

**To:** City Executive Board  
**Date:** 22 January 2019  
**Report of:** Head of Financial Services  
**Title of Report:** Council Tax Reduction Scheme 2019/20

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To consider the feedback from the recent consultation on the proposed changes to the Council Tax Support Scheme and to agree the principles of the new scheme to be drawn up for approval by Council on 28th January 2019
<b>Key decision:</b>	Yes
<b>Executive Board Member:</b>	Councillor Christine Simm, Supporting Local Communities
<b>Corporate Priority:</b>	Meeting housing need; Efficient, effective council.
<b>Policy Framework:</b>	Financial Inclusion Strategy.
<b>Recommendations:</b> That the City Executive Board resolves to:	
<ol style="list-style-type: none"> <li>1. <b>Note</b> the outcome of the consultation on the proposed Council Tax Reduction Scheme;</li> <li>2. <b>Delegate</b> authority to the Head of Financial Services to draft the details of the new Council Tax Reduction Scheme for 2019/20 so that it can be submitted to Council for approval at its meeting on the 28th January 2019; and</li> <li>3. <b>Recommend</b> Council to resolve to adopt the new Local Council Tax Reduction Scheme for 2019/20.</li> </ol>	
<b>Appendices</b>	
Appendix 1	Response to consultation
Appendix 2	Risk Register
Appendix 3	Equalities Impact Assessment

### **Introduction and background**

1. The previous Council tax benefit where people on benefits had some or all of their Council tax paid was stopped by the Government in April 2013. It was replaced with the council tax reduction scheme that was mainly funded by a Government grant.

Councils are required to review their Council Tax Reduction Scheme (“CTR”) for working age recipients on an annual basis and determine whether to revise it or not. The scheme that exists for pension age recipients is a national scheme prescribed by regulations and cannot be varied locally.

2. In order to change its CTR the council is required by law to:
  - Consult with the major precepting authorities
  - Consult with other persons it considers are likely to have an interest in the operation of the scheme

The Council Tax Reduction Scheme itself must be adopted by Council, it cannot be delegated to an officer or committee.

3. Local Schemes must take account of and support:
  - Work incentives and in particular avoid disincentives for those moving into work
  - The Council's duties to protect vulnerable people (under the Equality Act 2010, The Care Act 2014, Child Poverty Act 2010, The Housing Act 1996)
  - The Armed Forces Covenant

### **Proposed changes to scheme**

4. At its meeting on the 18 September 2018, the City Executive Board (“CEB”) agreed to consult on a new CTR Scheme for 2019/20. Public consultation was undertaken from 28 September 2018 to 18 November 2018. The views of the major preceptors, Oxfordshire County Council and The Thames Valley Police Commissioner have also been sought.
5. Prior to recommending consultation to the CEB, officers considered a range of options for changing the CTR scheme for 2019/20 onwards. This included options to reduce the cost of the scheme by introducing a minimum charge for all residents, capping the amount of support that is provided at the level of a Band D council tax charge, or reducing the amount of capital that can be held by a recipient whilst still qualifying for support. These options were rejected as they risked putting further pressure on households struggling with reductions in benefits, low wages and increasing household costs. These options will need to be revisited in future years due to the increasing cost of the CTR scheme to the Council.
6. Only two proposals for change were submitted for consultation. Both proposals relate to a review of two measures which were introduced this financial year; the income band scheme for residents on Universal Credit, and the minimum income floor for self-employed people. The consultation proposed uprating the income bands and sought views on the minimum income floor which had received some criticism for treating self-employed people differently from those who are employed.
7. The existing income bandings used to determine the amount of Council Tax support provided are shown in Table 1 below.

Table 1.

<b>Band</b>	<b>Weekly Income</b>	<b>Discount received</b>	<b>No. of cases per band</b>
1	£0 - £125.99	100%	682
2	£126 - £187.99	75%	163
3	£188 - £290.99	50%	88
4	£291 - £384.99	25%	15
5	£385	0%	

The rationale for the figures is:

- £126 is 16 hours on the National Minimum Wage (“NMW”) rounded upwards, (and is at a level which ensures households who previously received 100% reduction continue to do so)
- £188 is 24 hours on the NMW rounded upwards
- £291 is 30 hours on the Oxford living wage (“OLW”), rounded upwards
- £385 is the benefit cap

8. It is proposed that the income bands should be updated annually in line with changes to the National Minimum Wage (NMW) and the Oxford Living Wage (OLW), and that the benefit cap, be updated in line with inflation (based on the Retail Price Index figure for September 2018). These changes would have no significant impact on the amount of support provided by the Council, and will ensure that no-one has to pay more council tax as a result of receiving a small pay rise. The proposed income bandings based on the methodology above are shown in Table 2 below. The figures have been calculated using the 2019 figures for the NMW and the OLW which are £8.21 and £10.02 per hour respectively. The band 5 value has been updated by 3.3% which is the RPI figure for September 2018.

Table 2

<b>Band</b>	<b>Weekly Income</b>	<b>Discount received</b>
1	£0 - £131.99	100%
2	£132 - £197.99	75%
3	£198 - £300.99	50%
4	£301 - £397.99	25%
5	£398	0%

9. In respect of the minimum income floor for self employed claimants, based on the consultation responses and inequalities in this aspect of the scheme (identified by officers and councillors through feedback and administration of the scheme), it is proposed that this measure be removed from the 2019/20 CTR scheme. Alternative options which were considered included reducing the level of the floor, exempting some types of self-employment from the floor and extending the exemption for new businesses. Whilst there was some support for these options in the consultation, all these options would still leave self-employed people being treated differently from

people earning a salary. Removing the minimum income floor means that support for self-employed people will be based on their actual earnings.

### **Summary of consultation**

10. Appendix 1 provides details of the responses to the consultation on the proposed changes to the CTR scheme. Although only 25 responses were received, many answers were very detailed and showed a good understanding of the issues. The responses also contained some feedback that the consultation document itself was confusing. In view of the detailed responses received that show a good understanding of the issues it is considered that the consultation has been effective and the Council has complied with the legislative requirements for consultation. However, officers will take this feedback on board when drafting consultation on this issue in the future.
11. In relation to the income band aspect of the scheme, a majority of respondents both agreed with the principle of the income banding, and with the proposed uprating.
12. On the proposals for amending the minimum income floor, there was some support for changing the level of the floor, but overwhelmingly respondents said that there should be no minimum income floor in the CTR for self employed claimants. Eighteen respondents either disagreed or strongly disagreed with continuing to maintain this aspect of the CTR. There was a small majority against exempting some types of self-employment from the minimum income floor, and a large majority in favour of increasing the exemption period for new businesses from one to three years.
13. A number of comments were received in respect of the way the national council tax scheme operates. This included the structure of the Council tax bands, the absence of any revaluation of properties since council tax was introduced in 1993 and the liability of tenants for the charge. Oxford City Council has no power to amend these features of the council tax

### **Implementation**

14. There will be some administrative work required to implement the amendments to the CTR and to inform the public about the changes. This includes revising the CTR, amending the functionality of the software used for administering CTR, amending local processes, training staff and producing communications for the Council's customers.

### **Financial Implications**

15. Oxford City Council is one of a small number of Councils whose CTR scheme has maintained the same level of financial support as existed within the old Council Tax Benefit scheme. Most councils have reduced the cost of their CTR schemes by providing a lower level of support. Oxford City Council's scheme will cost £1.4m for the current financial year, and from 2019 will cost a minimum of £1.6m. An increase in the number of CTR claims will increase this cost further.

16. The table below sets out the cost and caseload for the Council's CTR scheme since its introduction. The cost of the scheme is shared by Oxford City Council (15.9%), Oxfordshire County Council (74.6%) and Thames Valley Police and Crime Commissioner (9.5%) in accordance with the proportion of Council Tax levied by each. The table shows that the gap between the net and gross cost to the Council is narrowing as government grant reduces. The gross cost to the Council has remained broadly unchanged for the last four years. This is because despite Council Tax levels increasing significantly in this period, the number of recipients of support has reduced.

Table 3

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Cost of Pension Age	£3,567,670	£3,557,466	£3,326,142	£3,274,619	£3,172,713	£3,284,610
Pension Age caseload	3,572	3,424	3,261	3,122	3,056	2,990
Cost of Working Age	£6,593,636	£6,485,387	£6,234,439	£6,357,253	£6,318,785	£6,541,638
Working age caseload	6,434	6,121	5,963	5,841	5,666	5,558
Total Cost	£10,161,306	£10,042,852	£9,560,581	£9,631,872	£9,491,498	£9,826,248
Total Caseload	10,006	9,545	9,224	8,963	8,722	8,548
Gross Council Cost	£1,712,631	£1,626,667	£1,575,329	£1,572,711	£1,546,165	£1,561,391
Net Cost to Council	-£11,785	£193,396	£523,977	£875,604	£1,230,572	£1,425,212

17. The current cost of the CTR scheme has been factored into the Council's Medium Term Financial Plan with no reductions over the next 4 year period assumed. The actual cost of the scheme to the Council will depend on claimant numbers and the amount of discount given which reduced the Council's tax base and hence the amount of council tax income raised. The proposed changes to the scheme will lead to a small increase in the scheme's cost. The bandings in the income band scheme are being uprated in line with expected increases in wages, and so this change should ensure current recipients of support stay in the same band despite their pay rises. As such this will have a neutral impact on cost. The introduction of the minimum income floor was forecast to save £25,000 in any financial year. As such, reversing the measure will restore this cost to the scheme.

18. Only approximately 17% of the total cost of the scheme will fall on the Council, the balance falling on Thames Valley Police Crime Commissioner and Oxfordshire County Council. Consequently, in order for the Council to save £1 the cost of the scheme must reduce by £6. Reducing the amount of support provided to claimants will also lead to some administrative costs being incurred in the collection of any additional Council Tax charged.

## Legal issues

19. In considering changes to the CTR scheme, the Council must take into account the provisions of The Council Tax Reduction Schemes (Prescribed Requirements) (England) 2012 and subsequent amendments.

20. The Council is required to consult on any proposed changes to CTR in accordance with Section 13A and Schedule 1A of the Local Government Finance Act 1992

which require the preparation of a scheme. Before making a scheme, the Council must (in the following order)—

- (a) Consult any major precepting authority which has power to issue a precept to it;
- (b) Publish a draft scheme in such manner as it thinks fit; and
- (c) Consult such other persons as it considers are likely to have an interest in the operation of the scheme. Consideration must be given to the finding of the consultation and equality impact assessment in reaching a decision. Paragraphs 4-9 of this report set out the proposed changes to the scheme and the consultation that was carried out is explained in paragraphs 10-13.

### **Level of risk**

21. A risk register is attached at Appendix two.

### **Equalities impact**

22. The changes proposed in this report do not have any new equality impacts attached to them and in fact removes an inequality that existed by treating self employed earners differently to employed earners. A revised equality impact assessment to reflect the proposals is attached as appendix 3.

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<b>Background Papers:</b> None
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