

To: Cabinet
Date: 9 September 2020
Report of: The Head of Financial Services
Title of Report: Council Tax Reduction Scheme 2021/22

Summary and recommendations	
Purpose of report:	To seek approval for proposals for consultation on changes to the Council's Council Tax Reduction Scheme for 2021/22
Key decision:	Yes
Cabinet Member:	Councillor Marie Tidball, Supporting Local Communities
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-2024
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Agree that the proposals for the 2021/22 Council Tax Reduction Scheme outlined in the report be subject to consultation for an 8 week period from 14th September 2020; and 2. Instruct the Head of Financial Services to bring a further report to Cabinet in January 2021 to outline the outcome of the consultation process and make proposals for the 2021/22 Council Tax Reduction Scheme 	

Appendices	
Appendix 1	Consultation questions
Appendix 2	Risk register
Appendix 3	Initial Equality Impact Assessment

Introduction and background

1. In April 2013 the national Council Tax Benefit (CTB) scheme was replaced by a new Council Tax Reduction (CTR) scheme. The CTB scheme 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 CTR scheme is for working age customers and determined locally by Councils rather than nationally by the DWP. The separate scheme that exists for pension age recipients is a national scheme prescribed by regulation and cannot be varied locally. The basic calculation for CTR is an assessment of the household income versus the amount of money that central government says the household needs to live off. A household can be a single person, couples, families with children etc. The scheme works by applying discounts against the council tax liability based on the financial circumstances of a homeowner. The discount reduces the amount of council tax income to be collected by the authority. Whilst the Government initially provided funding for the new local schemes through the Revenue Support Grant, since the Grant has now reduced to zero there is no funding provided by central government for any CTR scheme.
3. Councils are required to review their CTR working age scheme annually, and determine whether or not to revise it. 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 CTR scheme itself must be adopted by the Council, and the approval of the scheme cannot be delegated to an officer or committee.

4. The CTR scheme 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, the Child Poverty Act 2010, the Housing Act 1996); and
 - The Armed Forces Covenant
5. 2018/19 was the first year that Oxford City Council (OCC) amended its CTR scheme to that introduced by the Government in 2013-14. 2019/20 and 2020/21 saw further amendments, including the reversal of the Minimum Income Floor for Self Employed claimants. These changes have been relatively minor and unlike those operated by the majority of billing authorities the Council's scheme has remained largely unchanged and still provides 100% funding against the council tax liability.
6. When the Council set its budget in February 2020 the annual estimated total loss of income arising from CTR was £11 million based on the current CTR caseload. Reflecting an increase as a result of the COVID19 pandemic, as at 1st July 2020 this has risen to £11.2 million The Council's share of this loss of income based on the Council's Band D council tax at the time that the budget was set was £1.710 million, this has now risen to £1.739 million. The balance of the income loss is

picked up by the major preceptors, Oxfordshire County Council and Thames Valley Police and Crime Commissioners.

7. Should there be a second wave of COVID 19 then the caseload is likely to increase and the cost to the Council and its major preceptors from loss of council tax income will also increase.
8. Further uncertainty remains around the number of CTR claims the Council is likely to see when the government's furlough scheme ends in October 2020, as at that point a number of businesses may cease to trade, and employees may be made redundant. According to July HMRC statistics, 17,400 employees were furloughed in the Oxford East constituency, and 12,800 were furloughed in the Oxford West and Abingdon constituency. This is 27% and 24% of all those eligible to be furloughed in those constituencies. Some of the furloughed workers may already be in receipt of UC/HB and CTR due to low income. Some workers may also have now returned to work as the easing of lockdown progresses.
9. Whilst it is impossible to predict how many businesses may cease to trade at the point the furlough scheme ends, we can assume that the number of Universal Credit and CTR cases will increase. There are numerous variables that could affect the number of redundancies, and we will have a clearer picture for the next CTR Cabinet report in January 2021. There will also be more information around the economic impact of Covid-19 in the City that we can share at that point.
10. Any increase in the amount of Council Tax due each April will see the amount of CTR increase proportionally, thus increasing the cost of the CTR scheme.
11. Table 1 below sets out the cost and caseload (number of CTR claimants) for the OCC CTR scheme since its introduction. The cost of the scheme is shared by the Oxford City Council (15.50%), the Oxfordshire County Council (74.02%) and the Thames Valley Police and Crime Commissioner (10.48%) in accordance with the proportion of council tax levied by each. The table shows that the gap between the cost to the Council between 2019-20 and 2020-21 has increased by £160k compared to a rise of £18k between 2018-19 and 2019-20.

Table 1 Cost of CTR to the City Council and its major preceptors

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21 at 1/7/20
Cost of Pension Age	£3,567,670	£3,557,466	£3,326,142	£3,274,619	£3,172,713	£3,284,610	£3,554,232	£3,862,671
Pension Age caseload	3,572	3,424	3,261	3,122	3,056	2,990	2,918	2,948
Cost of Working Age	£6,593,636	£6,485,387	£6,234,439	£6,357,253	£6,318,785	£6,541,638	£6,459,250	£7,357,156
Working age caseload	6,434	6,121	5,963	5,841	5,666	5,558	5,303	5,615
Total Cost	£10,161,306	£10,042,852	£9,560,581	£9,631,872	£9,491,498	£9,826,248	£10,013,482	£11,219,827
Total Caseload	10,006	9,545	9,224	8,963	8,722	8,548	8,221	8,563
Cost of the scheme to OCC	£1,712,631	£1,626,667	£1,575,329	£1,572,711	£1,546,165	£1,561,391	£1,579,126	£1,739,073

12. The Council's caseload has increased by 342 cases since the start of the 2020/21 financial year. The Council still receives a substantial number of new CTR claims

daily which has increased this year largely due to the Covid-19 pandemic. In other cases changes will be related mostly to income fluctuations.

13. The following changes were made to the OCC CTR scheme for the year 2020/21:

- Changes that affect CTR are now applied from the date of the claim, rather than the Monday after the change. This mirrors how the daily charge for Council Tax works and the cost of doing this is neutral. The impact on claimants is that some may lose up to 7 days entitlement to CTR where others will gain up to 7 days entitlement.
- A CTR claim is now left open for 6 months whilst there is a Universal Credit (UC) application in place. This results in a small administration saving as the Council will be able to use the same CTR claim more than once rather than claimants having to make a new CTR claim or claims, with no financial cost or saving. The impact on the claimant is that their CTR claim will be dealt with sooner.
- Annual up-ratings for the Income banded scheme for UC claimants

14. In making proposals for the 2021-22 consultation officers have considered a range of options for changing the CTR scheme which seek to streamline the process of award and ongoing administration and also provide options on reducing cost to the Council. Additionally members were keen to seek views on an income banded approach for working age claimants, in the same way as UC claimants are treated, from 2021/22. The impact on the CTR claimant is that fewer changes will need to be reported to the Council for minor income changes, resulting in less administration and more certainty for claimants. Questions relating to these options will be included in the consultation questions for the 2021/22 CTR Scheme.

15. If Cabinet is not minded to make any significant changes to the scheme for 2021/22, it may have to consider this position going forward as the financial pressures on the Council, especially arising from the COVID19 pandemic, over the medium term increase.

16. For next year's CTR Scheme (2021/22), it is proposed that the Council carries out consultation to assess the impact of the following amendments:

- Reducing the costs of the CTR Scheme for working age claimants by introducing a minimum charge for all residents unless they fall within certain criteria (modelling will be undertaken to assess the impact of any charge introduced);
- Making CTR a discount from the amount of Council Tax due (in the majority of CTR schemes it mirrors the administration of Council Tax Benefit). Administration savings can be achieved by simplifying how the discount works;
- Introduction of a banded income approach for working age claimants, in the same way as UC claimants are treated. The impact on the CTR claimant is that fewer changes will need to be reported to the Council for minor income changes, resulting in less administration and more certainty for claimants; and

- Minor changes to simplify some of the existing scheme rules, such as non-dependant deductions and capital limits, if the scheme remains largely the same

17. The 2020/21 CTR Scheme, which was approved by the Council on 27th January 2020, allows for the income band scheme for residents on Universal Credit to be up-rated annually in line with changes to the National Minimum Wage (NMW) and the Oxford Living Wage (OLW), and that the benefit cap, be uprated in line with inflation (based on the Retail Price Index figure for September 2019). Whilst it is not necessary to consult on this annually, it will be included in the consultation to check that it is still relevant.

18. The proposed change to an income banded discount would have no significant impact on the amount of support provided by the Council to a claimant, and will ensure that no-one has to pay more council tax as a result of receiving a small pay rise. The income bandings currently being used and based on the methodology above are shown in Table 2 below. The figures have been calculated using the 2020 figures for the NMW and OLW which are £8.72 and £10.21 per hour respectively. The band 5 value has been uprated by 2.4% which is the RPI figure for September 2019.

Table 2

Band	Weekly Income	Discount received	No of claimants
1	£0 - £139.99	100%	793
2	£140.00-£209.99	75%	734
3	£210.00-£306.99	50%	1,350
4	£307.00 - £407.99	25%	1,197
5	£408 and above	0%	1,912

These figures will be uprated prior to the next Cabinet report in January 2021 once known.

19. Consultation will be carried out using the Council's online consultation system, and also making use of paper questionnaires if there is no risk associated with Covid-19. The consultation will be promoted by the Council's Communications Team. The consultation will last for a period of eight weeks beginning on 14 September 2020. The proposed consultation document is included at Appendix 1.

Discretionary support

20. The 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.

Financial implications

21. 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 £1.710 million for 2020-21 from council tax income foregone. The cost of the

scheme has already increased due to increased CTR arising from the pandemic, to £1.739 million and this may increase further when central government financial support for businesses and individuals start to fall which in turn will lead to further lost income to the council. Any further increases in the council tax charge will also lead to increased CTR and reduced income for the Council.

22. In approving its budget for 2020-21 and Medium Term Financial Plan in February 2020, the Council approved savings of £120k in 2021-22 arising from savings in the administration of the CTR Scheme. The proposed consultation will seek views on these changes as well as other changes which affect the future affordability of the scheme. It is worth noting that any changes to the scheme can only affect working age claimants as the scheme for pensioners as set by central government may not be changed. This limits the impact of the changes to £7.3 million of the total estimated scheme cost of £11.7m per annum. Furthermore the Council's element of this is around 15.5%, based on the band D council tax.
23. The increase in the loss of income from increased council tax support given to claimants does not get accounted for by the authority until the following financial year as it comes through as losses through the Collection Fund. In order to cushion the impact of such losses on the local authority the central government has recently announced that these losses and any around uncollectable council tax or businesses rates arising from the COVID19 pandemic may be charged over a longer 3 year period.

Legal implications

24. 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.
25. 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. There are questions in the consultation paper on these options.

Level of risk

26. A risk register is attached at Appendix 2. The identified risks relate to the undertaking of consultation, rather than the changes to the CTR scheme.

Equalities impact

27. An Initial Equalities Impact Assessment is attached at Appendix 3.

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Background Papers: None

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