

Appendix One

Council Tax Reduction Scheme - Explanation of Options

Option 1 - Create an income band scheme for Universal Credit customers

The migration to Universal Credit creates an opportunity to reduce the cost of CTR administration. The existing CTR scheme is based on the same principles as Housing Benefit, and HB and CTR claims for the same customer are assessed as part of a single process. However as claims migrate to Universal Credit, the CTR scheme could be made simpler to administer by basing it on the Universal Credit system, instead of Housing Benefit. Moving to an income banded system based on the income used in the UC assessment will reduce the time to assess CTR claims, and the proposal detailed below will reduce the volume of changes, which will also result in fewer amended Council Tax bills being issued.

Initial modelling has been carried out by using information in the existing benefit database to calculate the weekly income that existing CTR customers would receive in UC. This modelling is based on introducing a scheme which disregards income received in the UC system in relation to housing costs, for having children, having limited capacity for work (through ill health or a disability) and having a caring responsibility. It also disregards income from all other benefits, including child benefit and personal independence payment. The remaining income would be applied to the bands below to determine the level of support that could be provided. Deductions would then be made in respect of any non-dependants living in the property, in the same way as they are under the current scheme.

The proposed bands below ensure that overall, a similar level of support is provided as currently. The modelling projects that the scheme will cost the Council £33,353 more annually than the current scheme. The proposed income bands and levels of support are as follows:

£0 - £119.99 = 100% of Council Tax liability
£120 - £179.99 = 75% of Council Tax liability
£180 - £279.99 = 50% of Council Tax liability
£280 - £384.99 = 25% of Council Tax liability
Over £385 = No support

The rationale for the figures above are as follows:

£120 is 16 hours on the national minimum wage (NMW), (and ensures that all existing cases receiving 100% rebate, continue to do so)
£180 is 24 hours on NMW
£280 is 30 hours on the Oxford living wage
£385 is the Benefit Cap

The modelling for this scheme identifies the following impacts on the financial support customers will receive:

Gain/Loss	No. of customers
Gain over £10 per wk	451
Gain between £5 and £10 per wk	472
Gain between £1 and £5 per wk	456
Change of less than £1 per wk	3,912
Loss of between £1 and £5 per wk	216
Loss of between £5 and £10 per wk	408
Loss over £10 per wk	299

The main difference between an income banded scheme and the existing scheme is the rate at which support is withdrawn. The current scheme reduces the amount of support received by 20p for each additional £1 of income. However in the proposed scheme support is reduced by 25% at each band threshold. This creates winners and losers when compared to the current scheme. People at the lower end of an income band lose out compared to the current scheme, whereas people towards the top of an income band gain.

The advantages of a banded scheme are that it is simpler to administer. Small changes in income won't result in a change to the amount of support received, and so there won't be a need to issue as many Council Tax bills. It is proposed that any changes reported will only be applied from the following month, further reducing the number of amended bills to be sent. As the banded scheme will be linked to the Universal Credit award, the customer's income will have already been collected and verified by the DWP. This means that the CTR application form can be much shorter than currently, and only need to capture household information, and any additional income or capital. It is estimated that 200 customers will migrate each month from Housing Benefit to UC and so the banded scheme would be rolled out gradually to these customers.

Further analysis of the 707 customers losing more than £5 per week is shown in the Initial Equality Impact Assessment. For all households facing a reduction in support, they have improved work incentives as a result of moving onto Universal Credit. The current benefits system traps individuals on 16 hours of work, and couples on 24 hours of work jointly. This is the maximum amount of work that can be undertaken before welfare benefits are withdrawn. This "benefit trap" is the main barrier for customers of the Welfare Reform team increasing their hours. It is only the compounding impact of other benefit reductions which provide an incentive to increasing hours of work. However under Universal Credit, benefit is withdrawn at a consistent rate of 63p for each £1 of income, and so any increase in work will lead to an economic benefit.

AMENDMENTS TO SCHEME FOR CUSTOMERS WHO ARE NOT ON UNIVERSAL CREDIT

Working age customers remaining on Housing Benefit would continue to have the existing CTRS applied to them. However as this has not been amended since it was introduced in 2013, there is an opportunity to make some changes to simplify the administration. Some of these changes would deliver small savings in the cost of the scheme.

Option 2 - Restrict support to the level for a Band D property

The current Council Tax Reduction scheme uses the full amount of Council Tax charge irrespective of the band of the property. There are eight Council Tax Bands A to H with Band D being the national average. It is proposed that where an applicant lives in a property which is Band E, F, G or H then the Council Tax Reduction will be calculated on the basis of a Band D charge.

Restricting support to the maximum of a Band D property would impact 243 households and result in a reduction in expenditure of £85,631, resulting in a saving to the Council of £14,129. A breakdown of the impact on households that would lose out as a result of this measure is included in the Initial Equality Impact assessment.

Option 3 - Remove second adult reduction provision

Second adult rebate can be claimed by Council Tax payers whose income is too high for them to claim Council Tax Support themselves. However they can claim it in respect of a second adult living with them, who isn't their partner and whose income is low enough or who is on certain benefits. The amount of rebate depends on the second adult's income but is a maximum of 25%

In 2016/17 £50,724 was paid in respect of second adult rebate, and benefitted 132 households. Removing this would deliver a saving of £8,370 per annum for the Council, and simplify the administration of the scheme.

Option 4 - Reduce capital limit from £16,000 to £6,000

In the current scheme, anyone with capital over £16,000 is ineligible for support. It is proposed to reduce this to £6,000. Reducing the limit to £6,000 would exclude 83 recipients of CTR reducing expenditure by £55,974, which equates to a saving £9,236 per annum for the Council.

Option 5 - Limit backdating to one month

Currently our CTRS allows for claims to be backdated six months if the customer can show continuous good cause as to why they have not claimed. This is administratively onerous, as a subjective view has to be taken and as such may attract requests for reconsiderations and appeals. Backdating rules for Housing Benefit have recently changed to only allow for a month's backdate. It is proposed to bring our CTRS in line with this.

The current scheme saw total of £6,032 per week paid in backdated CTR to 300 claims for a total of 32,532 days. As such, restricting backdating to a month would have reduced this period to 11,519 days reducing CTR expenditure to £2,136 per annum for the Council.

Option 6 - Introduce a minimum income floor for self-employed claims

In order to align Council Tax Reduction with Universal Credit, the Council proposes to use a minimum level of income for those who are self-employed. This would be in line with the National Living Wage for 35 hours worked per week. Any income above this amount would be taken into account based on the actual amount earned. The income would not apply for a designated start-up period of one year from the start of the business. Variations would apply to part-time workers.

This change would reduce the significant time spent by assessors checking the accounts of self-employed people. 380 households would be impacted by making a larger reduction in their entitlement, on the basis that they have a higher level of earnings than they are reporting. However this could also encourage self-employed people to expand their business to increase their earnings.

This measure would help prevent fraud in relation to under reported earnings. It is proposed that a grace period of 12 months would be given to new businesses to give them time to establish themselves.

Option 7 - Reduce period where someone can claim whilst abroad

Currently CTR is able to be paid when people are abroad for up to 13 weeks. The Housing benefit regulations have recently been amended to reduce this period to four weeks. It is proposed to bring our CTRS in line with this. Absences of 4 to 13 weeks are not recorded in the benefit system so it is not possible to say how many people will be affected by this change. However it is felt that this change is not controversial and likely to meet with public support.

Option 8 - Limit number of dependent children within the CTR calculation to two

From April 17, no additional tax credits or housing benefit will be paid for families with more than two children. It is proposed to bring the CTRS in line with these rules, although only for new claims as with the changes to the other benefits.

Currently, for each child an additional allowance of £66.90 per week is made. This means that £66.90 can be earned without any loss in support. Oxford's CTRS reduces support by 20p for each £1 of income so removing the allowance would potentially reduce the amount of support provided by £13.38 per week, for a third or additional child. However this would not affect any household in receipt of a passported benefit (Jobseekers Allowance, Income Support or Employment and Support Allowance).

Option 9 - Remove family premium

From April 2016, the family premium was removed from Housing Benefit. It is proposed to bring the CTRS in line with this change, although only for new claims. The family premium is worth £22.20 per week for single parents or £17.40 per week for couples. It operates in the same way as the child allowance above. As such, removing it potentially reduces support by £4.44 or £3.48 per week, respectively. Again it does not affect any household on a passported benefit.

REDUCING THE COST OF SUPPORT

Option 10 - Introduce a minimum charge of 30%

Applying a minimum payment of 30% of the Council Tax bill for all Working Age recipients of CTR would have reduced total expenditure for 2016/17 from £1,572,711 to £1,201,880, a saving of £370,831 per annum for the Council. However, to generate a saving of £370,831 for the City Council, an additional £2,247,459 in Council Tax would be need to be levied on low income households (as only 16.3% 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 £541.29 for the current year.

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)

Option 11 – Cap the cost of scheme to the current level

One way of preventing an increase in the cost of the CTRS is to cap the cost of the scheme at the amount for the current year. This would require a decision to be taken about who pays for the Council Tax increase each year. One approach would be to add the increase to everyone's bills. However currently there are 4,000 households who receive a 100% rebate from the CTRS. The annual increase in Council Tax for 2017/18 was 4.2%, so this would have resulted in bills of less than £100 being raised for those households who don't pay anything. These would be uneconomic to collect, and where recovery action was taken would see court costs in excess of the Council Tax charge being added to the bill.

An alternative approach would be to allocate the additional cost to households who don't receive a 100% rebate. However this would provide a challenge to administer, and would be difficult for customers to understand.

Option 12 – Do Nothing

The gross cost of the CTRS to the City Council is approximately £1.63m and is currently part funded by the government grant. The cost to the city council is increasing year on year as a result of the reduction in grant. By 2019 the council will bear the full cost of the scheme. Since CTR was localised the gross cost of the scheme has reduced slightly year on year as a result of the reduction in the number of claimants. It is unlikely that the number of claimants will reduce much further, and so the scheme cost will then increase year on year as a result of the annual increase in the Council Tax charge. Assuming that Council Tax bills increase by 4.2% each year (as they did this year), the cost of the CTR Scheme will increase from £1.63m to £1.9m in four years.

In the event of an economic recession there could also see a significant increase in claimant numbers (potentially 15% based on historic claimant figures). This would increase the scheme cost by approximately £250,000, based on cost for the current year.