

Report to Council

Council Tax Reduction Scheme 2020/21

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

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Reason for Decision

The purpose of the report is to present to Council, the proposed Council Tax Reduction Scheme for 2020/21 for approval.

Executive Summary

Members will recall that there is a requirement to have a Council Tax Reduction (CTR) 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 scheme or to replace it with another scheme. Any change to the 2020/21 scheme must be agreed by Full Council in line with budget setting and no later than 10 March 2020. For Oldham, this requires the Council to agree a revised 2020/21 scheme at the 26 February 2020 Council meeting. Any proposed change must be subject to prior consultation with the major preceptors and the public.

The Council's current CTR scheme limits CTR to a maximum of 85% of Council Tax for a Band A property and removes second adult rebate for those of working age. Following a public consultation exercise in Autumn 2018, the scheme was amended from April 2019 to introduce a range of changes to the scheme largely aimed at supporting those CTR claimants who receive Universal Credit (UC). These included the application of some earnings disregards and treatment of information received from the Department for Work and Pensions (DWP) about UC as a claim for CTR.

As more working age Housing Benefit (HB) cases move to UC, Local Authority CTR schemes are in transition as the number of cases aligned to the HB model of assessment reduces and the number of UC cases aligned to the UC structure increases. It is therefore considered pragmatic to wait until more cases have migrated to UC to introduce a fully revised CTR scheme which would appropriately link with the design of UC. This would avoid the administrative complexity of running two distinct working age CTR schemes concurrently and would mean that the 2019/20 CTR scheme would remain unchanged in 2020/21.

At its meeting on 23 January 2020, the Overview and Scrutiny Performance and Value for Money Select Committee (PVFM), scrutinised the proposed Council Tax Reduction Scheme for 2020/21. The Select Committee was content to agree the proposal that there are no changes to the 2019/20 CTR scheme for 2020/21. It was therefore content to commend the proposed CTR scheme for 2020/21 to Cabinet without additional comment.

On 10 February 2020, Cabinet considered the proposal that there are no changes to the 2019/20 CTR scheme for 2020/21 and agreed to commend the report without amendment to full Council.

Recommendation

It is recommended that Council gives approval to make no changes to the 2019/20 Council Tax Reduction Scheme for 2020/21.

Council Tax Reduction Scheme 2020/21**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 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 CTB 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, many Local Authorities adopted schemes that replicated 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) was significantly reduced from 2014/15 until 2019/20. Funding for 2020/21 remains comparable with 2019/20 levels however, with the introduction of the pilot of 100% Business Rates Retention and the subsuming of RSG into the Council's 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 revise 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 2020/21 is no later than 10 March 2020). The last Council meeting before this date is 26 February 2020.

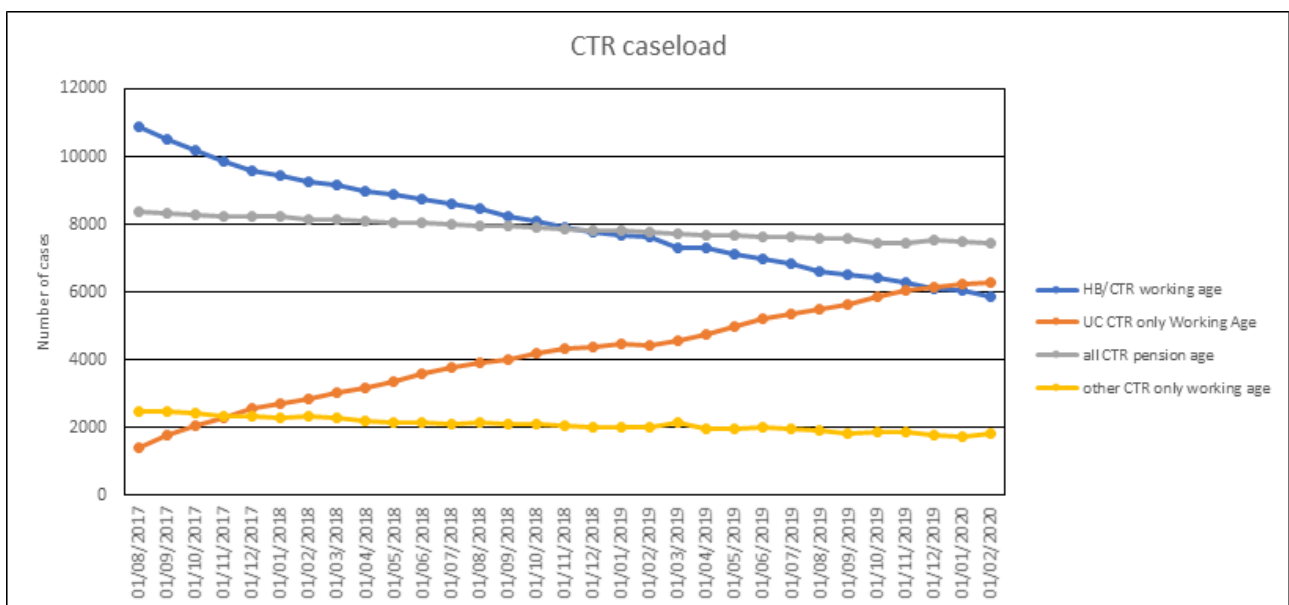
2 Current Position

- 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. From April 2019, the Council also introduced changes to support CTR claimants in receipt of Universal Credit (UC) including the application of some earnings disregards and the use of DWP information as a claim for CTR.
- 2.2 The current projected collection rate for CTR cases in 2019/20 is approximately 80%. This is below the CTR collection rate for 2018/19 of 82.28% but this is considered acceptable in the context of the assumptions around the CTR scheme.
- 2.3 The roll out of the full service of Universal Credit commenced in Oldham from April 2017. Universal Credit (UC) is a single monthly payment which replaces six working age benefits (known as legacy benefits). These are Housing Benefit (HB), Income Support (IS), Working Tax Credits (WTC), Child Tax Credit (CTC), Employment and Support Allowance (Income-related) and Job Seekers Allowance (Income-based). The current roll out of UC follows a process of natural migration i.e. as a claimant experiences a relevant change of circumstances such as becoming fit for work, entitlement to legacy benefits end and UC must be claimed instead. Oldham was an early adopter of UC full service and the most

recent data available shows that as at August 2019, roll out was 44% complete in the parliamentary constituencies of Oldham East and Saddleworth and 40% in Oldham West and Royton. This is high in comparison with other Local Authority areas, but it will still be some time before the full migration of working age claims is complete. The Government has indicated that managed migration (the bulk transfer of all eligible working age HB cases to UC by Local Authority) is currently scheduled to complete nationally by 2024 although no indicative timetable has been set for Oldham to date.

- 2.4 There have been several changes to the Housing Benefit (HB) scheme since April 2016. This means that the working age CTR scheme does not align with revised HB regulations. These changes include the removal in HB of the family premium for new claimants and restriction of HB for households with two or more children (where children born after April 2017 are no longer eligible for further support.)
- 2.5 Some Local Authorities in recent years have introduced changes to align their CTR schemes with these and other HB changes in regulation but attempts to do this are arguably less relevant now given the on-going natural migration of HB cases to UC. The slow migration of HB to UC has resulted in the emergence of UC/CTR as a new CTR working age scheme with some discrete differences in calculation methods to determine needs and income from those used for legacy claims.
- 2.6 As at 1 February 2020, the overall CTR caseload was 21,413. The caseload for those of pension age remains relatively static but Table 1 below demonstrates how CTR claims from those who are in receipt of UC are increasing as other working age CTR cases for those in receipt of HB are reducing. It is therefore considered prudent to wait to change the CTR scheme until the number of cases in receipt of UC outnumbers those on HB by a decent margin before considering a fundamental change to the system.

Table 1: Caseload changes



3 Options/Alternatives

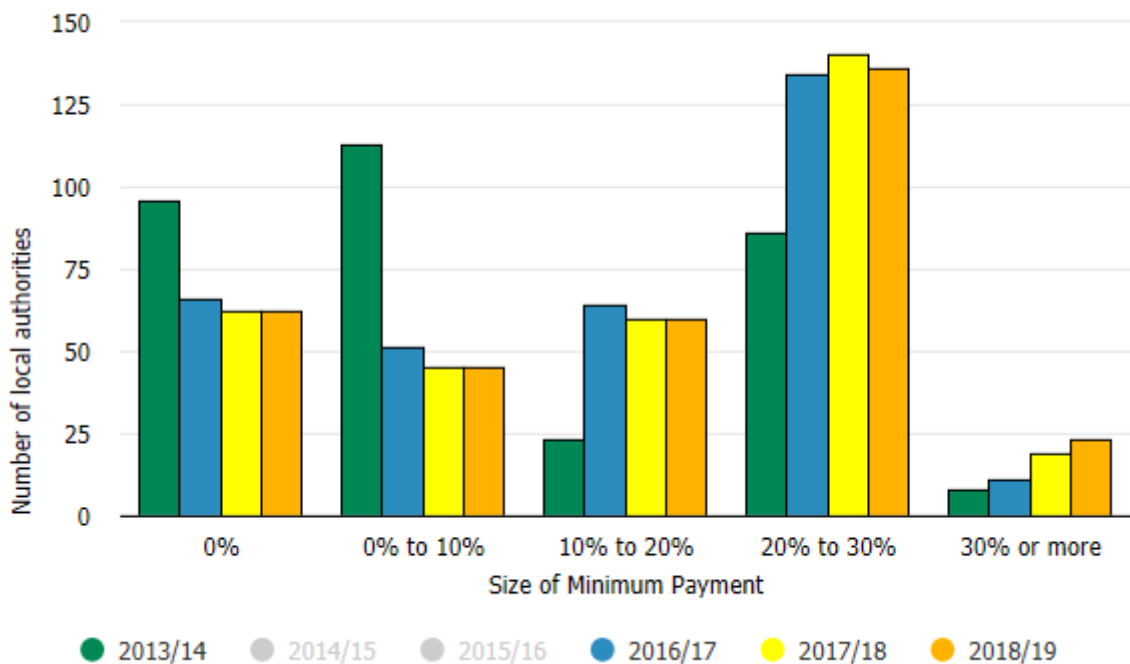
3.1 In order that Members can consider the best approach for the CTR scheme for 2020/21 (including the proposal for no change), 4 options are presented. These are:

1. Maintain the present level of support i.e. limiting the level of support at 85% of the Council Tax for a Band A property
2. Limiting the maximum level of support from 2020/21 to 82.5%
3. Aligning the CTR scheme to reflect some of the changes made to Housing Benefit
4. Changing the method of assessment for UC/CTR cases

Option 1 Maintain the current 85% maximum scheme

3.2 The current scheme limits the maximum CTR award to 85% of Council Tax for a Band A property. The scheme is understood and established in Oldham and the basis of the calculation is very similar to the Housing Benefit and Pensioner CTR scheme. This scheme requires a minimum payment towards Council Tax for all those of working age. Table 2 below sets out the national picture of minimum payments as at 2018/19 (these are the latest available figures). Oldham's scheme requires a minimum payment of 15%.

Table 2 – Minimum Payments



Source: www.counciltaxreduction.org

Data set covers the years 2013/14, 2016/17, 2017/18 and 2018/19 only and excludes 2014/15 and 2015/16

- 3.3 A comparison of minimum payments required from Greater Manchester neighbours in 2019/20 is set out in Table 3 below. Clearly, the minimum weekly payment is not only influenced by the percentage of support offered but also the actual Council Tax charged.

Table 3 – Greater Manchester Minimum Payments

Council Tax Charge (Working Age, Maximum CTR Award, No Single Occupier Discount Applied)

Local Authority	Council Tax Band A 2019/20	Maximum Support %	Annual Charge	Minimum Weekly Payment if in receipt of Full CTR
Bolton	£1,174.47	87.50%	£146.81	£2.82
Bury	£1,217.44	80%	£243.49	£4.67
Manchester	£1,097.34	82.50%	£192.03	£3.68
Oldham	£1,266.39	85%	£189.96	£3.64
Rochdale	£1,238.25	85%	£185.74	£3.56
Salford	£1,235.04	85%	£185.26	£3.55
Stockport	£1,277.92	100%	£0.00	£0.00
Tameside	£1,163.03	75%	£290.76	£5.58
Trafford	£1,044.97	100%	£0.00	£0.00
Wigan*	£1,043.51	80%	£208.70	£4.00

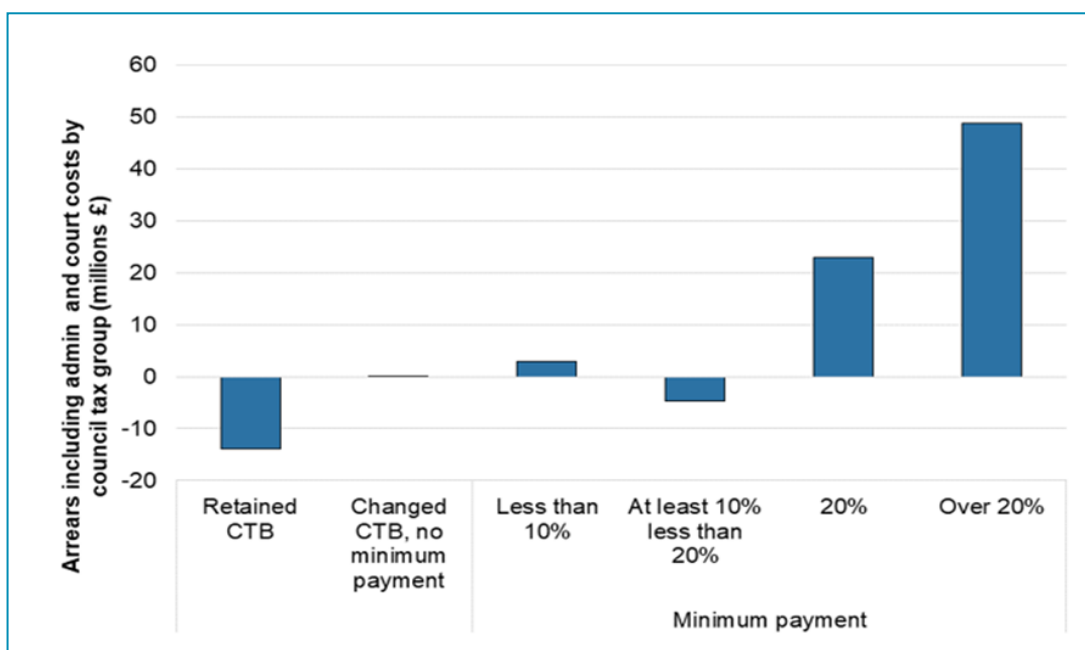
*except for households with Children under 5

- 3.4 An overall CTR collection rate of 80% would deliver the income needed to meet the Council Tax requirements for 2020/21 if the current scheme remained in place.

Option 2 – Reducing the maximum support to 82.5%

- 3.5 Increasing the charge by reducing the support available for Council Tax per annum year on year has been a common approach taken by Local Authorities since 2013. The latest available figures show that in 2018/19, almost a quarter of Councils had 20% schemes. By contrast, over one fifth had no minimum payment and another fifth have payments over 20% with North Lincolnshire Council's minimum payment as high as 50%. Many of those with high minimum payments have also cut CTR in other ways (for example by taking into account previously disregarded income such as child benefit).
- 3.6 For Oldham, Council Tax income would increase by £0.247m for each 2.5% reduction in Council Tax support assuming a prudent collection rate of 80%. Oldham's share of this income once the Greater Manchester Combined Authority (GMCA) has received its share for Mayoral precepts for Police and General Services (including Fire services), would be £0.212m.
- 3.7 It is important to note than 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.

Table 4 – Minimum Payments and Arrears



source: www.counciltaxreduction.org

- 3.8 The graph above takes into account the change in the Council Tax bases between years to calculate the additional amounts of uncollected taxes in 2016/17 compared with 2012/13 - the last year of CTB (this timeframe sets out the most recent New Policy Institute analysis available). The 67 Councils that had a minimum payment of over 20% in 2016/17 had the largest overall increase in uncollected tax for that year.
- 3.9 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 (as set out in Table 2).
- 3.10 However, given a 2.99% increase in Council Tax in Oldham for 2020/21, taken together with the already agreed increase in Mayoral precepts for Police and General Services (including Fire Services) and the on-going impacts of the Government's Welfare Reform programme, a decision to increase the minimum payment due from those on low incomes of working age from 15% to 17.5% may not be timely. It also has the potential to reduce the overall Council Tax collected if those in receipt of reduced CTR fall into arrears.

Option 3 – Aligning the CTR scheme with some of the Housing Benefit regulations since April 2016

- 3.11 Changes to Housing Benefit (HB) were introduced from 1 April 2016 which meant that the CTR 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 main changes are:

- Removal of the family premium for all new claimants;
- Restricting dependants allowance in households with two or more children;
- Limit to the backdating of CTR claims from 6 months to 1 month.

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- 3.12 Since 2016, the Council's approach to the removal of family premium for all new claimants and restriction of dependants allowances in households for two or more children has been to retain the CTR scheme as is and not to align to HB. A decision to align these rules from April 2020 would now be largely irrelevant as most new CTR cases will not be entitled to HB and will be signposted to UC as part of the natural migration strategy. The calculation of needs for UC /CTR is different and Local Authorities use the UC maximum award to calculate the weekly amount claimants can receive before their income starts to affect the amount of CTR received. This effectively removes entitlement to family premium and restricts dependants' allowances for UC/CTR cases.
- 3.13 There is no recommendation to reduce the limit to backdate claims from 6 months to 1 month. The current ability to backdate continues to help to support those claimants in receipt of UC who make a late claim for CTR because they are unsure when claiming benefits about the need to claim CTR from the Local Authority rather than the DWP.

Option 4 – Changing the method of assessment for UC/CTR cases

- 3.14 The roll out of the full service of UC commenced in Oldham from April 2017 and the UC/CTR caseload is increasing as a result. The number of UC/CTR cases at 1 February 2020 was 6,265 compared with 1,431 in August 2018. The overall CTR caseload as at 1 February 2020 was 21,413.
- 3.15 UC replaces six working age benefits including HB and is claimed online directly at Gov.uk. CTR is claimed separately online at the Council. The Council has worked closely with the DWP to ensure that UC customers are signposted directly to the Council to claim CTR. In April 2019, the CTR scheme was amended to treat information received by the DWP relating to a claim for UC as a claim for CTR to maximise entitlement and to avoid the risk of a claim for CTR not being made.
- 3.16 The Council also introduced earnings disregards for UC/CTR claimants in April 2019 and current calculations show that the cost of this for 2019/20 is estimated at £0.170m. It is too early post implementation of earnings disregards to determine the full impact of these changes and these will need to be in place for another year in order to evaluate if they have positively impacted on residents and on collection for those in receipt of low wages.
- 3.17 The DWP reassesses UC every month for claimants and notifies the Council of a 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 bill is 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 Council, as part of its Digital by Design transformation programme, has scheduled the automation of appropriate information files in 2020/21 to improve UC/CTR administration.
- 3.18 Local Authorities have started to introduce new schemes for UC/CTR cases for example banded schemes to mitigate this impact. Manchester City Council has introduced a banded scheme in 2019/20 and this sets a percentage level of support depending on how much income the claimant has (from a maximum of 82.5% moving through bands offering 70%, 45%, 30%, 12% and 0%). Banded schemes are easier to administer but do result in cliff edges for claimants as they move from one band to another. Although it is too early to evaluate the full impact of Manchester's scheme, early indications for Manchester City Council as advised in an Institute of Revenues, Rating and Valuation (IRRV) seminar in June 2019 showed that the number of changes to CTR claims had reduced, providing more stability in CTR payments and charges for residents.

3.19 A 'tolerance' scheme could be introduced to allow for multiple changes. Essentially the current CTR scheme remains the same, but changes to entitlement which would increase or decrease entitlement below an agreed level, would not affect the award of CTR. If introducing such a charge, the Council would need to decide:

- The level of tolerance that would need to 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.

3.20 Blackburn Council has introduced a tolerance scheme in 2019/20. The supplier of Oldham Council's IT systems for Council Tax administration, which is different from the system supplier used by Blackburn, is currently adapting system functionality to accommodate a variety of approaches to tolerance.

Evaluation of the 4 Options

3.21 Based on the evaluation of the 4 options, the Council is therefore proposing a pragmatic approach to adopt for UC/CTR claims, which is to:

- Wait until the number of UC/CTR cases far exceed HB/CTR cases for those of working age to avoid the administrative complexity of essentially operating two working age CTR schemes concurrently;
- Keep a watching brief on progress of other Local Authorities who have moved to a banded or tolerance scheme to further research opportunities in this area;
- Maximise the automation of DWP files during 2020/21 to reduce the administrative burden and minimise confusion for residents in the interim; and
- Re-visit options for introducing a new UC/CTR scheme in 2021/22.

4 Preferred Option

4.1 The preferred option is Option 1 – to retain the current 85% scheme in 2020/21.

4.2 Following Member approval of the 2020/21 scheme and the inclusion of the recently issued Government prescribed scheme regulations for 2020/21, the Council's revised CTR scheme will be published on the Council's website from April 2020.

5 Consultation

5.1 Any change to the 2020/21 scheme requires prior consultation with the Major Preceptor, the GMCA with regard to the Mayoral Police and Crime Commissioner Precept and the Mayoral General Precept (including Fire Services). There would also be a requirement to carry out a public consultation.

5.2 The Council has notified GMCA of its intention not to amend the CTR scheme in 2020/21. Given this intention for no change, there is no requirement for public consultation.

5.3 A key element of the consultation on the proposed Council Tax Reduction Scheme for 2020/21 was its consideration by the Overview and Scrutiny Performance and Value for Money Select Committee at its meeting of 23 January 2020. The Select Committee was content to accept the proposed scheme (unchanged from 2019/20) and commend it to Cabinet without additional comment.

5.4 On 10 February 2020, Cabinet considered the proposal that there are no changes to the 2019/20 CTR scheme for 2020/21 and agreed to commend the report without amendment to full Council.

6 Financial Implications

6.1 The direct grant previously paid by the Department for Communities and Local Government (now the 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, 87% of claimants have made some payment towards their 2019/20 Council Tax bills, suggesting a CTR collection rate of approximately 80%. As outlined above, data is not available to assess how many of these claimants making payments will fall into arrears over the remaining weeks of the year, however it is envisaged that proactive collection methods implemented by the Unity Partnership Ltd will enable the Council to sustain a collected amount of approximately 80% of the amount due in 2019/20. 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 progresses. 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 at 85% and illustrations of scheme charging levels (the 82.5% level has been evaluated in this report). Each option assumes collection rate of 80% (deemed feasible given current projected collection levels).

Scheme Illustrations	% Band A Council Tax Property	CTR Billed	Collection Rate	CTR Income
	%	£m	%	£m
	87.5	4.826	80	3.860
	85	5.134	80	4.107
	82.5	5.442	80	4.354
	80	5.750	80	4.600

6.4 For each 2.5% movement of CTR benefit, Council Tax income shifts by approximately £0.308m. However, this is the Council Tax income figure prior to apportionment over the appropriate precepting percentages and projected collection rates of 80%. In 2020/21, the allocation percentages are Oldham Council 86.11%, GMCA for Police Services 10.01% and finally GMCA for Mayoral General Services (including Fire) at 3.88%. Therefore a £0.308m movement would benefit Oldham Council's available funding by approximately £0.247m after projected collection and is then further reduced following the apportionment to the Council to £0.212m.

6.5 The average impact to claimants assuming 1 February 2020 caseload numbers of 21,413 (of which there are 13,946 working age cases), is that for each 2.5% CTR move, a claimant is likely to see a +/-£21.94 adjustment to their CTR depending on whether the CTR scheme is made more or less beneficial.

6.6 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 2020/21 to support those residents experiencing severe financial difficulty.

6.7 However, as set out in paragraph 2.2 of this report, the collection rate is expected to achieve approximately 80% collection. This level of collection in addition to the growing Council Tax tax base is deemed sufficient to meet the 2020/21 budgeted Council Tax Income requirements as included in the current Medium Term Financial Strategy.

(John Hoskins)

7 Legal Services Comments

7.1 The legislation states that each year an authority must consider 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 no later than 10 March of the preceding financial year.

7.3 No revision of a scheme can occur unless the authority has, in the following order:

1. Consulted with the Major Precepting Authority – The Greater Manchester Combined Authority for Police and Fire services;
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 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 in 2020/21 particularly as it will only be based on limited collection rates information early in the financial year and assumptions on grant funding previously made;
- Linking in Council Tax collection processes to the Council's Council Tax collection strategy.

(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 In taking financial decisions, the Council must demonstrate that it has given 'due regard' to the need to eliminate discrimination, promote equality of opportunity and promote good relations between different groups.

15.2 Demonstrating that 'due regard' has been given involves:

- Assessing the potential equality impacts of proposed decisions at an appropriate stage in the decision-making process so that it informs the development of policy and is considered before a decision is taken;
- Ensuring that decision makers are aware of equality duties and any potential equality issues when making decisions.

N.B. Having due regard does not mean the Council cannot make decisions which have the potential to impact disproportionately. It means that we must be clear where this is the case and must be able to demonstrate that we have consulted, understood and mitigated the impact.

15.3 To ensure that the process of impact assessment is robust, it needs to:

- Be specific to each individual proposal;
- Be clear about the purpose of the proposal;
- Consider available evidence;
- Include consultation and involvement with those affected by the decision, where appropriate;
- Consider proposals for mitigating any negative impact on particular groups;
- Set out arrangements for monitoring the actual impact of the proposal.

15.4 As with previous Council Tax Reduction Schemes from 2013, an Equality Impact Assessment has been prepared to try to identify any potential disproportionate adverse impacts arising from the proposed scheme and to identify any actions which might mitigate these impacts.

16 **Equality Impact Assessment Completed?**

16.1 An EIA is set out at Appendix 1.

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**

18.1 FCS-18-19

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: The background paper to this report is the 27 February 2019 Council Report – Council Tax Reduction Scheme 2019/20 accessed through the following link:

[Council Tax Reduction Scheme 201920](#)

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20 **Appendices**

20.1 Appendix 1 – Equality Impact Assessment.