

**To:** City Executive Board  
**Date:** 13 October 2016  
**Report of:** Executive Director of Organisational Development and Corporate Services  
**Title of Report:** Council Tax Reduction Scheme 2016/17

| <b>Summary and recommendations</b>  |  |
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| <b>Purpose of report:</b>   | To make recommendations for the operation of the Council's Council Tax Reduction Scheme in 2017/18 |
| <b>Key decision:</b>  | Yes  |
| <b>Executive Board Member:</b>  | Cllr Susan Brown, Customer and Corporate Services  |
| <b>Corporate Priority:</b>  | Meeting Housing Need<br>An Efficient and Effective Council   |
| <b>Policy Framework:</b>  | None   |
| <b>Recommendation:</b> That the City Executive Board resolves to:                           |  |
| 1. <b>Approve</b> the existing Council Tax Reduction scheme for the financial year 2017/18. |  |
| <b>Appendices</b>   |  |
| Appendix 1  | Research into Council Tax Reduction  |
| Appendix 2  | Risk Register  |
| Appendix 3  | Equalities Impact Assessment   |

## Introduction

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 the Council Tax Reduction Scheme (CTRS). 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 CTRS as would have been available to residents under the former national scheme of 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 2017/18, together with their implications.

### Cost of Local CTR Scheme

4. The cost of the CTR Scheme has increased significantly in the last two years. This is a result of the reduction in funding from central government. The number of CTR recipients has also been reducing since the scheme was localised, mainly due to the improvements in the local economy over this period. The cost of the scheme and number of recipients over the last four 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 is not separately identifiable. The phasing out of Formula Grant means that by 2020, the Council will bear the whole cost of the scheme.
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. This includes the following discounts which the council has discretion on the level of discount and how it is applied.
  - For empty and unfurnished property the council implements a one month exemption followed by a full charge.
  - On properties undergoing major works the council implements a 25% discount for 12 months.
  - For second homes the full charge is levied.
  - For houses that are unoccupied for more than two years a charge of 150% is levied.

**Table 1**

|  | 2013/14            | 2014/15            | 2015/16            | 2016/17            |
|--|--------------------|--------------------|--------------------|--------------------|
| City Council share of CTR                                      | £1,712,631.22      | £1,626,666.96      | £1,575,328.94      | £1,637,120.67      |
| DCLG funding for CTR   | -£1,546,457.00     | -£1,346,964.05     | -£947,993.30       | -£593,443.81       |
| DCLG Transitional Grant  | -£42,148.00        | £0.00              | £0.00              | £0.00              |
| Income raised by CT exemptions and discounts on empty property | -£135,810.86       | -£86,306.93        | -£103,358.68       | -£74,456.06        |
| <b>Cost to the City Council</b>                                | <b>-£11,784.64</b> | <b>£193,395.98</b> | <b>£523,976.96</b> | <b>£969,220.80</b> |
| No. of working age CTR recipients                              | 6272               | 6036               | 5963               | 5933               |
| No. of pension age CTR recipients                              | 3529               | 3411               | 3261               | 3241               |
| <b>Total</b>   | <b>9801</b>        | <b>9447</b>        | <b>9224</b>        | <b>9174</b>        |

## 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 the current year's data and assumes a minimum charge of 30% of their Council Tax liability. This approach has been taken as it is the most common approach used by other local authorities who have reduced support. The figure of 30% is a little above the average minimum charge imposed by other councils.
8. Applying a minimum payment of 30% of the Council Tax bill for all Working Age recipients of CTR would reduce total expenditure this year from £1,637,121 to £1,251,103, a saving of £386,108. However, to generate a saving of £386,108 for the City Council, an additional £2,290,910 in Council Tax would be need to be levied on low income households (as only 16.85% of Council Tax levied is attributable to the City Council, the remainder passing to the County Council and Police and Crime Commissioner). For someone living in Blackbird Leys in a Band D property, 30% of their liability is £519.34 for the current year.
9. When amending the CTR scheme it is possible to protect certain groups. The reduction in potential savings arising from the protection of certain groups is shown below (the savings figures relate to the reduction in savings for the City Council based on the example of a 30% minimum charge):
  - Carers: £19,533 (307 households)
  - People with a severe disability: £36,393 (673 cases)
  - Lone parent with child under 5: £37,982 (738 cases)
10. 35% of CTR recipients in Oxford are of pension age so the cost of the pension age scheme is £578,363.65. This means the government grant now only covers slightly more than the cost of this scheme, which the Council is not permitted to change. As such, it is unfeasible for the Council to recoup the funding shortfall from working age recipients of CTRS.

## Benchmarking data from other authorities

11. Unfortunately there is no formal reporting of the collection of the CTRS element of Council Tax. However, some analysis of the impact of CTR on Council Tax collection has been done. The Child Poverty Action Group (CPAG) analysed the first year of the CTR scheme in London which shows London authorities are facing lower collection rates. The collection rate for council tax owed by council tax support claimants with an increased liability in 2013/14 was, on average, 81 percent, compared with average collection rates of 97.4 per cent in 2012/13. In addition 92,648 customers in this group were charged £10m in court costs with 15,944 referred to enforcement agents (bailiffs). The collection rate of 81% also correlates with informal benchmarking

undertaken with authorities who have measured the collection rate of this additional amount of Council Tax.

12. Taking the example above of charging a minimum of 30% in Oxford, a collection rate of 81 percent would result in £435,272.80 of the additional amount levied, being uncollected, of which £73,343.47 would be borne by the City Council. This significantly reduces the potential saving of £386,108. Other councils report that significant resource has to be put into collecting amounts raised as a result of reducing Council Tax Support.
13. Appendix 1 attached, provides a summary of research conducted by the New Policy Institute. This shows that the councils that have raised the largest bills are seeing the largest increases in Council Tax arrears.

### **Context of wider changes to the benefits system**

14. Since 2010 there have been significant changes to the benefits system, reducing payments in real terms to benefit recipients. Any changes to the CTR Scheme must be considered in light of this environment. Table 2 below shows the projected reduction in income to benefit recipients in Oxford as a result of benefit changes that have been announced in the last year. This is in addition to the £29.7m reduction in benefits that occurred between 2010 and 2015. This analysis has been carried out by the Centre for Regional Economic and Social Research at Sheffield Hallam University. 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.

**Table 2**

| <b>Measure</b>                               | <b>Households affected</b> | <b>Financial loss (£m)</b> |
|--|----------------------------|----------------------------|
| Universal Credit (tapers & thresholds)       | 4,700                      | 5                          |
| Tax Credits (new changes)                    | 3,400                      | 3                          |
| Mortgage Interest Support                    | 200                        | 0.3                        |
| Pay to Stay                                  | 600                        | 1.5                        |
| LHA cap in social rented sector              | 600                        | 0.5                        |
| Employment & Support Allowance (new changes) | 900                        | 1.1                        |
| Lowering of Benefit Cap                      | 420                        | 1.2                        |
| Benefit Freeze                               | 15000                      | 7                          |
|  | <b>Total</b>               | <b>19.6</b>                |

15. Previous research we have commissioned shows that people affected by benefit reductions are coping with changes by borrowing money from family and friends, and regularly skip meals and/or failing to heat their homes adequately. These are the same households that would be affected by a reduction in the support available through the CTR Scheme.

## **Options**

16. *Option 1 – Charge all households a minimum of 30% of the full Council Tax bill.*  
This could potentially reduce the cost of the scheme to the Council by £386,108. However, if collection of this new debt was in line with the benchmark figure of 81% the saving would reduce to £312,765.
17. *Option 2 – Maintain the existing CTR scheme*  
The scheme is forecast to cost £969,220 in 2016/17. Any reduction in support would increase the pressure on the already stretched household budgets of people on low incomes in the City.
18. *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.
19. Changing the CTR scheme to reduce the cost of providing support, does not fit with the Council's response to the government's "welfare reform" programme. The Council's response to this challenge has been carefully considered, with financial help given alongside practical support to those affected, in order to help them become financially sustainable. Introducing arbitrary reductions in financial support would undermine this approach. As such the City Executive Board are recommended to choose Option 2 and maintain the existing CTR scheme for 2017/18.

## **Legal Issues**

20. If the Council wishes to amend its CTR scheme, it must carry out full public consultation, and agree the new scheme by 31 January 2017.

## **Financial Issues**

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

## **Environmental Impact**

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

## **Level of Risk**

23. A Risk Register is included at Appendix 2

## **Equalities Impact**

24. An impact assessment is included at Appendix 3.

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| <b>Report author</b>       | Paul Wilding   |
| Job title                  | Revenues & Benefits Programme<br>Manager                           |
| Service area or department | Welfare Reform Team  |
| Telephone                  | 01865 252461   |
| e-mail                     | <a href="mailto:pwilding@oxford.gov.uk">pwilding@oxford.gov.uk</a> |

**Background Papers:** None