|  |  |
| --- | --- |
| To: | Cabinet |
| Date: | 22 January 2020 |
| Report of: | Head of Financial Services |
| Title of Report:  | Council Tax Reduction Scheme 2020/21 |

|  |
| --- |
| Summary and recommendations |
| Purpose of report: | To consider the feedback from the recent consultation on the proposed changes to the Local Council Tax Reduction Scheme and to agree the principles of the new scheme to be drawn up for approval by Council on 27th January 2020 |
| Key decision: | Yes |
| Executive Board Member: | Councillor Marie Tidball, Supporting Local Communities |
| Corporate Priority: | Meeting housing need, Efficient, effective council. |
| Policy Framework: | Financial Inclusion Strategy. |
| Recommendations:That Cabinet resolves to: |
| 1. | Note the outcome of the consultation on the proposed Council Tax Reduction Scheme; |
| 2. | Delegate authority to the Head of Financial Services to draft the details of the new Council Tax Reduction Scheme for 2020/21 in accordance with paragraphs 6-9 of this report, so that it can be submitted to Council for approval at its meeting on the 27th January 2020**;** and |
| 3. | Recommend Council to resolve to adopt the new Local Council Tax Reduction Scheme for 2020/21. |
|  |  |

|  |
| --- |
| Appendices |
| Appendix 1 | Response to consultation |
| Appendix 2Appendix 3 | Risk RegisterEqualities Impact Assessment |
|  |  |
|  |  |

# Introduction and background

1. Councils are required to review their Council Tax Reduction (CTR) Scheme 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 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 full Council, it cannot be delegated to an officer or committee.

1. 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, the Child Poverty Act 2010 and the Housing Act 1996)
* The Armed Forces Covenant

**Proposed changes to scheme**

1. At its meeting on the 11 September 2019, the Cabinet agreed to consult on a new CTR Scheme for 2020/21. Public consultation was undertaken from 30 September 2019 to 12 November 2019 both in electronic and paper format. The Council also consulted directly with Universal Credit claimants on the current Income Band Scheme. The views of the major preceptors, Oxfordshire County Council and the Thames Valley Police and Crime Commissioner were also sought.
2. Prior to recommending consultation to the Cabinet, officers considered a range of options for changing the CTR Scheme in 2020/21. This incorporated options to reduce the cost of the scheme, incorporating the introduction of a minimum charge (meaning all claimants would pay something towards their Council Tax liability), providing certain categories of claimants with full CTR if a minimum charge was introduced, and making CTR a discount. These options were rejected as they risked putting further pressure on households already struggling with reductions in the benefits received, low wages and increasing household costs. However it was agreed that these options would need to be revisited in future years due to the increasing cost of the CTR scheme to the Council.
3. Three new proposals were submitted for consultation. The proposals related to
* 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 (UC) 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. Having consulted on these three changes to the current scheme, it is proposed that the Council should apply the first two changes to the 2020/21 CTR Scheme, and consider introducing Income Bands for all claimants when devising the 2021/22 CTR Scheme

8. The 2019/20 CTR Scheme, which was approved on 28 January 2019, allows for the Income Band Scheme for residents on Universal Credit to be up-rated 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 was included in the consultation to check that it is still relevant.

 The existing Income Bandings used to determine the amount of Council Tax Reduction provided under the 2019-20 CTR Scheme are shown in Table 1 below.

Table 1:

|  |  |  |  |
| --- | --- | --- | --- |
| **Band** | **Weekly Income** | **Discount received** | **Numbers in each band** |
| 1 | £0 - £131.99 | 100% | 1,012 |
| 2 | £132 - £197.99 | 75% | 333 |
| 3 | £198 - £300.99 | 50% | 217 |
| 4 | £301 - £397.99 | 25% | 57 |
| 5 | £398 | 0% | (not recorded) |

The rationale for the figures above is as follows:

* £132 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)
* £198 is 24 hours on the NMW rounded upwards
* £301 is 30 hours on the Oxford living wage (OLW), rounded upwards
* £398 is the benefit cap

These 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.

9. It is proposed to uprate the bands annually in line with changes to the National Minimum Wage (NMW- this figure is unlikely to be released until January 2020 due to the election, but will be presented at Cabinet/Council once known) and Oxford Living Wage (OLW- £10.21), and in the case of the benefit cap, by inflation (based on the Retail Price Index figure for September 2019 which was 2.4%). 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 change in income.

**Summary of consultation**

10. Appendix 1 provides details of the responses to the consultation on the proposed changes to the CTR Scheme. Although only 36 responses were received, this was an increase on the previous year, with many providing very detailed feedback and showing a good understanding of the issues. In summary:

* In relation to the Income Band Scheme, the majority of respondents agreed with both the principle of the scheme, and with the proposed uprating.
* On the proposals for applying a banded scheme to all working age CTR claims the majority of respondents agreed with this proposal, and officers will consider this when preparing future schemes.
* On amending the effective date for a change that affects CTR to the date of the change and not the following Monday, a majority agreed with this, although a significant number were unsure about this proposal.
* On leaving a claim open for 6 months whilst there is a UC claim in place, the majority agreed with this proposal.
* The majority of respondents did not want to see an increase in Council Tax or Fees and Charges to fund the CTR Scheme whilst there was a fairly even split for cutting other services (see Section 20 below).

11 A number of other comments were received and all responses are shown at Appendix 1.

**Implementation**

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

**Financial Implications**

13 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.

14 Oxford City Council is one of a small number of councils with a CTR Scheme which has maintained the same level of financial support for claimants as existed within the old Council Tax Benefit scheme. Most other councils have reduced the cost of their schemes by providing a lower level of support. Oxford City Council’s scheme will cost an estimated £1.6m for the current financial year, and £1.7 million from 2020/21. Any increase in the number of CTR claims will increase this cost further.

15 The table below sets out the cost and caseload for the Council’s current CTR Scheme since its introduction. The cost of the scheme is shared by 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 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 a significant increase in Council Tax levels during this period, the number of recipients of support from the CTR Scheme have reduced.

Table 2:



16. The current cost of the CTR Scheme has been factored into the Council’s Medium Term Financial Plan. Due to the reduction in government grant, the Council bears the full cost for its share of the scheme from 2019/20, and the cost of the scheme from then on will depend on the changes in the Council Tax levied and the number of recipients of support.

17 The proposed changes to the scheme are not expected to increase 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 as their income increases. As such this will have a neutral impact on cost to the Council.

18 As the 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. Reducing the amount of support provided 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 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 were questions in the consultation paper on these options.

21 The CTR Scheme itself must be adopted by Council, and the approval of the scheme cannot be delegated to an officer or committee.

**Level of risk**

22. A risk register is attached at Appendix 2.

**Equalities impact**

23. The changes proposed in this report do not have any new equality impacts attached to them. The removal of the minimum income floor amends a previously identified inequality. The equality impact of the income band scheme was considered in a report to Cabinet dated 19 December 2017. An Equalities Impact Assessment is attached at Appendix 3

|  |  |
| --- | --- |
| **Report author** | Tanya Bandekar |
| Job title | Revenues & Benefits Service Manager |
| Service area or department | Financial Services |
| Telephone  | 07483 011298 |
| e-mail  | tbandekar@oxford.gov.uk |

|  |
| --- |
| Background Papers: None |