

To: Cabinet
Date: 10 February 2021
Report of: Head of Financial Services
Title of Report: Council Tax Reduction Scheme 2021/22

Summary and recommendations	
Purpose of report:	To consider the feedback from the recent consultation on the proposed changes to the 2021/22 Council Tax Reduction Scheme and to agree the principles of the new scheme to be drawn up for approval by Council
Key decision:	Yes
Executive Board Member:	Councillor Marie Tidball, Supporting Local Communities
Corporate Priority:	All
Policy Framework:	Budget and Medium Term Financial Strategy
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Note the outcome of the consultation on the proposed Council Tax Reduction Scheme; 2. Delegate authority to the Head of Financial Services to draft the details of the new Council Tax Reduction Scheme for 2021/22 in accordance with paragraphs 10-14 of this report; and 3. Recommend Council to resolve to adopt the new Local Council Tax Reduction Scheme for 2021/22 taking into account the changes to the income bandings as highlighted in paragraphs 11-16, and moving to an Income banded scheme for all CTR claimants. 	

Appendices	
Appendix 1	Response to consultation
Appendix 2	Risk Register
Appendix 3	Equalities Impact Assessment
Appendix 4	Glossary of Terms

Introduction and background

1. Councils are required to review their Council Tax Reduction (CTR) Scheme for working age recipients on an annual basis and determine whether to revise it or not. The scheme that exists for pension age recipients is a national scheme prescribed by regulations and cannot be varied locally.
2. 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 full Council, it cannot be delegated to an officer or committee.

3. 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, the Child Poverty Act 2010 and the Housing Act 1996)
 - The Armed Forces Covenant

Proposed changes to scheme

4. At its meeting on the 9 September 2020, Cabinet agreed to consult on a new CTR Scheme for 2021/22. Public consultation was undertaken for a period of 8 weeks from 21 September 2020 to 13 November 2020 in both electronic and paper format where required. The Council consulted directly with existing CTR claimants. The views of the major preceptors, Oxfordshire County Council and the Thames Valley Police and Crime Commissioner were also sought alongside the advice agencies in Oxford.
5. A number of new proposals were submitted for consultation, alongside the annual uprating for the income banded scheme. The proposals related to:
 - 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 has been undertaken to assess the impact of any charge introduced);
 - Uprating the current Income Bands for UC claimants;
 - Introducing an Income Banded scheme for all 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;
 - Administering CTR as a discount from the amount of Council Tax due (in the majority of CTR schemes it still mirrors the administration of Council Tax Benefit). Administration savings can be achieved by simplifying how the discount works; 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 as the current scheme.
6. Any of the options suggested in the consultation but not utilised can be revisited in future years due to the increasing cost of the CTR scheme to the Council, and the Council is currently working with an external company, Policy in Practice, to model such schemes and the social impact of making changes to the existing scheme.

Summary of consultation responses

7. Appendix 1 provides details of the responses to the consultation on the proposed changes to the CTR Scheme. Emails and letters were sent to all those currently in receipt of CTR to advise them of the consultation. The major preceptors and advice agencies were also consulted. The only organisation that named themselves was Oxford and District Action on Child Poverty.
8. No paper copies were distributed to surgeries and libraries due to Covid 19, although paper copies were sent to those that were unable to go on-line. 9 paper copies were received.
9. Over 400 online responses and 9 paper responses were received, 260 responses were fully completed which is a big increase on the previous year, with many providing very detailed feedback and showing a good understanding of the issues. In summary:
 - There continues to be strong support for continuing to use income bandings and for the method of uprating the bandings used in the income band scheme, and to extending this to all working age claimants (81% of responses on this point, and 78% strongly agreed, agreed or were neutral on applying an income banded scheme to all working age claimants).
 - There was also strong support (80%) for continuing to provide 100% support to certain groups of claimants.
 - There were differences as to which Income Banded Scheme to support, however when the question was asked as to moving away from a traditional benefit approach to one of a discount, this received majority support (53% said yes, 27% didn't know, 20% said no).
 - There was little support for capping benefit to a certain Band level (25%), reducing the Capital savings limit 25% and reducing the CTR to 75% where there is at least one non-dependant in the household (34%).
 - The majority of respondents did not want to see an increase in Council Tax or Fees and Charges, nor cutting other services to fund the CTR Scheme.

Implementation of the Responses

Making a minimum charge

10. In preparing its Consultation Budget presented to Cabinet on 9th December the Council, in determining its Corporate Priorities, resolved to continue to provide maximum financial support for residents in receipt of CTR, factoring in the cost of such support to the Council into its budget plans. This is in line with the consultation responses which equally indicated little support for capping the amount of financial support provided and as such no further work will be undertaken on this amendment to the scheme for the coming year.

Income Banded Scheme

11. Currently, the Income Banded Scheme only applies to those claimants in receipt of Universal Credit. The consultation response gave strong support to make changes to move to an income banded scheme for all working age claimants, with no minimum payment, thus supporting the most vulnerable households in continuing to receive 100% CTR. Claimants will not need to report minor changes in income if any change has no

effect on the income band. This change will then allow the Council to reduce the amount of administration of the CTR scheme and realise £120k worth of staff savings already budgeted for. By moving to this type of approach the application process is much easier, quicker and simpler for the customer, and easier for staff to process the discount. It is based on trust, easily understood, and a review process is built in to check that correct information has been received. Reduced wait times reduces customer contact and repeat contact, and gives a better service.

12. The 2020/21 CTR Scheme, which was approved on 27 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 was included in the consultation to check that it is still relevant.
13. The existing Income Bandings used to determine the amount of Council Tax Reduction provided under the 2020-21 CTR Scheme together with the number of claimants on Universal Credit in each band are shown in Table 1 below. There are approximately 2,445 working age claimants not in receipt of UC and therefore not on the current Income Banded Scheme.

Table 1 : Income Bandings for existing CTR scheme			
Band	Weekly Income	Discount received	Numbers in each band (at 1/12/20)
1	£0 - £139.99	100%	2,086
2	£140 - £209.99	75%	686
3	£210 - £306.99	50%	447
4	£307 - £407.99	25%	117
5	£408+	0%	(not recorded)

The rationale for the figures above is as follows:

- £140.00 is 16 hours on the National Minimum Wage (NMW £8.72) rounded upwards, (and is at a level which ensures households who previously received 100% reduction continue to do so)
- £210 is 24 hours on the NMW rounded upwards
- £307 is 30 hours on the Oxford living wage (OLW £10.21), rounded upwards
- £398 is the benefit cap

These 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.

14. It is proposed to uprate the bands in line with changes to the National Minimum Wage (£8.91) and Oxford Living Wage (£10.31), and in the case of the benefit cap, by inflation (based on the Retail Price Index figure for September 2020 which was 1.1%). It is also proposed to move all working age claimants to an Income Banded Scheme. These changes will have no significant impact on the amount of support provided by the Council and will ensure that no-one has to pay more council tax as a result of receiving a small change in income, except if in Band 5, where the RPI is less than last year and therefore the weekly income figure has decreased.

15. Increases to certain benefits increase by CPI in April each year which for this year is 0.5%. Going forward it is proposed to increase the bands above using CPI rather than RPI to match the benefit up-ratings, this will commence from 12th April 2022.
16. The revised income bandings to be used for all working age claimants and effective from 1st April 2021 with the proposed changes identified above are shown in Table 2:

Table 2 : Proposed income bandings from 1-4-2021 for CTR scheme for all working age claimants		
Band	Weekly Income	Discount received
1	£0 - £142.99	100%
2	£143 - £213.99	75%
3	£214 - £309.99	50%
4	£310 - £402.99	25%
5	£403+	0%

17. Other than the changes in the weekly income to be used for the income bands and moving all working age claimants to an income banded scheme, there are no other changes to the scheme being recommended following the consultation exercise.
18. The Council will always endeavour to maximise the CTR award. Where the customer has a minimal change in Income and doesn't move from one Income Band to another they will not need to report changes and their CTR award remain the same.
19. As part of the new CTR scheme, we will continue to disregard most disability benefits. We will however take into account Employment Support Allowance Contributions Based, as this benefit is based on National Insurance contributions and the claimant may have other Income.
20. There will be some administrative work required to implement the amendments to the scheme and inform the public about the changes. This includes revising the scheme, updating any legislative changes required, amending the functionality of the software used for administering the CTR Scheme, amending local processes, training staff and producing communications for customers. There may be a small cost for developing the electronic form needed. This will lead to a better customer experience by having an easier application process, with no need to notify of minor income changes unless this would mean moving into a lower or higher band and regular reviews of claims.
21. It is proposed that the Council retains some of its existing Hardship Funding to support anyone that is adversely affected by any changes proposed. We are currently awaiting confirmation that we are able to carry forward any underspend, and are looking at retaining £100k. We are in a position to do this mainly because our existing CTR scheme is more generous than others.

Financial Implications

22. The Council is one of less than 30 councils in the country to maintain a 100% CTR scheme for the payment of CTR i.e. one that requires no minimum payment of council tax but provides financial support at much the same level for claimants as existed within the old Council Tax Benefit scheme, before the new CTR scheme came into force on 1st April 2013. Most other councils have reduced the cost of their schemes by providing a lower level of support. Whilst the Government initially provided funding for the new local schemes, the funding has reduced each year in line with the reduction in the Council's Revenue Support Grant (RSG) which has now reduced to zero, consequently no Government funding is provided towards the CTR Scheme.

23. Due to Covid-19 the Council received a one off funding payment of £1.1m from Central Government for 2020/21 as a hardship fund to help support CTR recipients with payment of the Council Tax. The Government recommended payments of up to £150 to cover outstanding council tax liability although given the Councils 100% funded CTR scheme the Council has been able to increase this up to £250 as a discount towards the residual element of Council Tax.
24. When the Council set its budget in February 2020 the annual estimated total loss of Income arising from CTR was £11m based on a net CTR caseload of approximately 9,539. More recent figures reflect an increase as a result of the COVID19 pandemic, and indicate that this total council tax income loss has risen to £11.985m albeit that approximately £575k will be met by the one off hardship fund grant. 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 £1.706 million, and this has now risen to £1.769 million. The balance of the income loss is picked up by the major preceptors, Oxfordshire County Council and the Thames Valley PCC.
25. By continuing to award up to 100% CTR this continues to support the residents of Oxford from going further into poverty and building up Council Tax debts. It is important that those on low incomes are not penalised by reducing the support currently available.
26. In preparing its Consultation Budget presented to Cabinet on 9th December the Council, in determining its Corporate Priorities, continued to provide maximum financial support for residents in receipt of CTR, factoring in the cost of such support into its budget plans. This is in line with the consultation responses which equally provided strong support for action. In addition, an amount of £120k of savings was included in the Councils Budget which will be achieved from the changes in administration of the CTR scheme as identified in paragraph 16 above primarily in relation to Income banding.
27. The scheme is administered alongside payment of Housing Benefit by 31fte staff at a gross cost of £1.32m per annum for 2020-21 .Central Government issues a grant to compensate local authorities for the cost of administering Local Council Tax Support (LCTS) and Housing Benefit. For 2020/21 OCC will receive £144,762 for CTR administration, and Housing Benefit Administration grant of £420,278. With some other smaller grants for increased workloads this results in a net annual cost for administration of both Housing Benefit and CTR of £353,167. As universal credit is rolled out the administration grant is likely to be reduced further as will the cost of administration. Provision has been made in the Council MTFS for both these eventualities.
28. The proposed changes to the scheme are not expected to increase the scheme's cost. The bandings in the income band scheme are being uprated in line with expected increases in wages, and so this change should ensure current recipients of support stay in the same band as their income increases. As such this will have a neutral impact on cost to the Council, however, by using Income bands for non-UC claimants we may initially see some claimants fall into a band that may reduce or increase entitlement.
29. 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. Reducing the amount of support provided would also lead to some administrative costs being incurred in the collection of any additional Council Tax charged.

Legal issues

30. 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.
31. 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 were questions in the consultation paper on these options.
32. The CTR Scheme itself must be adopted by Council, and the approval of the scheme cannot be delegated to an officer or committee.

Level of risk

33. A risk register is attached at Appendix 2.

Equalities impact

34. The changes proposed in this report do not have any new equality impacts attached to them. The equality impact of the income band scheme was considered in a report to Cabinet dated 19 December 2017. An Equalities Impact Assessment is attached at Appendix 3.
35. When the scheme is published on the Council website we will ensure customers are aware of our translating and interpreting services available.

Report author	Tanya Bandekar
Job title	Revenues & Benefits Service Manager
Service area or department	Financial Services
Telephone	07483 011298
e-mail	tbandekar@oxford.gov.uk

Background Papers: None

This page is intentionally left blank