
Report to Cabinet

Proposed consultation for the 2019/20 Council Tax Reduction Scheme

**Portfolio Holder: Cllr A Jabbar MBE, Deputy Leader and
Cabinet Member for Finance and Corporate Resources**

Officer Contact: Anne Ryans, Director of Finance

Report Author: Caroline Lee Head of Revenues and Benefits
Ext. 4905

20 August 2018

Reason for Decision

This report seeks approval for a proposed consultation process to be undertaken by the Council to seek comments on revising the 2019/20 Council Tax Reduction Scheme.

Executive Summary

Members will recall that there is a requirement to have a Council Tax Reduction scheme to support residents who qualify for assistance in paying Council Tax. The Local Government Finance Act 2012 places a requirement that each year a Billing Authority must consider whether to revise its Council Tax Reduction (CTR) scheme or to replace it with another scheme. Any change to the 2019/20 scheme must be agreed by full Council in line with budget setting and no later than 10 March 2019. For Oldham, this requires the Council to agree a revised 2018/19 scheme at the 27 February 2019 Council meeting

The Council's CTR scheme has been largely un-amended since April 2015 when the Council introduced a scheme that:

- Limited CTR to a maximum of 85% of Council Tax for a Band A property
- Removed second adult rebate for those of working age

The scheme was initially calculated to generate an amount of funding that when taken alongside the direct grant received and additional income from technical reforms, made the scheme viable. The CTR element of this calculation works on the basis of a presumed collection rate.

Since 2016, there have been a number of legislative changes to the Housing Benefit Regulations (which include both advantageous and disadvantageous changes for the

claimant), and these have not been aligned to the CTR scheme. This increases both the income and administrative costs of the scheme for the Council and could create confusion for residents.

In April 2017, Universal Credit Full Service (UC) commenced its roll out in Oldham and wider understandings of the impact of this roll out over the past few months now present the Council with an opportunity to reconsider its scheme for 2019/20. This could take into account the particular challenges UC presents in relation to managing changes of circumstance for CTR claimants, the method of calculation for UC/CTR cases and the resulting impacts on Council Tax collection.

A full examination of all the changes that might be considered for the 2019/20 scheme will ensure that the impact on residents of proposed changes are fully developed and reviewed and will ensure that the scheme continues to remain fit for purpose for all CTR claimants and for the Council.

The issues set out for consideration and upon which the recommendations are based are:

- a) Maintaining the present level of support i.e. limiting the level of support at 85% of Council Tax for a Band A property as the maximum amount available.
- b) Limiting the maximum level of support from 2019/20 to 82.5% of Council Tax for a Band A property
- c) Aligning the Council Tax Reduction scheme to reflect some or all of the changes made to Housing Benefit since April 2016
- d) Changing the method of assessment for Universal Credit Council Tax Reduction cases
- e) Introducing a minimum income floor for self-employed Council Tax Reduction claimants

Recommendation

It is recommended that Cabinet agrees to consult on the Council Tax Reduction Scheme for 2019/20, and seek views on:

- 1) The continuation of limiting support to a maximum of 85% of Council Tax of a Band A Property.
- 2) The application of disregards for Bereavement Support Allowance and post graduate master's degree loan and special support payments in the assessment of CTR
- 3) The introduction of support for UC/CTR claimants including earnings disregards, use of DWP information as an intention to claim and incorporation of housing costs in the UC/CTR calculation.

Proposed Consultation for the 2019/20 Council Tax Reduction Scheme**1 Background**

- 1.1 Prior to April 2013, Council Tax Payers who qualified for assistance could apply for Council Tax Benefit (CTB) to help pay their Council Tax. The Council Tax Benefit (CTB) scheme was administered by Local Authorities on behalf of the Department for Work and Pensions (DWP) and was assessed on a means tested basis. Under this national scheme, Council Tax payers could receive benefit of up to 100% of their Council Tax liability. The Council then received full funding from the Government for all correct Council Tax Benefit awards made. Changes introduced by the Government abolished CTB from 1 April 2013 and made Local Authorities responsible for setting up their own local Council Tax Reduction schemes (CTR) for working age people. The Government also reduced the amount of funding given to Councils to pay for the schemes in 2013/14 by 10%. The CTR scheme for pensioners is set by the Government and is not subject to the changes applied to those of working age. In devising new CTR schemes, the majority of Local Authorities have largely adopted schemes that replicate the old CTB schemes and then applied a minimum payment for working age customers to make up the funding difference.
- 1.2 Since 2014/15, the amount of grant received from Government to pay for CTR has been included within the general grant (Revenue Support Grant) that the Council receives and the amount to support CTR schemes is not specifically identified year on year. Revenue Support Grant (RSG) continues to be significantly reduced each year and with the introduction of the pilot of 100% Business Rates Retention and the subsuming of RSG into the Councils Business Rates Top Up Grant, it is fair to say the link between Central Government funding and Central Government support for CTR has been cut.
- 1.3 The legislation confers an obligation on the Council to consider whether to review the CTR scheme on an annual basis. This consideration needs to be given by full Council prior to the deadline for the setting of the Council's budget (which for 2019/20 is 10 March 2019). The last Council meeting before this date is 27 February 2019.

2 Current Position

- 2.1 The Council currently has a CTR scheme that awards a maximum payment of 85% of a Band A rate of Council Tax and has removed the provision to award second adult rebate for claimants of working age.
- 2.2 Early indications for the annual collection rates for CTR cases due in 2018/19 suggest a collection rate of approximately 80%. This is a similar CTR collection rate to that recovered in 2017/18 (the 2017/18 collection rate was 81.47%). An additional 5% collection of CTR debt could result in an extra £239k in Council Tax receipts for 2018/19.

2.3 There have been a number of changes to the Housing Benefit scheme from April 2016 and this means that the CTR scheme does not align with revised Housing Benefit regulations. The main Housing Benefit changes are:

- The family premium was removed for all new claimants
- In households with two or more children, any subsequent children born after April 2017 are no longer be eligible for further support
- Limiting backdating to one month (previously this was six months)
- Changes to the temporary absence for a rule (this limits housing benefit payments to 4 weeks from 13 weeks for those travelling abroad)
- There is an Employment and Support Allowance Work related activity component from 3 April 2017
- There is a disregard of Post Graduate Master's degree loan and special support loans
- Disregard of bereavement payments from 3 April 2017
- Severe Disability Premium has been withdrawn for all cases where a person received Universal Credit (carers element).

2.4 The roll out of the Universal Credit full service commenced in Oldham in April 2017 and by 2019/20, there will be a significant number of CTR claimants in receipt of Universal Credit. These cases will result in multiple changes in the assessment of CTR with potentially as many as 40% of cases changing each month. This is because the DWP issue real time earnings information and other changes to the Council for each 5 week assessment period, even for very slight changes in income. In February/March 2018, the service was receiving a weekly average of 1,300 items of post from the DWP in relation to claimants in receipt of UC. This compares with an average of 500 items a week in June /July 2017 and 400 items per month prior to the roll out of Universal Credit full service. This increases the administrative burden for Local Authorities and impacts on Council Tax collection and recovery, particularly if a new Council Tax bill and payment instalment plan is issued every month.

3 Options/Alternatives

3.1 There are 5 options for consideration. A CTR working group of key officers within the Council was formed to review and analyse the current scheme and to help inform whether to recommend further CTR proposals for 2019/20. The group was made up of representatives from Finance, Policy, Business Intelligence, Legal, Communications and Revenues and Benefits Services.

The group discussed 5 options:

- 1) Maintaining the present level of support i.e. limiting the level of support at 85% of the Council Tax of a Band A property as the maximum amount available.
- 2) Limiting the maximum level of support from 2019/20 to 82.5%
- 3) Aligning the CTR scheme to reflect some or all of the changes made to HB
- 4) Changing the method of assessment for UC CTR cases
- 5) Introducing a minimum income floor for self- employed CTR claimants

3.2 Option 1 - Maintain the current 85% maximum scheme

The current scheme limits the maximum CTR award to 85% of Council Tax for a Band A property. The scheme is understood and established within Oldham and the basis of the calculation is very similar to the Housing Benefit and Pensioner CTR scheme. This scheme requires minimum payments towards Council Tax as set out below (alongside a comparison table of other local CTR schemes) An overall CTR collection rate of 75% rate would deliver the income needed to meet the Council Tax income requirements for 2019/20.

Table 1: Council Tax charges: CTR limited to 85% maximum of a Band A property

Council Tax Charge(Working Age, Maximum LCTR Award, No Single Person Discount Applied)						
Band	Charge	Maximum Support	Annual	Monthly (12 Months)	Monthly (10 Months)	Weekly
A	£1,202.85	£1,022.42	£180.43	£15.04	£18.04	£3.46
B	£1,403.33	£1,022.42	£380.91	£31.74	£38.09	£7.31
C	£1,603.80	£1,022.42	£581.38	£48.45	£58.14	£11.15
D	£1,804.29	£1,022.42	£781.87	£65.16	£78.19	£14.99
E	£2,205.24	£1,022.42	£1,182.82	£98.57	£118.28	£22.68
F	£2,606.20	£1,022.42	£1,583.78	£131.98	£158.38	£30.37
G	£3,007.14	£1,022.42	£1,984.72	£165.39	£198.47	£38.06
H	£3,608.58	£1,022.42	£2,586.16	£215.51	£258.62	£49.60
Council Tax Charge(Working Age, Maximum LCTR Award, Single Person Discount Applied)						
Band	Charge	Maximum Support	Annual	Monthly(12 Months)	Monthly(10 Months)	Weekly
A	£902.14	£766.82	£135.32	£11.28	£13.53	£2.60
B	£1,052.50	£766.82	£285.68	£23.81	£28.57	£5.48
C	£1,202.85	£766.82	£436.03	£36.34	£43.60	£8.36
D	£1,353.22	£766.82	£586.40	£48.87	£58.64	£11.25
E	£1,653.93	£766.82	£887.11	£73.93	£88.71	£17.01
F	£1,954.65	£766.82	£1,187.83	£98.99	£118.78	£22.78
G	£2,255.36	£766.82	£1,488.54	£124.04	£148.85	£28.55
H	£2,706.44	£766.82	£1,939.62	£161.63	£193.96	£37.20

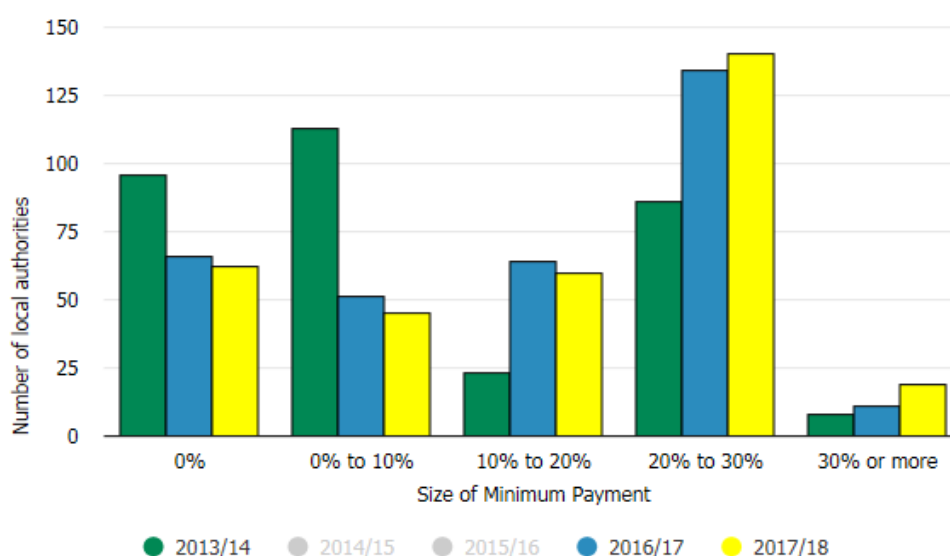
Table 2: Neighbouring Local Authority minimum CTR payments for 2018/19 are detailed below:

Council Tax Charge(Working Age, Maximum LCTR Award, No Single Occupier Discount Applied)				
LA	Council Tax Band A 18/19	Maximum Support %	Annual Charge	Minimum Weekly Payment if in receipt of Full CTR
Oldham	£1,202.85	85%	£180.43	£3.46
Rochdale	£1,175.78	85%	£176.37	£3.38
Tameside	£1,103.46	75%	£275.87	£5.29
Stockport	£1,226.63	100%	£0.00	£0.00
Manchester	£1,044.52	82.50%	£182.79	£3.51
Trafford	£989.92	100%	£0.00	£0.00
Bury	£1,165.91	80%	£233.18	£4.47

3.3 Option 2 – Reducing the maximum support to 82.5%

Increasing the charge by reducing the support available for Council Tax per annum year on year has been a common approach by Local Authorities since 2013. There has been a large and steady drop in the number of Councils with smaller minimum payments levels (of 10% or less); from 113 in April 2013 to 45 in April 2017 (the date most recently available). The number of Councils with a minimum payment of between 10% and 20% has fallen slightly to 60 in April 2017. A level of 20% to 30% is the most common minimum payment, with 140 Councils choosing this level in April 2017. The largest increase in April 2017 was among Councils setting a minimum payment at 30% or above.

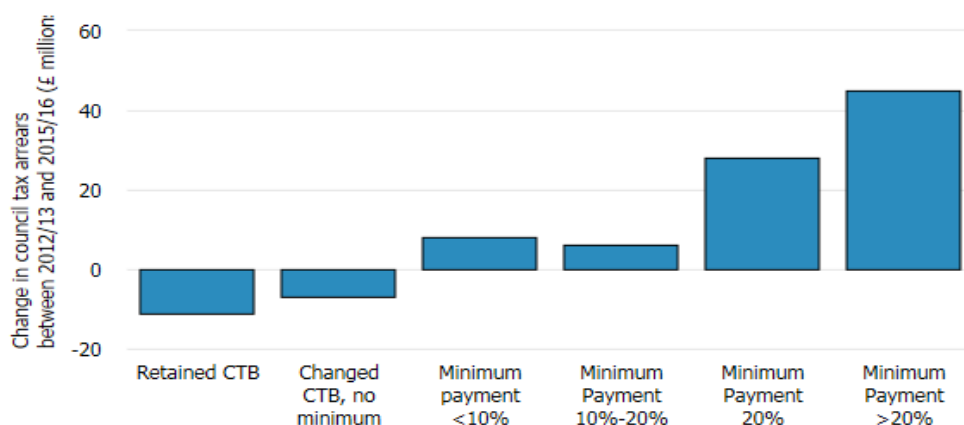
The graph below shows the number of councils by the level of minimum payment:



Source: www.counciltaxsupport.org

For Oldham, Council Tax income would increase by £242k for each 2.5% reduction in Council Tax support assuming a prudent collection rate of 75%; Oldham's share of this income, once the GMCA has received its share of Council Tax for Police and Fire Services, would be £210k.

It is important to note that an increase in minimum payments can impact collection levels and result in Council Tax becoming a more regressive tax for low income residents than for those on higher incomes.



The graph above takes into account the change in the council tax bases between the years to calculate the additional amounts of uncollected taxes in 2015/16 compared with 2012/13 the last year of CTB. Although arrears include residents who are not in receipt of CTR, it shows that those Councils with a larger increase in minimum payment saw a bigger increase in arrears. Local Authorities with a 20% increase in minimum payment had an additional £27.7 million in uncollected taxes in 2015/16 when compared with 2012/13. Local Authorities with a minimum payment of more than 20% had an additional £45.0 million in uncollected taxes in 2015/16 when compared with 2012/13. In contrast, Local Authorities who effectively retained CTB have seen a decrease of £10.6 million.

A minimum payment of 17.5% for Oldham would still place the Council at the lower end of minimum payments required from residents across the country. However, given the overall 4.6% increase in Council Tax in Oldham in 2018/19 (including charges for Police and Fire Services), the potential impact on ability to pay for residents on low incomes alongside the on-going impacts of the roll out of Universal Credit full service in the borough, this option is not currently recommended.

3.4 Option 3 – Aligning the CTR scheme with some or all of the Housing Benefit changes since April 2016

Changes to Housing Benefit (HB) were introduced from 1 April 2016 which meant that the Council Tax Reduction Scheme from 2016/17 does not align with the revised Housing Benefit Regulations. The Government has amended the Council Tax Prescribed Regulations for Pension Age applicants in line with these changes where appropriate. The administration of CTR is undertaken alongside the administration of Housing Benefit. With that in mind, some local authorities feel that it is important to align the CTR scheme as much as possible for ease of administration, to provide certainty for claimants and to ensure changes that are both advantageous and disadvantageous for claimants are factored into the scheme. The Council has chosen not to align Housing Benefit regulations with the CTR scheme to date.

The differences between the HB scheme and the impacts of aligning them with the Council Tax Reduction scheme can be summarised as follows:

- **Removal of the Family Premium for all new claimants**

Claimants, based on their individual circumstances, have a maximum amount of weekly income they can receive before their income starts to affect the amount of CTR received. This figure is called the applicable amount and is compared against the household's income and capital to work out how much CTR the claimant will receive.

The applicable amount has three main parts, these are:

- An amount for the claimant and partner - the personal allowance
- An amount for any dependent children - the children's personal allowance. The dependants allowance for each child is £66.90
- A premium - an element which the household may qualify for to cover any special needs they have e.g. the family premium. The family premium is a premium of £17.45 added to the applicable amount if there are any dependent children in the household

CTR is calculated by comparing the income of the household with the applicable amount. If income is less than or equal to the applicable amount, the claimant receives the maximum CTR (for Oldham this is 85% of Council Tax Band A liability); If income exceeds the applicable amount then for every extra £1 of income received; 20p is deducted from CTR (this is the 20% taper).

In 2016, the Government removed entitlement to family premium for new claims and new families but retained entitlement to family premium for existing cases. The Council chose to continue to award family premium for new CTR cases. This decision meant that new families did not lose out on this premium. A sum of £89k was foregone in 2017/18 and a predicted £92k in 2018/19. The impacts on CTR claimants of the loss of family premium is illustrated in the table below.

Projected Impacts on claimants of loss of family premium on CTR cases in 2018/19		
Weekly impact (per claimant)	No of cases	Impact per annum (per claimant)
Nil - Number still below applicable amount and entitled to maximum CTR	281	Nil
£1.67 average	44	£87.08
£2.97 per week (85% of (20% of £17.45))	603	£154.86
Number currently receiving full CTR as below applicable amount but partially lose an average of £1.65	69	£86.04
Total	928	

The Council could choose to implement this change to align the treatment of family premium with Housing Benefit in 2018/19. Existing claimants would continue to be

protected so any change would only affect new claimants and those who have a first child. The change would mainly affect in-work households as claimants on benefits such as income related Jobseekers Allowance and income related employment and support allowance are 'passported' i.e. entitled to the maximum CTR award automatically. It would not affect UC CTR cases as these claims do not include the family premium.

- **Restricting dependants allowance in households with two or more children**

From April 2017, the number of children attracting the dependants allowance of £66.90 in Housing Benefit was restricted to two children for new claims and for claims where there is a new dependent child joining the household after this date. The Government made this change in Housing Benefit so that claimants did not receive a higher award of Housing Benefit because the individual child element payment in Child Tax Credit award had also been restricted to two children.

The Council has chosen not to apply this restriction to date but could elect to do so in 2019/20. The change would impact new claims and those where there has been an increase in the family. There are exceptions to this restriction e.g. for multiple births. Existing claimants with large families would continue to be protected. Further detailed financial modelling would be required to further estimate the direct cost of this change as many of the same new claimants may have already lost entitlement to CTR as a result of the loss of the family premium but would also have a reduction in income as a result in child tax credit restrictions. Most recent information indicates that about 177 claims will be affected by this restriction in 2018/19.

- **Limit backdating of CTR claims from six months to one month**

From April 2016, Housing Benefit claims for those of working age can only be backdated for one month; previously it could be awarded for six months. The Council could choose to reduce CTR backdating limits to one month; retaining the six month provision in 2018/19 is estimated to cost the Council £64k. Making this change in 2019/20 is not recommended because of the roll out of Universal Credit (UC) full service. This change may result in residents claiming UC and omitting to claim CTR at the same time (Housing Benefit and CTR are currently claimed simultaneously). Maintaining the current 6 month backdating period would maximise the Councils opportunity to support residents during the UC migration period and allow a six month backdating award where residents would potentially have missed out on their entitlement.

- **Other CTR changes that could be aligned with Housing Benefit changes**

- Reducing payments of CTR on the grounds of temporary absence from 13 weeks to 4 weeks. Housing Benefit rules were amended in July 2016 to reduce the payment of HB from 13 to 4 weeks for periods of absence from home outside Great Britain.
- Removal of Employment and Support Allowance Work Related Activity component from Housing Benefit applicants (Working Age only) from 3 April 2017. The work related activity component was removed from the calculation of new Housing Benefit claims from April 2017.

- Disregard of Bereavement Support payments which were introduced in April 2017. This replaced Bereavement Allowance and is paid at a rate of £350 per month (children) or £100 per month (no children)
- Application of disregards to post graduate master's degree loan and special support payments.

These changes affect a very small number of CTR claimants. For example, in 2018/19 to date there are only 4 claims where Bereavement Support Allowance is in payment and 16 claims where the Employment and Support allowance work related activity component applies. The changes outlined here include allowing new income to be disregarded which is beneficial for the claimant; specifically Bereavement Support Allowance and the application of disregards for post graduate master's degree loan and special support payments. The impact of applying the changes is not material for the Council at an estimated £10k. Any disproportionate impacts of these changes for claimants could also be mitigated through the use of the Exceptional Hardship fund.

3.5 Option 4 – Amending the CTR scheme for Universal Credit claimants

The roll out of the full service of Universal Credit (UC) commenced in Oldham from 26 April 2017 and the UC/CTR caseload is increasing as a result. The number of UC/CTR cases in June 2018 accounts for 3,604 of an overall CTR caseload of 22,532. The overall CTR caseload has reduced from 23,411 since the introduction of UC and this will be due to a number of factors including residents not applying separately for CTR when claiming UC and the impact of the treatment of earnings on UC cases.

Following the roll out of full service, the Council has been processing more claims from residents claiming UC who are also in work. When UC was originally introduced, the calculation of the award included generous work allowances to make work pay. However, these were cut in 2016.

Universal Credit work allowances

£ per year

	Without housing costs			With housing costs		
	2015-16	2016-17	Change	2015-16	2016-17	Change
Single or couple: no children (not disabled)	£1,332	£0	-£1,332	£1,332	£0	-£1,332
Lone parent (adults not disabled)	£8,808	£4,764	-£4,044	£3,156	£2,304	-£852
Couple with children (adults not disabled)	£6,432	£4,764	-£1,668	£2,664	£2,304	-£360
Single or couple: one or both are disabled	£7,764	£4,764	-£3,000	£2,304	£2,304	£0

Note For purposes of this table "disabled" indicates the presence of an adult with a "limited capability for work". Also note that different work allowances apply according to whether the household is getting help with Housing Costs.]

The Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 did not set out a specific provision for earnings to be disregarded when determining income for Universal Credit claimants. The earnings disregards used in Housing Benefit and for other earnings in the CTR scheme are set out below. As an example,

if a claimant earns £150 per week works 15 hours a week and is single - £5 of his weekly earnings are disregarded when calculating his claim. It is proposed that these amounts are included in the assessment of earnings for UC claims in order to maximise CTR entitlement, support work incentives and align with the treatment of earnings across the piece. The cost of introducing this change is estimated at £125k per annum.

<u>Earnings Disregard</u>	
Only apply one of these:	
Single person	£5.00
Couple (at least one working)	£10.00
Disabled / Carer / ESA Component	£20.00
Lone parent	£25.00
Plus additional earnings disregard	
<u>If</u> working over 16 or 30 hours (see qualifying conditions)	£17.10

Universal Credit replaces six working age benefits including Housing Benefit. It is claimed online directly at Gov.uk. Council Tax Reduction must be applied for separately online with the Council. The Council has worked with the DWP closely to ensure that UC customers are signposted directly to the Council to claim CTR and the Council has also undertaken take up activity over recent months to ensure residents are claiming what they are entitled to. To support this activity, it is proposed that information received by the Council from the DWP relating to a claim for Universal Credit can be treated as a claim for CTR. This would help to maximise entitlement to CTR at the earliest opportunity.

The current UC/CTR calculation does not take housing costs into account. Although for the majority of cases, the inclusion of housing costs as income and in the maximum UC award (the UC version of the applicable amount set out in para 3.4) has no effect on entitlement, there are a small number of cases that have been identified where it would be more beneficial to include this as part of the calculation. This change would cost the Council £10k to implement.

The DWP reassesses UC every month for claimants and notifies the Council of the change to the award. There can be large numbers of multiple changes for one claimant and the changes can be very minimal or have no effect on entitlement. If a change in entitlement is required, this results in a new assessment of CTR, a new Council Tax bill issued and new payment instalment plan for the customer. This can cause confusion for the customer and negatively impacts Council Tax collection and administration. The DWP intends to automate the information received by the Council to improve administration but this has not yet been introduced. The Council could minimise administration by introducing:-

- Fixed income period for CTR UC claims - claims could be reassessed every three months or six months at a flat rate regardless of changes to the customer's income over that period. Extensive modelling would need to be

carried out to determine the costs and benefits of implementing such as scheme and the impacts on CTR administration and the customer.

- Introducing a 'tolerance' within the scheme to allow for multiple changes. This would continue with the current CTR scheme but changes to entitlement which would increase or decrease entitlement below an agreed level would not affect the award of CTR. The Council would need to decide:
 - the level of change in financial terms that would not be actioned
 - whether the tolerance would apply to both increases and decreases in entitlement equally
 - whether changes should be accumulated and then actioned when all changes 'add up ' to more than the tolerance level and
 - whether the tolerance level should apply to all applicants irrespective of the income/benefits they receive

The Department for Work and Pensions is planning to automate the monthly notifications of changes in income from the UC data hub to Local Authorities in 2018/19 and also plans to review the data set provided to Local Authorities. This has not yet been implemented but the aim is to reduce the numbers of duplicate, incorrect and other notices that are of no value to Councils while retaining the transfer of important customer information. This may have a positive effect on UC CTR processing which could render a change in CTR scheme unnecessary. With that in mind, it is considered appropriate to continue to manage workloads and the assessment of changes in the short term until technological improvements are in place and evaluated. The effect on Council Tax collection of the UC system for Oldham's CTR caseload will continue to be monitored over the coming months and impacts factored in to any proposed re-design of the CTR Scheme in 2020/21.

3.6 Option 5 – Adopt a minimum income floor for self-employed cases

The Council could choose to implement a minimum income floor for self- employed applicants. This would replicate the treatment of self-employed earnings in Universal Credit whereby any applicant commencing in self-employment would be allowed to declare zero income for the first year from the date of start up on the new business. Thereafter, the scheme would assume that income generated from the business would be at least the National Minimum/Living wage x 35 hours per week. This could create an incentive for self-employed claimants to develop their business and reduce reliance on other benefits such as Tax Credits. In June 2018, there were 937 CTR claims with a self-employed claimant and/or partner.

4 Preferred Option

- 4.1 The preferred approach is to combine some of the options outlined in the report. This would retain much of the current CTR scheme incorporating further amendments to the scheme that are beneficial for residents. These are:-

Option 1	Retention of the 85% maximum scheme
Parts of Option 3	Disregard Bereavement Support Allowance and application of disregards to post graduate master's degree loan and special support payments

Option 4	Introduce earnings disregards for UC/CTR cases, use DWP information received by the Local Authority as an intention to claim and incorporation of housing costs in the UC/CTR calculation.
----------	--

This recommendation is estimated to cost £145k in 2019/20. Given current collection levels, this can be accommodated and still provide sufficed resources to meet the Council's Council Tax Budget Requirements in 2019/20.

5 Consultation

- 5.1 Any changes to the 2019/20 scheme require prior consultation with the major preceptor, the GMCA with regard to the provision of Police and Fire services. There is also a requirement to carry out a public consultation. This will begin once Cabinet has approved the areas upon which to consult.

6 Financial Implications

- 6.1 The direct grant previously paid by the Department of Communities and Local Government (now Ministry for Housing, Communities and Local Government) for Council Tax Reduction Support has now been subsumed within the Council's Settlement Funding Assessment and Revenue Support Grant (RSG) figure which has itself been incorporated within Business Rate Top Up grant under the piloting of 100% Business Rate Retention. The link between CTR arrangements and grant compensation is no longer evident, given the level of grant funding that has been reduced under the Government's austerity agenda.
- 6.2 As at the time of preparing this report, 78% of claimants have made some payment towards their 2018/19 Council Tax bills, suggesting a collection rate above that of the estimated 75%. As outlined above, data is not available to assess how many of these claimants making payments will fall into arrears during the rest of the year, however, it is envisaged that proactive collection methods implemented by the Unity Partnership will enable the Council to collect an amount of at least 75% and possibly between 80% and 85% of the amount due in 2018/19. Weekly monitoring of the collection rate is being maintained to manage the risk of non-collection. One perceived risk at this stage is that the present collection rate will reduce throughout the remainder of the financial year and beyond as the Government's welfare change programme is phased in. The amount of disposable income many of the scheme's claimants will have available to meet Council Tax and other financial commitments is likely to reduce. This will have the impact of increasing the risk of arrears from those who are currently paying their Council Tax.
- 6.3 The table below summarises the current scheme and potential options for consideration. Each option assumes a collection rate of 75% (deemed feasible given current projected collection levels).

Scheme Options	% Band A Property	CTR Billed	Collection Rate	CTR Income
	%	£m	%	£m
	87.5	4.460	75	3.345
	85	4.782	75	3.587
	82.5	5.104	75	3.828
	80	5.427	75	4.070

- 6.4 For each 2.5% movement of CTR benefit, Council Tax income shifts by approximately £242k. However, this is the Council Tax income figure prior to apportionment over the appropriate precepting percentages. In 2018/19, the present allocation percentages are Oldham Council 86.61%, GMCA for Police Services 9.63% and finally GMCA for Fire Services at 3.76%. Therefore a £242k movement would benefit Oldham Council's available funding by approximately £210k.
- 6.5 The average impact to claimants assuming current caseload numbers of 14,532 claimants remain constant is that for each 2.5% CTR move, a claimant is likely to see a +/-£22.18 adjustment to their CTR benefit depending on whether the CTR scheme is made more or less beneficial.
- 6.6 As a consequence of not including the Housing Benefit changes within the Council Tax Reduction Scheme, this scheme is effectively more generous to its recipients than the Housing Benefit regime.
- 6.7 Under new Housing Benefit changes, claims can now only be backdated for one month whereas under the current CTR scheme, cases can be backdated for up to six months. By not aligning both schemes, current financial forecasts are that approximately £64k will be foregone in Council Tax income in 2018/19. This amount is in addition to the £21k already foregone in 2017/18.
- 6.8 Under new HB changes, the family premium allowance has been removed for new cases however the intention is that this allowance will continue to be assumed as part of the deductible allowance when calculating eligibility for the CTR scheme. By still considering this allowance for CTR purposes, current financial forecasts suggest a further £92k will be foregone in Council Tax income in 2018/9
- 6.9 Further HB amendments such as the impact of a third child being born into a family will again have an impact on the levels of Council Tax foregone, if the CTR scheme is not aligned. There are difficulties in quantifying the financial impact of this adjustment given that the information required would be an informed estimation of the percentage of families in Oldham likely to be affected and that information is currently not considered sufficiently robust for an accurate estimate to be made.
- 6.10 Further decisions regarding the allocation of temporary absence, disregarded bereavement support and postgraduate loan claimants are deemed immaterial from a financial perspective given the very limited numbers of cases within these fields estimated to amount for less than £10k cumulatively.

-
- 6.11 The introduction of earnings disregards for UC cases and the incorporation of housing costs in the UC/CTR calculation is estimated to cost £135k although this will be contingent on the rate of transition to UC for these claimants in 2019/20.
- 6.12 The Council has an exceptional hardship fund for those residents who are struggling to pay their Council Tax. This fund is a discretionary fund and will continue to be utilised in 2019/20 to support those residents experiencing severe financial difficulty.
- 6.13 However, as set out in paragraph 2.2 of this report, the collection rate is on an upward trajectory and expected to achieve somewhere in the region of 80%. This level of collection in addition to the growing Council Tax tax base is deemed sufficient enough to meet the 2019/20 budgeted Council Tax Income requirements as included in the current Medium Term Financial Strategy. Clearly, the ability to generate more than the currently anticipated amount would reduce the Councils budget reduction requirement. (John Hoskins)

7 Legal Services Comments

- 7.1 The legislation states that each year an authority must give consideration to whether to revise its council tax reduction scheme.
- 7.2 The revision of a scheme is a decision that the legislation reserves to full council. Any revision to apply to the scheme for the following year must be made before 11th March.
- 7.3 No revision of a scheme can occur unless the authority has, in the following order:
1) Consulted with major precepting authorities (fire and police)
2) Published a draft proposed scheme
3) Consulted with others likely to have an interest in the scheme
- 7.4 In order to discharge its duties under the Equality Act 2010 the authority will need to consider the effects of proposals on people with a protected characteristic as defined by the act, which as can be done by way of an equality impact assessment as happened before the present scheme was made. (Alex Bougatef)

8. Co-operative Agenda

- 8.1 The approval of support for residents who are of working age and on low incomes is consistent with and embraces the principles of the co-operative agenda.

9 Human Resources Comments

- 9.1 None

10 Risk Assessments

- 10.1 There are a number of risks to be managed in this process:
- Ensuring the revised scheme is not subject to a legal challenge on the basis of equality legislation

-
- Developing a scheme which is both fair and affordable to the Council particularly as it will only be based upon limited collection rates information early in the financial year
 - Linking in Council Tax Collection Processes to the Council's Corporate Fair Debt Policy (Mark Stenson)

11 **IT Implications**

11.1 None

12 **Property Implications**

12.1 None

13 **Procurement Implications**

13.1 None

14 **Environmental and Health & Safety Implications**

14.1 None

15 **Equality, community cohesion and crime implications**

15.1 Work has been carried out to understand the impact of the current scheme on protected groups in Oldham.

16 **Equality Impact Assessment Completed?**

16.1 A full Equalities Impact Assessment will be completed to cover the impact of maintaining or changing the existing scheme for 2019/20. This will be reported to full Council in February 2019

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**

18.1 FCR-06-18

19 **Background Papers**

19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background Papers are contained in the 2018/19 Council Tax Reduction Scheme
Officer Name: Caroline Lee
Contact No: 0161 770 4905

20 **Appendices**

20.1 There are no appendices