

To: City Executive Board

Date: 10 September 2015

Report of: Executive Director of Organisational Development and Corporate Services

Title of Report: Council Tax Reduction Scheme 2016/17

Summary and Recommendations

Purpose of report: To make recommendations for the operation of the Council's Council Tax Reduction Scheme in 2016/17

Key decision: Yes

Executive lead member: Councillor Susan Brown, Executive Board Member for Customer and Corporate Services

Policy Framework:

Recommendation(s): That the City Executive Board resolves to:

1. **approve** the existing Council Tax Reduction Scheme for use in 2016/17

Appendices

Appendix 1 – Research into Council Tax Reduction

Appendix 2 - Risk Register

Appendix 3 - Equalities Impact Assessment

Background:

1. Council Tax Benefit (CTB) was abolished in 2013 and replaced with local schemes of support to help people on low incomes pay their Council Tax. This support is known as Council Tax Reduction (CTR). Every Local Authority is required to adopt a scheme and consult if it wishes to change it.

2. Oxford City Council has maintained the same level of support in its CTR Scheme as would have been available to residents under CTB. All local schemes are required to adopt this principle in respect of people of pension age. However, there is scope to vary the support provided to people of working age.
3. This paper explores the options for amending the CTR scheme in 2016/17, together with the implications. It should be noted that the Department for Communities and Local Government (DCLG) have committed to undertaking a review of CTR at the end of the current year.

Cost of Local CTR scheme

4. The cost of the CTR Scheme has increased significantly in 2015/16. This is a result of the reduction in funding from central government. However, the number of CTR recipients has fallen over the last two years, and that trend is set to continue this year. The cost of the scheme and number of recipients over the last three years is summarised in the Table 1 below.
5. In 2013/14 DCLG paid a separate grant to Local Authorities for CTR. Since then, funding has been incorporated into Formula Grant and not separately identifiable. Hence, CTR funding is a notional figure based on the overall reduction in Government funding.
6. The Council has flexibility within the Council Tax Exemption and Discount scheme to vary the charges made to different categories of empty property. The City Council has made use of these powers to raise revenue to offset to some extent the cost of the CTR scheme. It is envisaged that this discount regime will not change in 2016/17.

Table 1.

	2013/14	2014/15	2015/16
City Council share of CTR	£1,712,631.22	£1,626,666.96	£1,637,364.50
DCLG funding for CTR	-£1,546,457.00	-£1,346,964.05	-£947,993.30
DCLG Transitional Grant	-£42,148.00	£0.00	£0.00
Income raised by CT exemptions and discounts on empty property	-£135,810.86	-£86,306.93	-£103,614.23
Total	-£11,784.64	£193,395.98	£585,756.97
Number of working age CTR recipients	6272	6036	6034
Number of pension age CTR recipients	3529	3411	3366
Total	9801	9447	9400

CTR Modelling

7. Initial modelling has been carried out to look at how a reduction in support would affect Oxford residents. The modelling is based on current year's data and assumes a minimum charge of 30% of their Council Tax liability.

8. Applying a minimum payment of 30% of the Council Tax bill for all Working Age recipients of CTR would reduce total expenditure in 2015/16 from £9,718,148 to £7,426,697, an overall reduction of 23.6%. However, as the City Council only receives 16.85% of the Council Tax levied, the saving to the City would be £386,109. Potentially therefore, this could reduce the cost of the scheme to the City Council to £199,648 which is broadly in line with the cost in 2014/15.
9. Under the current system 4,904 working age households pay no Council Tax due to being on a low income. Adopting a minimum payment of 30% would mean that all these households would have something to pay, i.e. a 30% payment for a family living in Blackbird Leys in a Band D property, would be £501.86 in the current year.
10. When amending the CTR scheme it is possible to maintain a higher level of support for particular priority groups. This reduces the savings that will be achieved from amending the scheme. The cost of maintaining full support to certain groups is shown below:
 - Carers: £20,000 (302 households)
 - People with a severe disability: £32,100 (618 cases)
 - Lone parent with child under 5: £31,100 (588 cases)
11. The five Wards which would be impacted the most under a blanket 30% charge are as follows:
 - Northfield Brook - £243,731
 - Blackbird Leys - £206,225
 - Barton & Sandhills - £176,995
 - Churchill - £158,944
 - Littlemore - £143,028

i.e. some of the Council's most deprived wards. Inevitably, these areas are also the hardest hit by the Government's welfare reforms: Bedroom Tax and Benefit Cap. Research we have commissioned independently shows that people living in these areas are coping with changes by borrowing money from family and friends, and regularly skip meals and/or fail to heat their homes adequately. These areas will also be significantly affected by the additional reductions in welfare spending announced in the July '15 budget.

Benchmarking data from other authorities

12. Unfortunately there is no formal reporting of the collection of the CTR Scheme element of Council Tax. However, some individual LA's have collected this data, and figures for 2014/15 are shown in Table 2 below. This clearly shows that the CTR Scheme element of Council Tax is much harder to collect, even in LA's which have good levels of collection overall.

Table 2

	CTRS Collection	Overall Collection
Babergh	80.76%	98.36%
Cheshire West	70.00%	97.60%
Ipswich	75.47%	96.17%
Mid-Suffolk	82.57%	98.43%
Reading	70.00%	n/a
Welwyn	91.83%	98.04%

13. If Oxford City Council levied a minimum 30% charge, and only collected 70% of the additional revenue raised, this would have reduced our overall collection for 14/15 from 97.67% to 96.81%.
14. Anecdotally, other LA's report that significant resource has to be put into collecting amounts raised as a result of reducing Council Tax support.
15. Appendix 1 attached provides a summary of research conducted by Turn2Us, New Policy Institute and the CAB into CTR schemes and household debt in the last two years. In summary it shows that people on low incomes are not seeing any sign of their financial situation improving, with levels of debt increasing. More people are struggling to pay their Council Tax bills and Councils that have raised the largest bills are seeing the largest increases in Council Tax arrears

Context of wider Welfare Reform

16. Research conducted by the Centre for Regional, Economic and Social Research estimated that the benefit changes introduced by the coalition government would reduce the benefit paid to low income households and the disabled by almost £24million in Oxford, by the end of 2015/16.
17. Further benefit savings were announced in the Chancellor's July '15 budget which will reduce the incomes of these households still further. The Benefit Cap will reduce from £26,000 to £20,000 (or £115 per week). Working age benefits have been frozen for the next four years, including LHA rates, housing support will be removed from 18-21 year olds, and the work component of Employment and Support Allowance is to be removed. Significant cuts are also proposed to tax credits which will affect people both in and out of work, with support being removed for additional children after the second child. In this context the City Council's retention of full support in its CTR Scheme plays an important role in avoiding pushing yet more households into poverty.

Options

18. Option 1 – Charge all households a minimum of 30% of the full Council Tax bill.

This would reduce the cost of the scheme to the Council to £199,648. However, if collection of this new debt was in line with the lower performing LA's in Table 2 above at 70%, the scheme would actually cost £315,481.

19. Option 2 – Maintain the existing CTR scheme
Due to reducing numbers of people claiming CTR, the scheme is forecast to cost £550,000 this year. However, changes to other benefits being introduced from 2016 are likely to mean that more people will become eligible for support and so claimant numbers will level off next year, which means the cost of the scheme will not reduce any further.
20. Option 3 – Conduct further modelling to develop an alternative scheme.
Whilst this could potentially reduce the cost of the scheme to the Council it would put increased pressure on low income households. Experience elsewhere shows that the more that support is reduced; the harder it is to collect the debt which is raised.
As it is not cost effective to carry out the full range of recovery work on very small debts, in practice these debts would end up being written off.
21. In July 2014 the Council adopted a Financial Inclusion Strategy. This Strategy was developed in order for the Council to deliver a co-ordinated response with its partners to the issues people are facing caused by Welfare Reform and rising rents. Maintaining a CTR scheme with the same level of support as afforded under CTB regulations has attempted to mitigate these impacts.
22. In light of the above the City Executive Board are recommended to choose Option 2, and maintain the existing CTR Scheme

Legal Issues

23. If the Council wishes to amend its CTR scheme for 2016/17, it must carry out full public consultation on the revised scheme, and agree the new scheme by 31 January 2016.

Financial Issues

24. The costs of maintaining the scheme or adopting a new scheme are outlined in the relevant sections above.

Environmental Impact

25. There is no environmental impact associated with this report.

Level of Risk

26. A Risk Register is included at Appendix 2

Equalities Impact

27. An impact assessment is included at Appendix 3.

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