

# Integrated Impact Assessment (IIA)

## Informing our approach to fairness

|                                    |   |
|------------------------------------|---|
| <b>Name of proposal</b>            | Council Tax and Social Care Precept                                       |
| <b>Date of original assessment</b> | September 2016  |
| <b>Lead officer</b>                | Tony Kirkham  |
| <b>Assessment team</b>             | Tony Kirkham, Mark Nicholson, Jayne Henderson, Jenny Nelson, Lesly Watson |
| <b>Review date</b>                 | June 2017   |

### Version control

|                         |                 |
|-------------------------|-----------------|
| <b>Version</b>          | 2               |
| <b>Date</b>             | 3 February 2017 |
| <b>Replaces version</b> | 1               |

This is our assessment of the potential equality and other impacts of this 2017-18 budget proposal, based on the available evidence. It is a 'living document'. We have reviewed this assessment following a period of consultation and will continue to review it as we implement the proposal.

## Section A: Current service

### 1. What does the service do?

Council Tax represents around 19% of our total external income (excluding Dedicated Schools Grant and Housing Benefit Subsidy Grant).

Money paid as Council Tax goes towards the cost of providing a wide range of services for the people of Newcastle. Council Tax doesn't just pay for Council services; it also supports public transport, civil emergencies and the fire and police services (which set their own level of Council Tax).

After 5 years of managing to freeze Council Tax, in 2015-16 and 2016-17 we took the difficult decision to increase the Council Tax charge by 1.95% and use the additional income to mitigate the impact of other proposed reductions in service provision.

The government announced on 25 November 2015 that local authorities could increase Council Tax by an additional 2% to part-fund adult social care cost pressures, and we reluctantly decided to introduce this levy.

#### How do we set Council Tax

The process for determining how much Council Tax a council can charge is determined by the "Council Tax Base". This is the measure of the number of properties in the city that we can charge Council Tax for and is a process undertaken by all Local Authorities. Under Council Tax regulations the Council Tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the Council's estimated collection rate for the year. The property value determines its valuation band – ranging from Band A for the lowest valued properties to Band H for the most expensive properties.

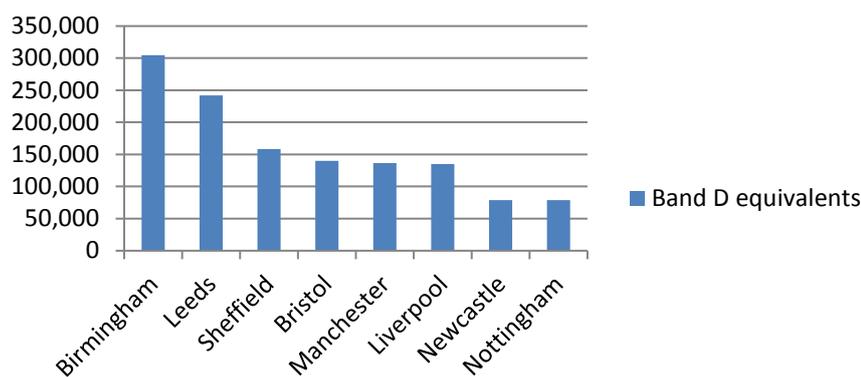
Relevant amounts are calculated as the number of chargeable dwellings in each band shown on the valuation list on a specified day of the previous year adjusted for the number of discounts, and reductions for disability, that apply to those dwellings.

Each Band D equivalent is then aggregated to provide a total. This amount is then adjusted to take into account the collection rate for that year and finally an adjustment is made in respect of the contribution in respect of local Ministry of Defence (MoD) properties.

The Tax base for 2016-17 was calculated at 63,426 Band D equivalents (including MoD contribution) and the band D charge is £1,407.73 (excluding adult social care, parish, police and fire precepts) and therefore it is anticipated that we will charge about £89.3m in Council Tax. The Band D Adult Social Care Precept for 2016-17 was £27.62 which is anticipated to generate £1.75m. The Band D charge including adult social care, police and fire is £1,604.79.

In comparison to other Core Cities, and more broadly, Newcastle has a low number of band D equivalent properties, and therefore our Council Tax base is lower than would normally be expected for a city of our size.

## Band D equivalents



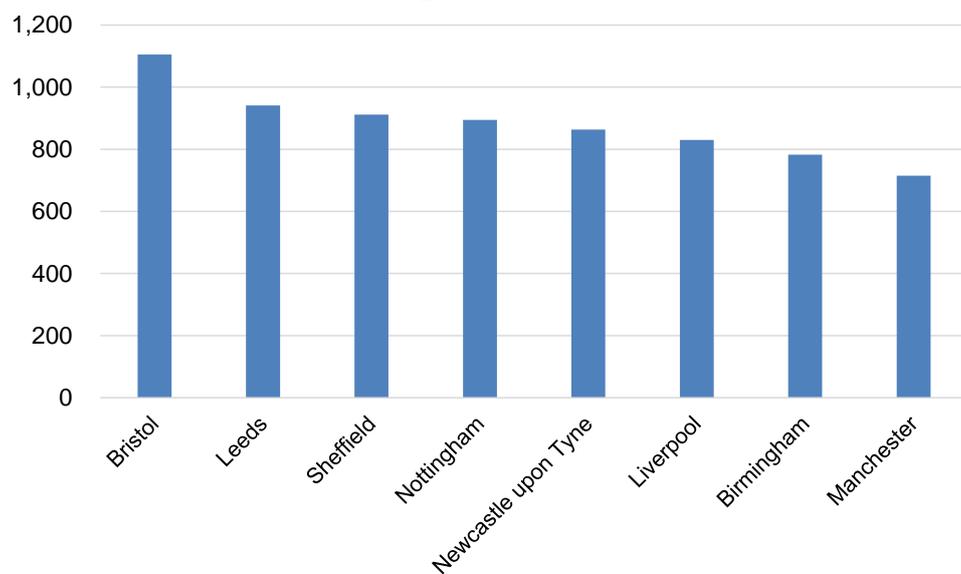
Once the Council Tax base has been agreed, the level of Council Tax is set in accordance with the Council's budget requirements. The amount of Council Tax we can collect during the year will fluctuate according to certain changes that will be made. Changes include new properties being added, properties being demolished and the number of discounts, exemptions and reliefs that are awarded or withdrawn. When we calculate our base in advance of the financial year we estimate based on historical data and service intelligence what these changes will be and reflect it in our calculations.

Current annual Council Tax charges (excluding Parish Precepts) are:

| Band | Annual charge |
|------|---------------|
| A    | £1,069.86     |
| B    | £1,248.47     |
| C    | £1,426.48     |
| D    | £1,604.79     |
| E    | £1,961.41     |
| F    | £2,318.03     |
| G    | £2,674.65     |
| H    | £3,209.58     |

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 (309th out of 326 local authorities). The position when compared to other Core Cities is set out on the following page.

## Average Council Tax



In-year collection performance in 2015-16 was 96.9%. The long-term collection rate is not as high as in previous years mainly due to the introduction of our Council Tax Reduction Scheme following the Government abolishing Council Tax Benefit on 1 April 2013 and reducing our funding. A Council Tax Reduction Scheme impacts upon the collection rate because it entails people previously entitled to 100% Council Tax benefit having to pay a small amount of Council Tax. To mitigate the impact of this funding cut we have subsidised this from general resources, at a cost of £10.5 million from 2013-14 to date.

In 2013-14 we accepted transitional funding to support our residents and most working age people received Council Tax reduction based on 91.5% of their Council Tax (i.e. people received a reduction on 91.5%). In 2014-15 and 2015-16 there was no transitional funding available and as we received a further cut in funding most working age adults eligible for Council Tax support received Council Tax Reduction based on 80% of their Council Tax. Council Tax arrears for this group of people increased during the 2014-15 and 2015-16 and many of them are also affected by other welfare reform changes. We therefore reviewed our scheme for 2016-17 to take into consideration council tax arrears figures and the impact of wider welfare reform changes on our residents, and following consultation we changed some of elements of our Council Tax Reduction scheme for 2016-17 including increasing the maximum reduction from 80% to 85%. We have no plans to change our Council Tax Reduction scheme for 2017-18 other than upratings and mirroring minor changes to housing benefit.

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

- Introduced nudge theory on all our bills, recovery notices and correspondence that we send to residents. Nudge Theory has been used successfully by other local authorities and organisations to help improve income and collection rates. We have applied to the collection of council tax as payment is mandatory and it is important to highlight key messages that outline the consequences of non-payment.
- Changed the culture in the way we tackle and collect our Council Tax debt.
- Introduce a new 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 also applying charging orders to

properties where absolutely necessary. We have also created an in-house enforcement team to improve the collection process and performance.

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

## 2. Who do you deliver this service for?

Council Tax is charged and collected, and all residents benefit from this. Council Tax supports the provision of Council services. Council Tax is payable by all residents, although some receive discounts, exemptions and support depending on personal and property circumstances.

## 3. Do you have any statutory requirements?

Current statute states that if a council proposes to increase Council Tax by more than 2% then a referendum must be undertaken.

The government announced on 15 December 2016 that local authorities can increase Council Tax by an additional 3% to fund adult social care cost pressures and we intend to increase this in 2017-18 by 3%.

## 4. How much do you spend on this service?

N/A – Current charges outlined in section 1

## 5. What workforce delivers this service?

N/A – Administration of Council Tax is within Financial Services.

# Section B: Change proposal

## 1. What is the proposal to change the service?

To set a balanced budget in 2017-18 we will raise more income through Council Tax. We are proposing to increase Council Tax by 1.95% which will increase income by £1.8 million. We propose to use the additional income to avoid the need to make further reductions to service provision beyond those set out in this report and its appendices. This increase is below the level which 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 apply the Government's Council Tax precept for adult social care to help support the rising cost of care. In the provisional Local Government Finance Settlement announced on 15 December 2016, Government announced additional flexibilities to the precept. Their original proposal that we consulted on was to allow increases to Council Tax by up to 2% in each of the next three years (i.e. 6% in total). 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 next three years does not exceed 6%. Following the Government's announcement, we now propose to apply of precept of 3%. The 3% precept will generate an additional £2.8 million in 2017-18.

The Local Government Finance Settlement also included a new one-off Adult Social Care Grant, funded from a higher than expected national reduction in the New Homes Bonus. Our share of this grant is £1.5 million for 2017-18 only. In line with feedback we received through consultation, we propose to use the additional funding generated through the adult social care precept on Council Tax and the one-off Adult Social Care Grant to:

- Work with health partners to secure the future of Byker Lodge for at least a further two years, allowing time for work with health partners to identify a sustainable long-term solution;

- Protect the most vulnerable in the city through maintaining the number of beds for people at risk of exclusion or homelessness at the current levels for a further two years and ensuring the future of a safeguarding hub; and
- Responding to concerns raised on the impact of our service specific proposals on carers by maintaining the Carer's Support Allowance and boosting the Carer's Wellbeing Fund.

### 1. Council Tax increase

An increase in 1.95% generates additional income of £1.8 million.

| Increase      | Annual increase Band A | Annual increase Band A with Single Person Discount | Annual increase Band B | Annual increase Band B with Single Person Discount | Annual increase Band C | Annual increase Band C with SPD |
|---------------|------------------------|--|------------------------|--|------------------------|---------------------------------|
| <b>1.949%</b> | £18.65                 | £13.72   | £21.76                 | £16.32   | £24.87                 | £18.65                          |

We will use this income to mitigate the impact of other proposed reductions in service provision. The income is low in comparison with other local authorities because (as explained in Section A1), Newcastle has a high number of Band A properties.

The impact on Band Charges of an increase of 1.95% are:-

| Band | Current 2016-17 Charge | Proposed 2017-18 Charge | <b>Proposed annual increase (£)</b> | Current total with Single Person Discount | Proposed annual increase for single people (£) |
|------|------------------------|-------------------------|-------------------------------------|---|--|
| A    | £1,069.86              | £1,088.51               | <b>£18.65</b>                       | £802.40                                   | £13.99   |
| B    | £1,248.17              | £1,269.93               | <b>£21.76</b>                       | £936.13                                   | £16.32   |
| C    | £1,426.48              | £1,451.35               | <b>£24.87</b>                       | £1,069.86                                 | £18.65   |
| D    | £1,604.79              | £1,632.77               | <b>£27.98</b>                       | £1,203.59                                 | £20.98   |
| E    | £1,961.41              | £1,995.61               | <b>£34.20</b>                       | £1,471.06                                 | £25.65   |
| F    | £2,318.02              | £2,358.44               | <b>£40.42</b>                       | £1,738.52                                 | £30.32   |
| G    | £2,674.65              | £2,721.28               | <b>£46.63</b>                       | £2,005.99                                 | £34.97   |
| H    | £3,209.58              | £3,265.54               | <b>£55.96</b>                       | £2,407.19                                 | £41.97   |

### 2. Adult social care precept

Following the Government announcement on 25 November 2015 we applied a new 2% social care precept to Council Tax in 2016-17. The provisional local government financial settlement on 15 December 2016 allowed councils to increase the adult social care precept by up to 3% in 2017-18 generating income of £2.8 million.

### 3. Potential combined impact

The impact on Band Charges of an increase of 1.95% + and increase of 3% on the social care precept are: (excluding any increases to police and fire precepts)

| Band | Current 2016-17 Charge | Proposed 2017-18 Charge | Proposed <b>annual increase (£)</b> | Proposed 2017-18 charge with Single Person Discount | Proposed annual increase for single people (£) |
|------|------------------------|-------------------------|-------------------------------------|---|--|
| A    | £1,069.86              | £1,117.22               | £47.36                              | £837.92   | £35.52   |
| B    | £1,248.17              | £1,303.42               | £55.25                              | £977.57   | £41.44   |
| C    | £1,426.48              | £1,489.62               | £63.14                              | £1,117.22   | £47.36   |
| D    | £1,604.79              | £1,675.83               | £71.04                              | £1,256.87   | £53.28   |
| E    | £1,961.41              | £2,048.24               | £86.83                              | £1,536.18   | £65.12   |
| F    | £2,318.02              | £2,420.64               | £102.62                             | £1,815.48   | £76.97   |
| G    | £2,674.65              | £2,793.05               | £118.40                             | £2,094.79   | £88.80   |
| H    | £3,209.58              | £3,351.66               | £142.08                             | £2,513.75   | £106.56  |

Specific examples of the impact on residents of the various increases are available on request.

The table below also outlines various case studies to demonstrate the weekly impact on Council Tax payments as a result of the 4.95% increase. This is based on band A properties as the majority of properties within Newcastle are in this band and the majority of people eligible for Council Tax Reduction live in these properties.

|   | Weekly income | Council Tax Payments 2016-17 | Council Tax payments 2017-18 | Weekly increase |
|---|---------------|------------------------------|------------------------------|-----------------|
| Single person on JSA in band A property                       | £73.10        | £2.31                        | £2.39                        | £0.08           |
| Couple in a band A property                                   | £114.85       | £3.08                        | £3.18                        | £0.10           |
| Couple with children in band A property with JSA and CTC      | £239.37       | £3.08                        | £3.18                        | £0.10           |
| Couple with children in band A property with earnings and CTC | £343.51       | £8.21                        | £8.92                        | £0.71           |
| Single person on ESA in band A property                       | £109.30       | £2.31                        | £2.39                        | £0.08           |

| 2. What evidence has informed this proposal?                           |                 |   |  |
|--|-----------------|---|--|
| Information source   |                 | What has this told you?   |  |
| Financial projections  |                 | That increasing Council Tax will generate additional revenue for the council that will off-set service reductions.  |  |
| Arrears figures for these in receipt of Council Tax support 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 support at the current rate. |  |
| Provisional local government financial settlement 15 December 2016     |                 | That Councils will be able to charge a 3% adult social care precept on Council Tax bills  |  |
| 3. How much will you spend on this service?                            |                 |   |  |
| N/A  |                 |   |  |
| 4. What will the net increase be of this proposal?                     |                 |   |  |
|  |                 |   | <b>Net increase</b>  |
| <b>2017-18</b>   |                 |   | 1.95% basic increase<br>3% social care precept<br><b>Total increase of up to 4.95%</b>   |
| 5. What impact will this have on the workforce?                        |                 |   |  |
|  | <b>No. FTEs</b> | <b>% workforce</b>  | This proposal will not directly impact on the workforce other than potentially mitigating impact of proposed reduction in service provision. |
| <b>2017-18</b>   | No change       |   |  |

| 6. Who have you engaged with about this proposal?  |  |   |   |  |
|--|--|---|---|--|
| Date   | Who  | No. of people   | Main issues raised  |  |
| December 2016                                      | Residents                                  | 20  | Council Tax and Social Care Precept – General comments  |  |
|  | NCVS                                       |   | 4 people said - Stop spending money on road changes   |  |
|  | Elders Council                             |   | 3 people said - Cut pay and expenses for senior staff<br>1 person said - Council Tax should become means-tested<br>1 person said - Cut councillors' expenses<br>1 person said - Cut the number of councillors<br>1 person said - Lobby for central government to reallocate foreign aid to domestic spending<br>1 person said - Promote the region to businesses<br>1 person said Stop spending money on communications |  |
|  | Newcastle Green Party                      |   | The Newcastle Green Party proposed an alternative method of funding, by replacing funding from Business Rates and Council Tax with a Land Value Tax based on the undeveloped value of land  |  |
| 7. What are the potential impacts of the proposal? |  |   |   |  |
| Staff / service users                              | Specific group / subject                   | Impact<br>(actual / potential disadvantage, beneficial outcome or none) | Detail of impact  | How will you address or mitigate disadvantage?   |
| People with protected characteristics              |  |   |   |  |
|  | Younger people and / or older people (age) | Potential disadvantage  | Council Tax increase of 1.949% and proposed 2% social care precept will impact on all residents   | Continue to provide Council Tax support at the current rate.<br>Use income from adult social care precept to continue to support the most vulnerable.<br>Use income from Council Tax to reduce the need to make service reductions in other areas. |

|   |  |  |   |  |
|---|--|--|---|--|
|   | Disabled people  | No specific disadvantage no change to current support levels for those receiving Disability Living Allowance |   |  |
|   | Carers   | No specific disadvantage based on protected characteristic   |   |  |
|   | People who are married or in civil partnerships                | No specific disadvantage based on protected characteristic   |   |  |
|   | Sex or gender (including transgender, pregnancy and maternity) | No specific disadvantage based on protected characteristic   |   |  |
|   | People's sexual orientation                                    | No specific disadvantage based on protected characteristic   |   |  |
|   | People of different races                                      | No specific disadvantage based on protected characteristic   |   |  |
|   | People who have different religions or beliefs                 | No specific disadvantage based on protected characteristic   |   |  |
| <b>People vulnerable to socio-economic disadvantage</b> |  |  |   |  |
|   | People living in deprived areas                                | Potential disadvantage   | Council Tax increase of 1.949% and proposed 2% social care precept will impact on all residents | Continue to provide Council Tax support at the current rate.<br>Use income from adult social care precept to continue to support the most vulnerable.<br>Use income from Council Tax to reduce the need to make service reductions in other areas. |
|   | People in low paid employment or in                            | Potential disadvantage   | Council Tax increase of 1.949% and proposed 2%  | Continue to provide Council Tax support at the current rate.   |

|                   |   |                        |   |  |
|-------------------|---|------------------------|---|--|
|                   | households with low incomes   |                        | social care precept will impact on all residents  | Use income from adult social care precept to continue to support the most vulnerable.<br>Use income from Council Tax to reduce the need to make service reductions in other areas.   |
|                   | People facing barriers to gaining employment, such as low levels of educational attainment                              | Potential disadvantage | Council Tax increase of 1.949% and proposed 2% social care precept will impact on all residents | Continue to provide Council Tax support at the current rate.<br>Use income from adult social care precept to continue to support the most vulnerable.<br>Use income from Council Tax to reduce the need to make service reductions in other areas. |
|                   | 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 1.949% and proposed 2% social care precept will impact on all residents | Continue to provide Council Tax support at the current rate.<br>Use income from adult social care precept to continue to support the most vulnerable.<br>Use income from Council Tax to reduce the need to make service reductions in other areas. |
| <b>Businesses</b> |   |                        |   |  |
| N/A               | Businesses providing current or future jobs in the city   | No impact              |   |  |
| <b>Geography</b>  |   |                        |   |  |

|                           |                             |           |  |  |
|---------------------------|-----------------------------|-----------|--|--|
| N/A                       | Area, wards, neighbourhoods | No impact |  |  |
| <b>Community cohesion</b> |                             |           |  |  |
| N/A                       | Community cohesion          | No impact |  |  |
| <b>Community safety</b>   |                             |           |  |  |
| N/A                       | Community safety            | No impact |  |  |
| <b>Environment</b>        |                             |           |  |  |
| N/A                       |                             | No impact |  |  |