

To: City Executive Board
Date: 18 July 2017
Report of: Finance Panel (Panel of the Scrutiny Committee)
Title of Report: Consultation on proposals for a revised Council Tax Reduction Scheme for 2018/19

Summary and recommendations	
Purpose of report:	To present the recommendation of the Finance Panel on proposals for a revised Council Tax Reduction Scheme for 2018/19
Key decision:	Yes
Executive Board Member:	Councillor Susan Brown, Customer & Corporate Services
Corporate Priority:	An efficient and effective Council Meeting housing need
Policy Framework:	Financial Inclusion Strategy
Recommendation(s): That the City Executive Board states whether it agrees or disagrees with the recommendation set out in the body of this report.	

Introduction

1. The Finance Panel considered the consultation on proposals for a revised Council Tax Reduction Scheme for 2018/19 at a meeting on 6 July 2017. The Panel would like to thank Nigel Kennedy, Head of Financial Services, and Paul Wilding, Revenue and Benefits Programme Manager, for their attendance and advice.

Background

2. The Revenue and Benefits Programme Manager introduced the report. He said that significant reductions in a range of benefits are making it harder and harder for people to live in the city. Responsibility for supporting low income working age households with Council Tax was changed in 2013 with support given in the form of a discount on Council Tax. This had the effect of lowering the tax base and the estimated Council Tax income for a precepting authority. At the start of the new scheme a reduction in government grant of 10% was applied and later this funding was subsumed into the Revenue Support Grant, which is on course to reduce to zero in April 2019. The Council is one of only 37 local authorities to maintain a

local Council Tax Reduction (CTR) scheme that provides the same level of support as the Council Tax Benefit system it replaced. CTR currently costs the Council £1.2m per year and this figure will rise to at least £1.8m in April 2019 when the Council bears the full cost of the scheme (this is already built into the Council's Medium Term Financial Plan). The Panel note that the cost of the scheme is likely to increase further in the event of an economic downturn.

3. The Panel note that the cost of the scheme is shared between the precepting authorities and that the total income foregone by these authorities due to the lowering of the tax base will be in the region of £11m by 2019. The Panel received assurances that the County Council and Thames Valley Police were fully involved in the original detailed design of the scheme and are aware of the direction of travel. The Panel heard that the Council has a duty to consult with the other precepting authorities and wants to work with them but those authorities have no veto or recourse to challenge the Council's scheme if they are consulted.

Assessment of Options

4. The Panel voiced support for the Council's CTR scheme and the principle of supporting the lowest income households in the city with a full Council Tax reduction rather than billing those who genuinely can't afford to pay. This approach contributes to wider Council aims such as homelessness prevention.
5. The Panel noted the difficulty in ensuring a worthwhile response to consultation on the options. The reasons for favouring options that continue the CTR scheme will need to be explained carefully, as the apparent savings from scrapping the scheme may appeal to residents who see this as a way in which to cut Council spending.
6. The Panel considered the merits of the various options for changing the scheme and made the following observations:
 - Option 1: Introducing a banded scheme that is calibrated to income for Universal Credit recipients and provides the greatest level of support to households with the lowest incomes seems very sensible. While this option would add costs in the short term it would over time simplify administration and release efficiency savings as Universal Credit is rolled out more widely. The Council would retain flexibility to adjust the income parameters in future years should it wish to do so.
 - Option 2: This is a stand alone cost-saving option that is not linked to Housing Benefit.
 - Options 3-7 & 9: These options would align the scheme with Housing Benefit. None of the options directly complement each other but each option would help to simplify the scheme and reduce administrative costs over time.
 - Option 8: While limiting the number of dependent children within the CTR calculation to 2 for new claimants would also align the scheme with Housing Benefit, the Panel feel this would be punitive and ethically wrong.
 - Option 10: Introducing a minimum charge is a stand-alone option that would significantly reduce the cost of the scheme to the precepting authorities (with the County Council being the biggest beneficiary). The potential saving to the City Council would be partially offset by a lower collection rate and the need for additional resources to recover charges from low income households. The Panel feel this option is objectionable as it would be unduly

harsh on the lowest income households currently in receipt of 100% support. However, the Panel think it would be prudent not to take this option off the table altogether, with the provisos that it should only be seriously considered in extremis and that further work would need to be undertaken on identifying and costing protections for certain groups. The Panel concluded that consulting on Option 10 as an option that is ‘not preferred’ (with reasons that should be explained) would have some merit and would present consultees with more of a choice.

- Option 11: Capping the cost of the scheme at the current level would release some savings but there is no clear proposal for how this would be achieved in practice. A cap is likely to be difficult to implement and onerous to administer.
- Option 12: The ‘do nothing’ option would be revenue neutral in the medium term but it would not enable the Council to realise efficiency savings linked to the wider roll out of Universal Credit. It is likely that (all things being equal), the cost of the scheme would continue to rise in the years beyond the Medium Term Financial Plan period due to Council Tax bills increasing in those years.

Recommendation – That the Council:

- 1. Consults on option 1 and perhaps makes it clear that this is a ‘preferred option’, giving reasons.***
- 2. Consults on options 2-7 & 9 as options that could form part of a package of measures to simplify the administration of the scheme and/or reduce costs.***
- 3. Does not consult on Option 8.***
- 4. Consults on Option 10, 11 and 12 making it clear that these are not the Council’s preferred options, giving reasons.***

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