

To: City Executive Board
Date: 18 July 2017
Report of: Executive Director of Organisational Development and Corporate Services
Title of Report: Consultation on proposals for a revised Council Tax Reduction Scheme for 2018/19

Summary and recommendations	
Purpose of report:	To approve the proposals made for consultation on changes to the Council's Council Tax Reduction Scheme for 2018/19
Key decision:	Yes
Executive Board Member:	Cllr Susan Brown, Customer & Corporate Services
Corporate Priority:	An efficient and effective Council Meeting housing need
Policy Framework:	Financial Inclusion Strategy.
Recommendations: That the City Executive Board resolves to:	
<ol style="list-style-type: none"> 1. Agree which options as set out in the table at paragraph 9 should be subject to public consultation. 2. Consult on the proposals for an 8 week period form 19 July 2017 and; 3. Instruct the Executive Director of Organisational Development and Corporate Services to bring a further report to December CEB subject to the outcome of the consultation process. 	

Appendices	
Appendix 1	Explanation of Options
Appendix 2	Consultation Documents
Appendix 3	Risk Register
Appendix 4	Initial Equality Impact Assessment

Introduction and background

1. In April 2013 the Council Tax Benefit (CTB) Scheme was replaced by a new Council Tax Reduction (CTR) Scheme. CTB 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 new scheme is for working-age customers and determined locally by District Councils rather than nationally by the DWP. The scheme that exists for pension age recipients is a national scheme prescribed by regulations and cannot be varied locally. Whilst the Government initially provided funding for the new local scheme, the funding has reduced each year in line with the reduction in Council's Revenue Support Grant. Consequently, from 2019 no funding will be provided for the CTR scheme.
3. Oxford City Council is one of only 37 Councils whose CTR scheme has maintained the same level of financial support as existed within the CTB scheme. Most Councils have reduced the cost of their schemes by providing a lower level of support. Oxford City Council's scheme will cost £1.2m for the current year, and from 2019 will cost a minimum of £1.8m.
4. Councils are required to review their CTR scheme on an annual basis and determine whether to revise it or not. Since the introduction of the CTR scheme there have been many changes to the benefits regime. Therefore, it is appropriate for the Council to revisit its existing arrangements to ensure they are aligned with relevant benefit legislation. In addition, Universal Credit will start to be rolled out to all customer types in Oxford from October 2017. This presents an opportunity to develop a separate CTR scheme for those customers, which is aligned to the new benefit.
5. 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 Council Tax Reduction Scheme itself must be adopted by Full Council, and cannot be delegated to an Officer or Committee.
6. 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, Child Poverty Act 2010, The Housing Act 1996)
 - The Armed Forces Covenant
7. The table below sets out the cost and caseload for the Council's CTR scheme since its introduction. The cost of the scheme is shared by the Oxford City Council (16.3%), Oxfordshire County Council (74.3%) and Thames Valley Police (9.4%) 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.

	2013/14	2014/15	2015/16	2016/17	2017/18
Cost of Pension Age	£3,567,670.00	£3,557,465.57	£3,326,141.95	£3,274,618.97	£3,344,383.31
Pension Age caseload	3,572	3,424	3,261	3,122	3,125
Cost of Working age (passported)	£4,325,799.47	£4,314,383.13	£3,900,289.58	£3,911,684.93	£4,003,114.83
Cost of Working age (non-passported)	£2,267,836.28	£2,171,003.49	£2,334,149.37	£2,445,567.77	£2,657,566.68
Working age caseload	6,434	6,121	5,963	5,841	5,853
Total cost	£10,171,311.75	£10,052,397.19	£9,569,804.90	£9,640,834.67	£10,014,042.82
Total Caseload	10,006	9,545	9,224	8,963	8,978
Gross Council cost	£1,712,631.22	£1,626,666.96	£1,575,328.94	£1,572,710.90	£1,626,327.03
Net Cost to Council	-£11,784.64	£193,395.98	£523,976.96	£875,604.26	£1,207,237.42

N.B. Passported cases are those whose main income is a welfare benefit such as Jobseekers Allowance, Income Support or Employment & Support Allowance. Such cases currently receive a 100% reduction on their Council Tax bill. Non-passported cases have another form of income, usually earnings from employment or self-employment.

Introduction of Proposals

8. Broadly speaking the proposals are:

- for a new CTR scheme to be introduced for customers on Universal Credit,
- to amend the existing CTRS for working age claimants not on Universal Credit to bring it in line with changes made to Housing Benefit since 2013. These changes will streamline the administration process in preparation for the roll out of Universal Credit from October 2017.
- to reduce the overall cost of support paid to claimants
- to highlight the implications of making no change as well as capping the cost of the scheme

The options are listed in the table below and detailed in Appendix One attached. Members are asked to agree which proposals if any should be submitted for public consultation. The consultation will last for a period of eight weeks beginning on 19 July 2017. The proposed consultation document is attached at Appendix Two.

9. The cost and savings figures below relate to the cost to the Council of providing support. Options 1 to 9 reflect a simplification of process which would lead to a greater efficiency in processing CTR claims. The net savings from the recommended options are £5,931. The anticipated annual growth in cost of the scheme is £68,306. This is based on Council Tax increasing by 4.2% which is the amount Council Tax bills increased by in unparished areas of Oxford this year.

Option No.	Description of change	Cost/Saving in £'s
1	Create an income band scheme for Universal Credit customers	£33,535
2	Restrict support to the level for a Band D property	-£14,129
3	Remove second adult reduction provision	-£8,370
4	Reduce capital limit from £16,000 to £6,000	-£9,236
5	Limit backdating to one month	-£3,896

6	Introduce a minimum income floor for self-employed claims	£0
7	Reduce period where someone can claim whilst abroad	£0
8	Limit number of dependent children within the CTR calculation to two	-£2,327
9	Remove family premium	-1,508
10	Introduce a minimum charge of 30%	-£370,831
11	Cap the cost of scheme to the current level	-£73,184
12	Do nothing	£0

10. Efficiency savings could be achieved from the banded scheme (option 1) when Universal Credit is more fully rolled out. These would be based on a simpler assessment process, a reduction in the number of changes to Council Tax bills, and less customer contact as a result. The parameters of a banded scheme could subsequently be amended to deliver further savings, or increase the amount of support provided. However, savings would need to be considered in the context of potential additional pressures resulting from the wider rollout of Universal Credit.
11. Council Tax regulations make provision for discretionary support to be made available on the application by a customer who is facing difficulty paying their Council Tax. Currently no budget is provided for making such discretionary payments. However if changes to the CTR scheme resulted in a reduction in support for individuals, then it may be prudent to make a small budgetary provision to enable discretionary support to be provided in exceptional cases. In such an event officers should seek an agreement with the County Council to fund this provision, as the County is the main beneficiary from the provision of this support.

Impact of Reducing Support

12. Informal benchmarking shows that 81% is the average collection rate of additional Council Tax raised by reducing support in the CTR scheme. These figures are taken from six Local Authorities whose overall Council Tax collection performance ranges from top quartile to bottom quartile for 2015/16. Oxford's performance for 2015/16 was at the top of the third quartile. Applying this to Option 10 above (applying a minimum 30% charge), means that the potential saving of £370,831 becomes an actual saving of £296,665.
13. As the additional charge will be levied on people on low incomes it is likely that additional recovery work will be required, thereby increasing cost. It is estimated that if Option 10 was implemented, an additional two full time members of staff would be required to manage this increase in work, at a cost of £65,000.

Financial implications

14. The current cost of the CTR scheme has been factored into the Council's Medium Term Financial Plan, and so is budgeted for until 2021/22. However, as outlined above, the Council will bear the full cost for its share of the scheme from 2019/20, and the cost of the scheme will increase year on year from this point as a consequence of Council Tax Increasing.

15. As the County Council are 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.

Legal issues

16. 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.

17. Since the introduction of CTR schemes, there have been a number of legal challenges against local schemes. Most of these challenges have been mounted in relation to the consultation undertaken and have questioned whether due regard was given to the equality impact assessment when changes were made to schemes. A Supreme Court ruling in 2014 – R (Moseley) v London Borough of Haringey has meant that consultation on changes to Council Tax Reduction schemes must also include an option on how the current scheme could be retained on the same level of funding. This would be funded through reductions in funding for other services. As such, there are questions in the consultation paper on these options.

Level of risk

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

Equalities impact

19. An Initial Equalities Impact Assessment is attached at Appendix Four. In the event that the consultation results in proposals to make changes to the CTR scheme, a full impact assessment will be conducted.

Report author	Paul Wilding
Job title	Revenues & Benefits Programme Manager
Service area or department	Welfare Reform
Telephone	01865 252461
e-mail	pwilding@oxford.gov.uk

Background Papers: None

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