

To: Cabinet
Date: 24 January 2024
Report of: Head of Financial Services
Title of Report: Council Tax Reduction Scheme 2024/25

Summary and recommendations	
Purpose of report:	To seek approval for changes to the Council's Council Tax Reduction Scheme for 2024/25
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Deputy Leader (Statutory) – Finance and Asset Management
Corporate Priority:	Enable an Inclusive Economy Support Thriving Communities
Policy Framework:	Council Strategy 2020-24
Recommendation: That Cabinet resolves to:	
<ol style="list-style-type: none"> 1. Approve the increase in the income bands used in the Council Reduction Scheme for 2024/25 as per table 2; 2. Note that no further changes are being recommended to the scheme for 2024/25; and 3. Recommend to Council to adopt the new Local Council Tax Reduction Scheme for 2024/25. 	

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 to revise it. 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 which protect those people who have served in the British armies.
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. From 2019/20 and subsequent years, further amendments were made, including moving to an Income Banded Scheme initially for Universal Credit claimants and then across all Working Age claimants. The Council's scheme still provides a reduction of up to 100% against the council tax liability.
6. When the Council set its budget in February 2023 the annual estimated total loss of council tax income arising from CTR was £12.8 million based on the current CTR caseload. 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 £1.9m
7. The balance of the income loss is picked up by the major preceptors, Oxfordshire County Council and Thames Valley Police and Crime Commissioner.
8. There has been a small decrease in caseload despite a pause in the roll out of Universal Credit as the DWP diverted resources to deal with new claims. The cost to the Council and its major preceptors from loss of council tax income increased due to the increase in the County Council precept for 2023-24.
9. Further funding was granted to those people who were in receipt of Council Tax Reduction as of 1st April 2023, of £25 by the Department for Levelling Up, Communities and Housing (DLUHC) and by an additional amount of £25 paid by Oxfordshire County Council to take into account the increase in Council Tax charge for 2023-24.
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 Oxford City Council

(15.31%), Oxfordshire County Council (73.83%) and Thames Valley Police and Crime Commissioner (10.86%) in accordance with the proportion of council tax levied by each. The table shows the increase in the cost of the scheme to the authority since 2019-20. Our latest forecast would indicate an increase in the cost since we set the budget for 2023-24 of around £98,762.

Table 1 Cost of CTR to the City Council and its major preceptors					
	2019/20	2020/21	2021/22	2022/23	Estimate 2023/24
Cost of Pension Age	£3,554,232	£3,841,522	£3,408,679	£3,418,595	£3,589,524
Pension Age caseload	2,918	2,964	2,657	2,549	2,436
Cost of Working Age	£6,459,250	£7,609,169	£8,977,962	£9,478,093	£9,951,997
Working age caseload	5,303	5,871	7,002	6,628	6,543
Total Cost	£10,013,482	£11,450,691*	£12,386,641	£12,896,688	£13,541,521
Total Caseload	8,221	8,835	9,659	9,177	8,979
Cost of the scheme to OCC	£1,579,126	£1,774,857*	£1,893,876*	£1,974,444	£2,073,206

Note that figures marked * are net of any discretionary amounts awarded under s13a. During 2020/2021 and 2021/2022 additional funding was received that allowed us to award a discretionary CTR amount to those liable to pay Council Tax.

12. The Council's caseload has increased by 342 cases since the start of the 2020/21 due to the Covid pandemic. The table shows that whilst the caseload increased significantly in 2021/22, it has again dropped to the current level of 6,628. Expenditure is increased due to the increase in the council tax charge. The Council still receives on average 40 claims per week, demonstrating that the demand is high for this support.

13. Appendix 1 shows the consultation questions for the 2024/25 schemes. These are summarised as:

- Whether or not to increase the Income Bands or to freeze at current levels. With CPI inflation at 6.7% in September 2023, the significant increase to the bands will increase the cost to the scheme overall.
- The income bandings suggested below are reflective of the autumn budget statement in December 2023 being used are shown in Table 2. The figures have been calculated using the following:
 - Band 1 is equivalent to 16 hours on the National Minimum Wage (NMW £11.44 per hour from April 2024) rounded upwards
 - Band 2 is equivalent to 24 hours on the NMW rounded upwards
 - Band 3 is equivalent to 30 hours on the Oxford living wage (OLW £12.49 per hour from April 2024) rounded upwards
 - Band 4 equivalent to the difference between the top of Band 3 and the Band 5 figure
 - Band 5 is the Benefit Cap amount for couples (£423.46) plus 6.7% CPI

	Current	Revised	
Band	Weekly Income	Weekly Income	Discount received
1	£0-£167.00	£0 - £184.00	100%
2	£167.01-£251.00	£184.01 - £275.00	75%
3	£251.01-£341.00	£275.01 - £375.00	50%
4	£341.01-£467.00	£375.01 - £452.00	25%
5	£467.01 and above	£452.01 and above	0%

- It is normal for a council to have a banded scheme nationally as this reduces the cost of administration and simplifies the scheme for local people to easy understand the income that can be earned before it will affect any Council Tax Reduction entitlement.

In the consultation process, the public survey agreed that 78.85% should use a banded scheme. A further 71.72% surveyed stated that the bands should be increased.

14. In balancing its medium-term financial plan for the next 4 years the Council is reluctantly considering making changes to the CTR scheme to limit the amount on which CTR support to 85% of the council tax liability rather than the current 100% in 2025-26, or alternative changes which would lead to a similar reduction in expenditure. Although this will be consulted on more formally next year a question was asked this year to test of the strength of feeling of the principle with 60% of respondents saying that they would agree with such a proposal.

Consultation Process

15. The consultation process from July 2023 was for the statutory 8-week period. The service asked the public by either a paper form (available in the library or by post) or electronic forms on whether a minimum council tax amount should be made by all working age claimants. Further questions were asked if all members of the household should be contributing to the Council Tax charge, such as adult children or other family members. The full results of this survey are in appendix 1.
16. There are no changes to the responses from previous years that at a high level the public would like those financially vulnerable to be supported and those who can contribute should do so.
17. Further questions were asked in the consultation process relating to the administration of the CTR scheme, such as the use of paper letters, use of the on-line forms and asking the public how they wish to be contacted when discussing their claims. This information will feed into the savings that the council could realise if there is a greater uptake of the on-line functionality as this will reduce costs to printing and postage. The council is not proposing to move all claimants to an on-line function but will be promoting this option to those people who wish to use this method of communication with the service.
18. Questions were also asked as to the barriers for those people who do not use online facilities. These answers will be fed into the corporate strategy of on-line functionality to support those members of the public with contacting the council.
19. A review was made of those 435 people who contributed to the consultation to ensure that it was a fair reflection of the caseload make-up. The survey was a successful process as

Appendix 1 demonstrates that the respondents reflected those who benefit from the council scheme and that the answers are a good reflection of public opinion.

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 £1.9m for 2024-25. The cost of the scheme has already increased due to increased CTR arising from the cost-of-living crisis and this may increase further as the cost-of-living crisis affects people within the city with the burden of paying household bills. Any further increases in the council tax charge in 2024/25 will also lead to increased CTR and reduced income for the Council.
22. The proposed consultation sought 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 total cost of the whole scheme as the council only has the jurisdiction to make changes to part of the expenditure.

Legal implications

23. 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.'
24. 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.
25. 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.
26. The Council Tax Reduction Schemes (Prescribed Requirements) (England) 2012 further prescribes what must be included in the scheme.
27. 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.
28. 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

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

Level of risk

31. 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

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

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Background Papers: None