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| To: | Cabinet |
| Date: | 11 September 2019 |
| Report of: | The Head of Financial Services |
| Title of Report:  | Consultation on proposals for a revised Council Tax Reduction Scheme 2020/21 |

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| Summary and recommendations |
| Purpose of report: | To seek approval for proposals for consultation on changes to the Council’s Council Tax Reduction Scheme for 2020/21 |
| Key decision: | Yes |
| Cabinet Member: | Councillor Marie Tidball, Supporting Local Communities |
| Corporate Priority: | An Efficient and Effective CouncilMeeting Housing Need |
| Policy Framework: | Financial Inclusion Strategy |
| Recommendations:That Cabinet resolves to: |
| 1. | Agree that the proposals for the 2020/21 Council Tax Reduction Scheme outlined in the report be subject to consultation for an 8 week period from 23rd September 2019; and  |
| 2. | Instruct the Head of Financial Services to bring a further report to Cabinet in January 2020 to outline the outcome of the consultation process and make proposals for the 2020/21 Council Tax Reduction Scheme |

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| Appendices |
| Appendix 1 | Consultation questions |
| Appendix 2 | Risk register |
| Appendix 3 | Initial Equality Impact Assessment |
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# Introduction and background

1. In April 2013 the national Council Tax Benefit (CTB) scheme was replaced by a new Council Tax Reduction (CTR) scheme. The CTB scheme was funded by the Department for Work and Pensions (DWP) and supported people on low incomes by reducing the amount of council tax they had to pay.
2. The CTR scheme is for working age customers and determined locally by Councils rather than nationally by the DWP. The separate scheme that exists for pension age recipients is a national scheme prescribed by regulation and cannot be varied locally. Whilst the Government initially provided funding for the new local schemes, the funding has reduced each year in line with the reduction in the Council’s Revenue Support Grant (RSG). RSG has now reduced to zero and consequently no funding is provided towards the CTR scheme.
3. Councils are required to review their CTR scheme annually, and determine whether or not to revise it. In order to change its scheme a 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 CTR scheme itself must be adopted by Council, and the approval of the scheme cannot be delegated to an officer or committee.

1. The CTR scheme 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, the Child Poverty Act 2010, the Housing Act 1996)
* The Armed Forces Covenant
1. 2018/19 was the first year that Oxford City Council (OCC) amended its CTR scheme. 2019/20 saw further amendments, including the reversal of the Minimum Income Floor for Self Employed claimants. Oxford City Council’s scheme is estimated to cost the Council £1.7m for 2019/20. The cost at 24 July 2019 is £1.606m. The estimated cost for 2020/21 is £1.7m however this is dependent upon things outside the Council’s control, such as the level of Council Tax due for the next financial year. If Council Tax increases, then the amount of CTR increases proportionally, thus increasing the cost of the scheme.
2. Table 1 below sets out the cost and caseload (number of CTR claimants) for the OCC CTR scheme since its introduction. The cost of the scheme is shared by the Oxford City Council (15.7%), Oxfordshire County Council (73.9%) and Thames Valley Police and Crime Commissioner (10.4%) in accordance with the proportion of council tax levied by each. The table shows that the gap between the cost to the Council between 2018-19 and 2019-20 has increased by £45k and the scheme is no longer funded by Government grant.

Table 1

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|  | **2013/14** | **2014/15** | **2015/16** | **2016/17** | **2017/18** | **2018/19** | **2019/20** |
| Cost of Pension Age | £3,567,670 | £3,557,466 | £3,326,142 | £3,274,619 | £3,172,713 | £3,284,610 | £3,627,095 |
| Pension Age caseload | 3,572 | 3,424 | 3,261 | 3,122 | 3,056 | 2,990 | 2,982 |
| Cost of Working Age | £6,593,636 | £6,485,387 | £6,234,439 | £6,357,253 | £6,318,785 | £6,541,638 | £6,648,458 |
| Working age caseload | 6,434 | 6,121 | 5,963 | 5,841 | 5,666 | 5,558 | 5,466 |
| Total Cost | £10,161,306 | £10,042,852 | £9,560,581 | £9,631,872 | £9,491,498 | £9,826,248 | £10,275,553 |
| Total Caseload | 10,006 | 9,545 | 9,224 | 8,963 | 8,722 | 8,548 | 8,448 |
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| Cost of the scheme to OCC  | £1,712,631 | £1,626,667 | £1,575,329 | £1,572,711 | £1,546,165 | £1,561,391 | £1,606,475 |

1. The Council’s caseload has fallen by 100 over the last year. The Council still receives a substantial number of new CTR claims daily. There is nothing significant about this decrease however the cause will in most cases be related to changes to income.
2. The following changes were made to the OCC CTR scheme for the year 2019/20:
* Using a system of income bands to decide how much discount people can get from their council tax bill. This system gives a percentage reduction on an applicant’s council tax bill, and it is based on the amount of their Universal Credit award, earnings and some other types of income. The income bands have been increased in line with inflation.
* Removal of the minimum income floor (MIF) for people who have been self-employed for more than a year. The MIF assumed that people who had been self-employed for over a year were earning at least the same as someone working 35 hours a week at the National Living Wage (NLW). The Council now bases all self-employed people's CTR entitlement on their actual earnings.

The cost of savings of each of these measures was expected to be around £20k. However, taken together, the changes have had no significant impact on the overall cost of support to the Council. Council tax bills increased on average by 4.0% in Oxford in 2019/20, and the cost of CTR increased by 5.8% from March 2019 to April 2019.

1. Prior to drafting this report, officers considered a range of options for changing the CTR scheme in 2020/21. This included options to reduce the cost of the scheme incorporating the introduction of a minimum charge for all residents, providing certain categories of claimants with full CTR if a minimum charge was introduced, and bringing CTR more in line with being a discount.
2. If the Cabinet is not minded to make any significant changes to the scheme for 2020/21, it may have to consider this position going forward as the financial pressures on the council over the medium term increase.
3. For next year’s scheme (2020/21), it is proposed that the Council carries out consultation to assess the impact of some minor amendments. These include:
* Changes that affect CTR to be applied from the date of the claim, rather than the Monday after the change. This mirrors how the daily charge for Council Tax works and the cost of doing this will be neutral. The impact on claimants is that some may lose up to 7 days entitlement to CTR where others will gain up to 7 days entitlement.
* Leaving a CTR claim open for 6 months whilst there is a Universal Credit application in place. This will mean a small administration saving as the Council will be able to use the same CTR claim more than once rather than claimants having to make a new CTR claim or claims, with no financial cost or saving. The impact on the claimant is that their CTR claim will be dealt with sooner.
* Whether or not to introduce a banded income approach for working age claimants, in the same way as UC claimants are treated, from 2021/22. The impact on the CTR claimant is that fewer changes will need to be reported to the Council for minor income changes, resulting in less administration and more certainty for claimants.
1. The 2019/20 CTR scheme, which was approved on 22January 2019, allows for the income band scheme for residents on Universal Credit to be uprated annually in line with changes to the National Minimum Wage (NMW) and the Oxford Living Wage (OLW), and that the benefit cap be uprated in line with inflation (based on the Retail Price Index figure for September 2018). Whilst it is not necessary to consult on this annually, it will be included in the consultation to check that it is still relevant.
2. The changes proposed 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 income bandings currently being used and based on the methodology above are shown in Table 2 below. The figures have been calculated using the 2019 figures for the NMW and OLW which are £8.21 and £10.02 per hour respectively. The band 5 value has been uprated by 3.3% which is the RPI figure for September 2018.

Table 2

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

These figures will be uprated prior to the next Cabinet report in January 2020 once known.

1. Consultation will be carried out using the Council’s online consultation system, and also making use of paper questionnaires. The consultation will be promoted by the Council’s Communications Team. Individuals subject to the current income band scheme will also be written to, inviting them to participate in the consultation. The consultation will last for a period of eight weeks beginning on 23 September 2019.The proposed consultation document is included at Appendix 1.

**Discretionary support**

1. The Council Tax Regulations make provision for discretionary support to be made available on application by a customer who is facing difficulty paying their Council Tax.

# Financial implications

1. The current cost of the CTR scheme has been factored into the Council’s Medium Term Financial Plan with the Council bearing the full cost of its share estimated at £1.7 million for 2019-20 from council tax income foregone. The cost of the scheme is likely to increase year on year as a consequence of any future increases in the Council Tax charge.
2. As Oxfordshire County Council is the principal precepting authority, it is difficult for Oxford City Council to make significant savings in its cost of support, i.e. to save £1 an additional £6 must be raised. Although there are no savings proposed from the CTR scheme this year, reductions in support will be considered each year in light of the Council’s overall financial position.

# Legal issues

1. 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.
2. Since the introduction of CTR schemes, there have been a number of legal challenges against other local schemes. Most of these challenges have been in relation to the consultation undertaken and have questioned whether due regard was given to any equality impact assessment when changes were made to schemes. A Supreme Court ruling in 2014 ( R (Moseley) v London Borough of Haringey) has determined that consultation on changes to council tax reduction schemes must also include an option for any current scheme to be retained on the same level of funding with a consequent reduction in funding for other services. There are questions in the consultation paper on these options.

# Level of risk

1. A risk register is attached at Appendix 2. The identified risks relate to the undertaking of consultation, rather than the changes to the CTR scheme.

# Equalities impact

1. An Initial Equalities Impact Assessment is attached at Appendix 3.

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| Background Papers: None |