme.</p> <p>Use income from adult social care precept to continue to support the most vulnerable.</p>
Sexual orientation	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents	<p>Continue to provide Council Tax Reduction Scheme.</p>

			<p>Continue to provide a Council Tax hardship scheme.</p> <p>Use income from adult social care precept to continue to support the most vulnerable.</p>
Gender reassignment	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents	<p>Continue to provide Council Tax Reduction Scheme.</p> <p>Continue to provide a Council Tax hardship scheme.</p> <p>Use income from adult social care precept to continue to support the most vulnerable.</p>
Other potential impacts			
People vulnerable to socio-economic impacts	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents.	<p>Continue to provide Council Tax Reduction Scheme.</p> <p>Continue to provide a Council Tax hardship scheme.</p> <p>Use income from adult social care precept to continue to support the most vulnerable.</p>
People in low paid employment or in households with low incomes	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents.	<p>Continue to provide Council Tax Reduction Scheme.</p> <p>Continue to provide a Council Tax hardship scheme.</p>

			Use income from adult social care precept to continue to support the most vulnerable.
People facing barriers to gaining employment, such as low levels of educational attainment	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents.	Continue to provide Council Tax Reduction Scheme. Continue to provide a Council Tax hardship scheme. Use income from adult social care precept to continue to support the most vulnerable.
Looked after children	No impact		
People facing multiple deprivation, through a combination of factors such as poor health or poor housing / homelessness	Potential disadvantage	Council Tax increase of 2.95% and proposed 1% adult social care precept will impact on all residents.	Continue to provide Council Tax Reduction Scheme. Continue to provide a Council Tax hardship scheme. Use income from adult social care precept to continue to support the most vulnerable.
Businesses	No impact		
Geography	No impact		
Community cohesion	No impact		
Community safety	No impact		
Environment and air quality	No impact		