

**To:** City Executive Board  
**Date:** 18 September 2018  
**Report of:** Head of Financial Services  
**Title of Report:** Consultation on proposals for a revised Council Tax Reduction Scheme for 2019/20

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To seek approval for proposals for consultation on changes to the Council's Council Tax Reduction Scheme for 2019/20
<b>Key decision:</b>	Yes
<b>Executive Board Member:</b>	Councillor Christine Simm, Supporting Local Communities Services
<b>Corporate Priority:</b>	An efficient and effective Council Meeting housing need
<b>Policy Framework:</b>	Financial Inclusion Strategy.
<b>Recommendations: That the City Executive Board resolves to:</b>	
1.	<b>Agree</b> that the proposals for the 2019/20 Council Tax Reduction Scheme outlined in the report be subject to public consultation for an 8 week period from 24 September 2018; and .
2.	<b>Instruct</b> the Head of Finance to bring a further report to the City Executive Board in January 2019 to outline the outcome of the consultation process and make proposals for the 2019/20 Council Tax Reduction Scheme

<b>Appendices</b>	
Appendix 1	Consultation Questions
Appendix 2	Impact of 2019/20 changes
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 the Council's Revenue Support Grant. The Revenue Support Grant will reduce to zero from 1<sup>st</sup> April 2019 and consequently from this date no funding will be provided for the CTR scheme.
3. Councils are required to review their CTR scheme on an annual basis and determine whether to revise it or not. 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.
4. 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
5. 2018/19 is the first year that Oxford City Council has amended its scheme. However the changes that were made are almost cost neutral, and are estimated to save the Council £5,500. Most Councils have now reduced the cost of their schemes by providing a lower level of support. Oxford City Council's scheme is estimated to cost the Council £1.4m for the current year, and from 2019 will cost an estimated £1.7m.
6. Table 1 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 (15.9%), Oxfordshire County Council (74.6%) and Thames Valley Police and Crime Commissioner (9.5%) 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.

Table 1.

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
Cost of Pension Age	£3,567,670	£3,557,466	£3,326,142	£3,274,619	£3,172,713	£3,299,833
Pension Age caseload	3,572	3,424	3,261	3,122	3,056	2,993
Cost of Working Age	£6,593,636	£6,485,387	£6,234,439	£6,357,253	£6,318,785	£6,571,959
Working age caseload	6,434	6,121	5,963	5,841	5,666	5,550
Total Cost	£10,161,306	£10,042,852	£9,560,581	£9,631,872	£9,491,498	£9,871,793
Total Caseload	10,006	9,545	9,224	8,963	8,722	8,543
Gross Council Cost	£1,712,631	£1,626,667	£1,575,329	£1,572,711	£1,546,165	£1,568,628
Net Cost to Council	-£11,785	£193,396	£523,977	£875,604	£1,230,572	£1,432,449

7. The following changes were made to the CTR scheme for the year 2018/19:
- Applied an income band scheme to recipients of Universal Credit
  - Introduced a minimum income floor for the self-employed
  - Aligned rules for treatment of periods abroad with Housing Benefit (HB)
  - Reduced backdating to one month
  - Removed family premium
  - Removed second adult rebate

The cost or savings of each of these measures is shown in Appendix 2. However taken together, the changes have had no significant impact on the overall cost of support. Council tax bills increased on average by 5.6% in Oxford in 2018/19, and the cost of CTR increased by 5.4% from March 2018 to April 2018.

### Consultation proposals

8. Prior to drafting this report, officers considered a range of options for changing the CTR scheme in 2019/20. This incorporated options to reduce the cost of the scheme which included introducing a minimum charge for all residents, capping the amount of support that is provided at the level of a Band D council tax charge, and reducing the amount of capital that can be held whilst still qualifying for support. These options were rejected as they risked putting further pressure on households struggling with reductions in benefits, low wages and increasing household costs. However it was agreed that these options would need to be revisited in future years due to the increasing cost of the CTR scheme to the Council.
9. For next year's scheme, it is proposed that consultation is held to assess the impact of the two main changes that were introduced this year, the income band scheme for residents on Universal Credit, and the minimum income floor for self-employed people.

10. The income bandings used to determine the amount of support provided are:

<b>Band</b>	<b>Weekly Income</b>	<b>Discount received</b>
1	£0 - £125.99	100%
2	£126 - £187.99	75%
3	£188 - £290.99	50%
4	£291 - £384.99	25%
5	£385	0%

The rationale for the figures above is as follows:

- £126 is 16 hours on the National Minimum Wage (NMW) rounded upwards, (and is at a level which ensures households who previously received 100% reduction continue to do so)
- £188 is 24 hours on the NMW rounded upwards
- £291 is 30 hours on the Oxford living wage (OLW), rounded upwards
- £385 is the benefit cap

11. It is proposed to consult on uprating the bands annually in line with changes to the NMW and OLW, and in the case of the benefit cap, by inflation (based on the Retail Price Index figure for September 2018). These changes would have no significant impact on the amount of support provided, and will ensure that no-one has to pay more council tax as a result of receiving a small pay rise. The amounts of the NMW and OLW will not be confirmed until later in the year, so the new band values can't be calculated until then.

12. The Council introduced a minimum income floor (MIF) in order to provide some consistency in the way self-employed people are treated in the benefits system and reduce the amount of administration involved in dealing with their claims by making the rules easier to understand. As with any new scheme, officers have kept it under review and want to make sure it works well in practice. One consequence which has emerged is that there are a number of self-employment career options and individual circumstances, which make it difficult for people to increase their self-employment income which means they have no option to mitigate the impact of the MIF. In order to remedy this situation it is proposed to consult on a number of options for amending the scheme. This includes considering whether to remove the MIF completely, reducing the amount of the MIF, exempting some types of self-employment from the MIF and increasing the period for which new businesses are exempt from the MIF. Appendix Two shows that this measure saves the council £25,000 in reduced expenditure, and so amending the MIF will lead to a subsequent increase in cost of all or part of this amount.

13. Consultation will be carried out using the Council's online consultation system, and also making use of paper questionnaires. The consultation will be promoted by the Council's communications team. Individuals subject to the income band scheme and MIF will also be written to, inviting them to participate in the consultation. The consultation will last for a period of eight weeks beginning on

24 September 2018. The proposed consultation document is included at Appendix One.

### **Discretionary support**

14. Council Tax Regulations make provision for discretionary support to be made available on application by a customer who is facing difficulty paying their Council Tax. The Council has made a £49,000 budget available for discretionary support this year which is available for individuals facing hardship as a result of changes to the CTR scheme.

### **Financial implications**

15. The current cost of the CTR scheme has been factored into the Council's Medium Term Financial Plan with the Council bearing the full cost of its share, estimated at £1.7 million per annum with effect from 1/4/2019. The cost of the scheme will increase year on year as a consequence of any future council tax increases.
16. As the Oxfordshire County Council is 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. Although there are no savings proposed from the CTR scheme this year, reductions in support will be considered each year in light of the Council's overall financial position.

### **Legal issues**

17. 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.
18. Since the introduction of CTR schemes, there have been a number of legal challenges against other local schemes. Most of these challenges have been in relation to the consultation undertaken and have questioned whether due regard was given to any equality impact assessment when changes were made to schemes. A Supreme Court ruling in 2014 ( R (Moseley) v London Borough of Haringey) has determined that consultation on changes to council tax reduction schemes must also include an option for any current scheme to be retained on the same level of funding with a consequent reduction in funding for other services. As such, there are questions in the consultation paper on these options.

### **Level of risk**

19. 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**

20. An Initial Equalities Impact Assessment is attached at Appendix Four.

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**Background Papers:** None