

# Supplement for

## Finance and Performance Panel (Panel of the Scrutiny Committee)

On **Tuesday 21 January 2025** At **6.00 pm**

### Supplementary pack

#### Contents

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|--|---------------|
| <p>6. <b>Council Tax Reduction Scheme 2025-2026</b></p> <p>Cabinet, at its meeting on 5 February 2025, will consider a report from the Head of Financial Services seeking approval for changes to the Council's Council Tax Reduction Scheme for 2025/2026.</p> <p>Cllr Ed Turner, Deputy Leader (Statutory) and Cabinet Member for Finance and Asset Management, Nigel Kennedy, Head of Financial Services, and Laura Bessell, Benefits Manager have been invited to present the report and answer questions.</p> <p>The Panel is asked to consider the report and agree any recommendations.</p> | <p>3 - 10</p> |
| <p>8. <b>Matters Exempt or part exempt from publication and exclusion of the public</b></p> <p>If the Panel wishes to exclude the press and the public from the meeting during consideration of any aspects of the preceding or following agenda items it will be necessary for the Panel to pass a resolution in accordance with the provisions of Section 100A(4) of the Local Government Act 1972 specifying the grounds on which their presence could involve the likely disclosure of exempt information as described in specific paragraphs of Part 1 of Schedule 12A of the Act if</p>      |               |

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and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

(The Access to Information Procedure Rules – Section 15 of the Council’s Constitution – sets out the conditions under which the public can be excluded from meetings of the Council).

10. **Budget 2025/2026 - Draft Report of the Budget Review Group**

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The Scrutiny and Governance Advisor has drafted a report following the conclusion of the Budget Review Group meeting in December 2024 and January 2025, commissioned by the Scrutiny Committee in September 2024.

The final report will be considered at Scrutiny Committee on 29 January 2025, before being presented at Cabinet on 5 February 2025 and Council on 13 February 2025.

The Panel is asked to:

1. **Approve** the draft 2025/2026 Budget Review Group report for submission to the Scrutiny Committee meeting on 29 January 2025 for approval and submission to Cabinet, subject to any necessary amendments.
2. **Delegate** authority to the Scrutiny and Governance Advisor, in consultation with the Finance and Performance Panel Chair, to implement any agreed amendments to the report and make any necessary minor editorial amendments prior to submission to the Scrutiny Committee.

[The agenda, reports and any additional supplements can be found together with this supplement on the committee meeting webpage.](#)

## **Briefing paper- Council Tax Reduction (CTR) Scheme 2025/26**

**From** Nigel Kennedy  
Head of Financial Services/Section 151 Officer

**Author** Laura Bessell  
Local Tax & Benefit Service Delivery Manager

**Date** 17<sup>th</sup> December 2024

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### **1. Background**

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The Council has several challenging financial pressures which are impacting on its ability to balance the next iteration of the 4-year General Fund Medium Term Financial Plan.

One mitigation that the Council could look at is to make changes in the income parameters applied to the Councils Council Tax Reduction Scheme (CTRS) which would have the effect of reducing the discount applied to the council tax charge and hence increase council tax income.

The current working age (18-67 year old) CTR Scheme allows for a percentage discount to be applied against the council tax charge. The discount applied is based upon specific 'earned' income and savings that the claimant is deemed to have, which is used in the calculation of affordability. Pensioner claims (people aged over 67) are on a national scheme, administered by the Council, but governed by the Department for Levelling Up Housing and Communities (DLUHC) and the Council does not have the jurisdiction to amend these rules of entitlement.

The scheme is reviewed annually by the Council and the public have their say through a consultation period of 8 weeks each summer. This process has been in place since April 2013 and small changes are made annually where 'gaps' are identified in our regulations and national or local policy changes are made, such as supporting a specific group of residents, such as care leavers.

Oxford City Council is one of a handful of authorities who continue to maintain 100% CTR support towards the council tax charge. This costs approximately £14m per annum shared between the City Council, County Council and the Police and Crime Commission in accordance with their precept. The annual cost to the City Council is estimated to be approximately £2m.

## 2. Current CTR Scheme- Working Age

As of 30<sup>th</sup> November 2024, Oxford City Council scheme financially supported 6,616 households with their council tax charge. In accordance with the Local Government Finance Act, each local scheme must be '*means*' tested which defines that our scheme must take into consideration affordability of the council tax charge when determining eligibility. Affordability would include wages, state benefits, savings for example. The scheme does not consider any expenses that a household incurs, such as utility bills.

The Oxford scheme supports;

- Work incentives and avoids 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

The Council applies a banded income scheme which applies a council tax discount depending on the income band that the claimant falls. This approach has been in place since 2018 as a method of ease for the public to have changes within income bands and not to affect their award of CTR. The public are requested in our scheme to report any changes throughout the financial year (an award of CTRS is made for the whole period of April to the following March) where it will affect the discount applied. Reporting must be made within a month of the change and can be both advantageous or negative to the award of entitlement. This allows households with fluctuating earnings to report changes and not have the worry of the impact to the council tax charge when the CTR claim is changed.

The current process for administration of the scheme also benefits the Council through reduced printing and postage costs. This approach also reduced the number of contacts made by the public to the council where changes in CTRS affect the total council tax charge and affordability. Each year the service reviews the number of claims and reported changes to ensure that staffing levels are adequate to maintain the scheme. The service currently administers 100,000 changes over a year

and supports a total caseload (both Housing Benefit and Council Tax Reduction) of 10,062 households. There are 13 fte (including managers) to cover this statutory responsibility.

The current 2024-2025 banded scheme is applied as follows;

<b>Table 1: Income Bandings for existing CTR scheme</b>			
<b>Band</b>	<b>Weekly Income</b>	<b>Discount received</b>	<b>Working Age Claims in each band (at 1/10/2024)</b>
1	£0 - £184.00	100%	5623
2	£184.01 - £275.00	75%	608
3	£275.01 - £375.00	50%	296
4	£375.01 - £452.00	25%	83
5	£452.01 and above	0%	6
Total			6616

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**3. Current Scheme Review**

The Service undertook a review of its scheme with an external consultant, and it was found that the current scheme was inadvertently affecting claims where earned income was not considered in the calculation process of affordability where Universal Credit (UC) was in place. In effect claimants who are in employment receive less UC but more council tax reduction, conversely claimants who do not or who are unable to work receive more UC but less council tax reduction. Pensioners are not affected by this local policy.

As of 30th November 2024, there are 2189 claims with Universal Credit and earning against a total caseload of 6616. An impact of a third of the caseload. With further migration to Universal Credit in 2025/26, this issue will increase.

Universal Credit is a monthly income from the DWP, with the principle of these awards to be treated as a salary. All income and capital are considered when awarding Universal Credit. Universal Credit is not a passported benefit like other DWP benefits and this change in approach by government has resulted in inequality across the CTR working age caseload.

By not taking the salary/wages of these claims into account this has resulted in significant income not being included in the calculation and these claims are currently receiving a higher percentage of CTRS support than those claims where the income is only state benefit.

**4. Modelling**

The suggestion to address the reduced income for universal credit claims is to change the income bands used in the calculation of the award of CTR. Modelling of the current scheme shows these suggested bands to reduce the impact to those people who are working and have their salary/wages included in their assessment.

**Option 1**

- To keep the scheme cost neutral but resolves the inequality of earned income currently not being included.
- This scheme would still protect those claims with disability income as this is intended to be ignored in the calculation, supporting national and local policy
- Affects all bands and therefore all groups of society under the Equalities Act

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<b>Table 2: Income Bandings for existing CTR scheme 2024/25.</b>						
<b>Band</b>	<b>Current Weekly Income</b>	<b>Discount received</b>	<b>Claims with UC and Earning currently</b>	<b>Proposed Weekly Income</b>	<b>Number in each band</b>	<b>Claim shift per band</b>
1	£0 - £184.00	100%	1545	£0 - £600.00	1580	+35
2	£184.01 - £275.00	75%	451	£600.01 - £750.00	435	-16
3	£275.01 - £375.00	50%	153	£750.01 - £850.00	104	-49
4	£375.01 - £452.00	25%	23	£850.01 - £1000.00	51	+28
5	£452.01 and above	0%	17	£1000.01 and above	19	-2

### Example

*Income UC of £100 per week and Earnings of £500*

**Current Scheme** *£100 would be used in the assessment of income for CTR and 100% discount awarded*

**Future Scheme** *£600 would be used in the assessment as this is the sum of the UC award with earnings*

**Impact** *No change to award as both schemes would award 100% towards the Council Tax charge.*

### Points to note.

- These income bands have been applied using the data from the DWP in relation to earnings. There will not be a burden of administration to these claims as there will not be a requirement for the public to provide this data.
- The income bands widths have been taken using the total income currently held on record. The modelling has been applied to maintain as close as possible the same level of entitlement for the UC caseload.
- Uses rounded income bands for ease for the public. The council could be specific to the penny on the income bands; however, experience shows that the public understanding of the income bands is clearer on rounded numbers.
- 2 Claims will be affected by the proposed bands as they will no longer qualify.
- Will provide a saving of £24,380 per annum to the scheme with those cases who have either moved bands (positively or negatively)

### **Option 2**

Due to the budget constraints, a budget proposal of a £90,000 per annum saving is suggested from 2025/26 to the cost of CTR. This is a total saving of £610,000 per annum across the CTR scheme with the remainder of the saving accruing to the County Council and Police and Crime Commissioners.

The below table is a suggested income threshold based upon the current earnings used. This is to increase the bands to include the wages and then to reduce the income bands to create the scheme savings.

<b>Table 3: Income Bandings for existing CTR scheme 2024/25 with £90k savings</b>						
<b>Band</b>	<b>Weekly Income</b>	<b>Discount received</b>	<b>Claims with UC and Earning currently</b>	<b>Proposed Weekly Income</b>	<b>Number in each band</b>	<b>Claim shift per band</b>
1	£0 - £184.00	100%	1545	£0 - £500.00	1098	-447
2	£184.01 - £275.00	75%	451	£500.01 - £575.00	368	-83
3	£275.01 - £375.00	50%	153	£575.01 - £650.00	289	+136
4	£375.01 - £452.00	25%	23	£650.01 - £700.00	152	+129
5	£452.01 and above	0%	17	£700.01 and above	282	-265

### Example

*Income UC of £100 per week and Earnings of £500*

*Current Scheme £100 would be used in the assessment of income for CTR with 100% discount awarded*

*Future Scheme £600 would be used in the assessment as this is the sum of the UC award and earnings*

*Impact A change would be applied as the banded income would change from a 100% award on the current scheme to a 75% on the scheme as set above.*

### Points to note

- 265 claims will no longer receive any award of CTR.
- To make the £90k saving the 100% income band needed to be reduced to meet the sum required. Modelling of changing the lowest percentage bands only would not achieve the saving required.



- For 2025/26, there will be an increase in Council Tax charge, and it is also suggested to increase these bands by CPI as of September 2024 to factor in the increase charge, so that these claims are not reduced twice in the same financial year. The Council has each year agreed to increase the bands by CPI.
- Reducing all income bands does not detrimentally affect any protected group within the City.
- The Council has an option to award Section 13a awards to those families who may experience financial difficulty with the change in the bands. The Council currently has £100k in this budget for this option and is part funded by the City and County.
- There will be an increase in the cost of collection to those accounts who will receive a reduced award from the 2024/25. This will be from possible increase in enquiries to the increase in a cost of collection of the Council Tax. Due to the small number of accounts affected by the suggested table above, the service will absorb the increase in administration across both Revenues and Benefit staff.
- The Institute of Fiscal Studies have issued a report (January 2019) around the impact of CTR schemes choices. Findings were:
  - The most common payment is 20% towards the Council Tax due
  - Half the cuts in CTR are to match the relevant Housing Benefit rule changes
  - An additional 1.6m households have a Council Tax charge due to the reduction in CTR
  - The impact of a change in CTR will most likely be seen in deprived areas
  - Poorer households in affluent areas will receive a larger bill due to the banding of property
  - 25% of additional Council Tax raised is not collected
  - It takes additional years to recover smaller debts
  - More people are contacting advice centres for help with debt management
  - Those who are used to having a small sum to pay due to a reduced CTR entitlement will find the additional sum. Those first-time payers will not.

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## 5. Consideration needed

Members are asked to give their consideration to the changes that they wish to make to the CTR scheme for 2025/26

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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