

To: Cabinet
Date: 15 September 2021
Report of: Head of Financial Services
Title of Report: Council Tax Reduction Scheme 2022/23

Summary and recommendations	
Purpose of report:	To seek approval for proposals for consultation on changes to the Council's Council Tax Reduction Scheme for 2022/23
Key decision:	Yes
Cabinet Member:	Councillor Shaista Aziz, Cabinet Member for Inclusive Communities
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-24
Recommendations: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Agree that the proposals for the 2022/23 Council Tax Reduction Scheme outlined in the report be subject to consultation for an 8 week period from 20th September 2021; and 2. Note the intention of the Head of Financial Services to bring a further report to Cabinet in January 2022 to outline the outcome of the consultation process and make proposals for the 2022/23 Council Tax Reduction Scheme 	

Appendices	
Appendix 1	Consultation questions
Appendix 2	Risk register
Appendix 3	Initial Equality Impact Assessment
Appendix 4	Glossary of Terms

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 2021/22 saw further amendments, including moving to an Income Banded Scheme, the same as for Universal Credit claimants, The Council's scheme still provides a reduction of up to 100% against the council tax liability and is one of the few remaining Councils to do so.
6. When the Council set its budget in February 2021 the annual estimated total loss of council tax income arising from CTR was £11.874 million based on the current CTR caseload. Reflecting an increase as a result of the COVID19 pandemic, as at 1st July 2021 this has risen to £12.483 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 £1.818 million, this has now risen to £1.911m million. At the same point last year the City Councils lost income was £1.739 million.
7. The balance of the income loss is picked up by the major preceptors, Oxfordshire County Council and Thames Valley Police and Crime Commissioners
8. Due to COVID 19 there has been an increase in caseload despite a pause in the roll out of Universal Credit as the DWP diverted resources to deal with new claims, and the cost to the Council and its major preceptors from loss of council tax income

has therefore increased. Caseload is now the highest it has been at the same time for the previous 3 years at 10,191 (as at 1st July 2021).

9. Further uncertainty remains around the number of CTR claims the Council is likely to see when the government's furlough scheme ends in September 2021, at the same time as the Self Employed Income Support Scheme. At that point a number of businesses may cease to trade, and employees may be made redundant and CTR claims may increase. As a result council tax lost income will increase.
10. Some of the furloughed workers may already be in receipt of UC/HB and CTR due to low income. Some workers will also have now returned to work as the easing of lockdown fully in July takes effect. More workers are being required to self-isolate which will result in further operational pressures on businesses.
11. Whilst it is impossible to predict how many businesses may cease to trade at the point the furlough scheme ends, it is fairly certain that the number of Universal Credit and CTR cases will increase as this and other business support schemes cease. There are numerous variables that could affect the number of redundancies, and future Cabinet reports will reflect a clearer picture as it emerges.
12. There will also be a clearer indication of how removing restrictions from July and August has impacted on the economic recovery
13. 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.
14. 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 (15.31%), the Oxfordshire County Council (73.83%) and the Thames Valley Police and Crime Commissioner (10.86%) in accordance with the proportion of council tax levied by each. The table shows that the gap between the cost to the Council between 2020-21 and 2021-22 to date has increased by £137k compared to a rise of £195k between 2019-20 and 2020-21.

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

	2017/18	2018/19	2019/20	2020/21	2021/22 at 1 st July
Cost of Pension Age	£3,172,713	£3,284,610	£3,554,232	£3,841,522	£4,114,145
Pension Age caseload	3,056	2,990	2,918	2,964	2977
Cost of Working Age	£6,318,785	£6,541,638	£6,459,250	£7,609,169	£8,369,251
Working age caseload	5,666	5,558	5,303	5,871	6,056
Total Cost	£9,491,498	£9,826,248	£10,013,482	£11,450,691*	£12,483,396
Total Caseload	8,722	8,548	8,221	8,835	9,033
Cost of the scheme to OCC	£1,546,165	£1,561,391	£1,579,126	£1,774,857*	£1,911,458

Note that figures marked * are net of any discretionary amounts awarded under s13a. During 2020/2021 additional funding was received that allowed us to award a discretionary CTR amount to those liable to pay Council Tax.

15. The Council's caseload has increased by 131 cases since the start of the 2021/22 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.

16. The following changes were made to the OCC CTR scheme for the year 2021/22:
- Annual up-ratings for the Income banded scheme
 - Agreement to up-rate the bands using CPI rather than RPI, in line with the DWP annual up-ratings
 - Move to an Income banded scheme for all claimants
17. By making these changes £120k of staffing savings across Financial Services and Business Improvement were achieved as a result of the reduction in the amount of work required to administer the scheme.
18. In making proposals for the 2022-23 consultation officers have considered a range of options for changing the CTR scheme which seek to continue to streamline the process of award and ongoing administration and also provide options on reducing cost to the Council.
19. Appendix 1 shows the suggested consultation questions for the 2022/23 scheme. These are summarised as:
- Whether or not to increase the Income Bands or to freeze at current levels. Where wages are being increased freezing income bands to current levels will reduce the amount of CTR given although clearly in the current environment post pandemic this impact may be negligible since wage rises in most sectors are unlikely to increase rapidly as business try to initiate their recovery.
 - If we do increase, to use CPI instead of RPI, in line with the DWP up-ratings. CPI is generally lower than RPI and notwithstanding the comments above will lead to lower CTR payments.
 - To consider if the banded income approach should take into account family size. Currently the scheme has a single structure for a total income for all applications, with no regard to household composition
 - To consider giving a reduction of up to 100% for passported cases, limiting the reduction to a % or a fixed weekly amount for all other claims. If we were to reduce the % award, or ask all claimants to pay a set amount, our tax base would increase in future years, as there would be fewer Band D equivalents lost as a result of awarding CTR. As a rough example based on the current caseload of 6056:
 - *If everyone were required to pay £1 per week (so a £52 annual charge being a minimum contribution), based on the City Council's share Council Tax at 15.31%:*
 - Estimated Saving of £48k per annum on CTR expenditure before any tax base amendments
 - The Council may need to consider increasing the write-off provision as other authorities have advised small amounts of CT do not get paid, and we do not take court action for debts below £50.
 - *If everyone were required to pay £2 per week (so a £104 annual charge being a minimum contribution), based on the City Council's share of Council Tax at 15.31%;*
 - Estimated saving of £96k per annum on CTR expenditure before any tax base amendments

- May need to consider increasing income collection staff resources as this could increase the number of cases requiring court action for non-payment.
- May need to consider increasing the bad debt provision as more debts could be written off as people may make a partial payment to bring the level of debt down to under £50
- To automatically reduce the CTR award to a maximum of 75% if there is a non-dependant (adult aged 18 or over) in the property. In cases where there is a disability benefit in payment for the applicant or an additional adult, then the reduction would not be applied. This mirrors the application of the single person discount.

Currently we take into account non-dependant income and this increases administration as we have to calculate income and take any changes into account. What we are proposing is to mirror how a non-dependant's income is accounted for in a UC claim, so that we apply a flat rate deduction regardless of their income, unless there is a disability benefit in payment. In effect this may actually increase the amount of CTR for cases where we are currently applying a high non-dependant charge, and we will model this before bringing back any recommendations to Cabinet in January 2022.

20. The income bandings currently being used and based on the methodology above are shown in Table 2. The figures have been calculated using the 2021 figures for the National Minimum Wages (NMW) and Oxford Living Wage (OLW) which are £8.91 and £10.31 per hour respectively. The band 5 value has been updated by 1.1% which is the RPI figure for September 2020.

Table 2

Band	Weekly Income	Discount received	No of claimants
1	£0 - £142.99	100%	793
2	£143.00-£213.99	75%	734
3	£214.00-£309.99	50%	1,350
4	£310.00 - £402.99	25%	1,197
5	£403 and above	0%	1,912

21. Within the Consultation provision has been made to consult on whether a minimum council tax amount should be made by all working age claimants. The Council is in the minority of authorities whose scheme is based on 100% of the council tax entitlement. Consulting whether claimants should contribute some amount of council tax before the discount is applied will retain the option for the Council to initiate this change from 1st April 2022, compared to savings in other areas of the Council's budget, should the Councils forthcoming budget setting round require significant savings to be made from overall net spend.
22. 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 20 September 2021. The proposed consultation document is included at Appendix 1.

Discretionary support

23. 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

24. 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 £1.818 million for 2021-22 from council tax income foregone. The cost of the scheme has already increased due to increased CTR arising from the pandemic, to £1.9 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 in 2022/23 will also lead to increased CTR and reduced income for the Council.
25. The proposed consultation seeks views on 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 £8.4 million of the total estimated scheme cost of £12.5m per annum. Furthermore the Council's element of this is around 15.31%, based on the band D council tax.
- 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.
26. The Council's preferred option would be to continue with a scheme similar to the current one, awarding up to 100% CTR if resources allow, however there have been substantial impacts from the pandemic which are regrettably not being fully compensated by central government. The budget setting process is where this should be fully considered.

Legal implications

27. Local Council Tax Support came into effect on 1 April 2013 pursuant to the Local Government Finance Act 1992. Section 13A(2) of that Act (as amended) provides:
- 'Each billing authority in England must make a scheme specifying the reductions which are to apply to amounts of council tax payable, in respect of dwellings situated in its area, by—
- (a) persons whom the authority considers to be in financial need, or
 - (b) persons in classes consisting of persons whom the authority considers to be, in general, in financial need.'
28. Schedule 1A of that Act prescribes what must be included in a Council Tax Reduction Scheme, and places a duty on the authority, each financial year, to consider whether to revise its scheme or replace it with another scheme. The scheme states the classes of person who are to be entitled to a reduction, the type of reduction and whether there are different reductions for different classes. The scheme should also set out the procedure to apply for a reduction and the appeal procedure.
29. Before preparing a scheme, the authority must (in the following order)—

- (a) Consult any major precepting authority which has power to issue a precept to it,
 - (b) Publish a draft scheme in such manner as it thinks fit, and
 - (c) consult such other persons as it considers are likely to have an interest in the operation of the scheme.
30. The Council Tax Reduction Schemes (Prescribed Requirements) (England) 2012 further prescribes what must be included in the scheme.
31. The scheme must be approved by Full Council no later than 11 March before the financial year it relates to. After approval, the scheme must be published.
32. 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. (on the application of Moseley) v London Borough of Haringey) determined that consultation on changes to council tax reduction schemes must provide such information as necessary in order for consultees to express meaningful views on the proposal. Enough had to be said about realistic alternatives, and the reasons for a preferred choice, to enable the consultees to make an intelligent response in respect of the scheme. This would 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.

Carbon and Environmental Considerations

33. By sending details of the consultation electronically we are reducing the use of paper and reducing the environmental impact of transporting these by post.
34. No other carbon or environmental impacts have been identified as a result of this proposal.

Level of risk

35. 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

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

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Background Papers: None

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