

Report to Council

Council Tax Reduction Scheme 2025/26

Portfolio Holder: Councillor Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Value for Money & Sustainability

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Reason for Decision

The purpose of this report is to present to Council the proposed Council Tax Reduction Scheme for 2025/26.

Executive Summary

There is a legal requirement to have a local Council Tax Reduction (CTR) scheme to support residents of working age on a low income who qualify for assistance in paying Council Tax. The Local Government Finance Act 2012 requires 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 2025/26 scheme must be agreed by full Council in line with budget setting arrangements and no later than 10 March 2025. Any proposed change must be subject to prior consultation with major preceptors (for Oldham this is the Greater Manchester Combined Authority on behalf of the Mayor of Greater Manchester and the Greater Manchester Police and Crime Commissioner) and with the public. The scheme for those of pensionable age is set by the Government and cannot be changed.

CTR is a demand led discount scheme so the greater the demand, the higher the impact on Council resources. If the number of CTR claimants increases, it impacts the amount of Council Tax that can be collected by reducing the Council's Council Tax Taxbase.

A major consultation exercise has not been undertaken regarding changes to the CTR scheme and the Greater Manchester Combined Authority has been provisionally advised that no change to the scheme is proposed. In this regard, the proposal is that the CTR scheme for 2025/26 remains the same as that operating in 2024/25 and, therefore, no consultation exercise is required. The current CTR scheme provides a maximum reduction equivalent to 85% of the Council Tax charge for a Band A property and this has been unchanged since 2014/15.

On 1 March 2023, Council agreed budget reduction proposals within the Revenues and Benefits department, which included a review of the administration of the CTR scheme to introduce efficiencies in operating arrangements, improving the service for CTR recipients and the Council. The proposal forecasted potential administrative savings of £45,000 in 2025/26.

The review found that due to the ongoing migration of residents from legacy welfare benefits to Universal Credit, the implementation of an income banded scheme would cause uncertainty for CTR claimants which were already impacted by the cost-of-living crisis. The recommendation not to change the scheme for 2024/25 was agreed by Council on 28 February 2024.

An assessment of the implementation costs of an income banded scheme has concluded that the cost to implement the scheme would exceed the proposed savings outlined of £45,000 for 2025/26.

There remains uncertainty around the extent that the transition of residents from legacy welfare benefits onto Universal Credit would have on a claimants' household income and how this would then impact on the cost of an income banded scheme if it were to be introduced in 2025/26. The Council cannot currently accurately determine the level of income those transitioning residents will ultimately receive, which will be critical for an appropriate scheme design.

In view of the continued uncertainty concerning Universal Credit and the marginal impact of any practical change to the CTR scheme at this stage, it is recommended that the Council maintains the current CTR scheme during 2025/26.

Recommendation

It is recommended that Council approves and commends to Council the proposal to keep the Council Tax Reduction Scheme unchanged in 2025/26.

Council Tax Reduction Scheme 2025/26**1 Background**

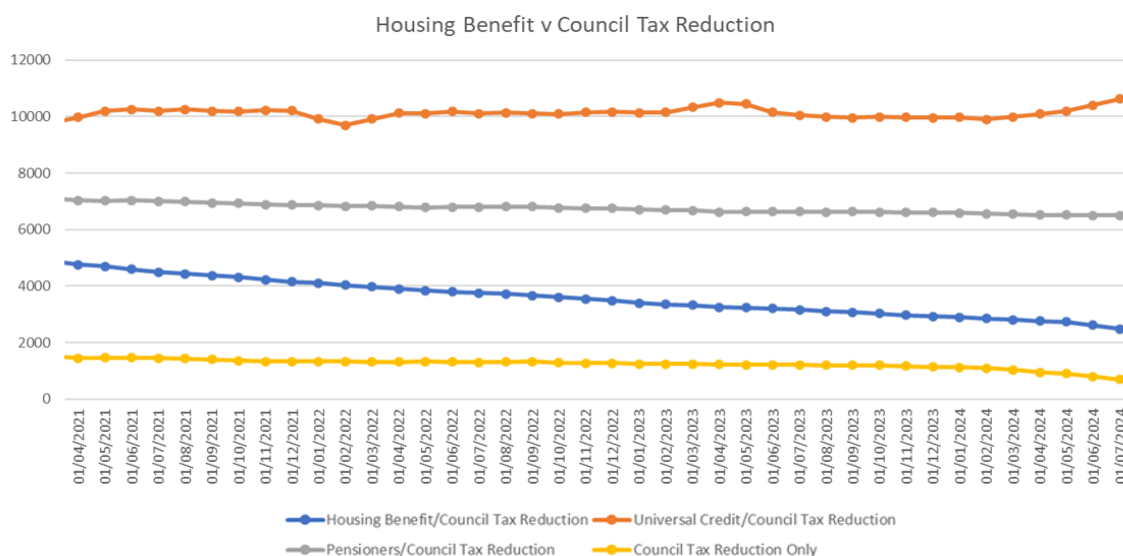
- 1.1 Prior to April 2013, Council Taxpayers who qualified for assistance could apply for Council Tax Benefit (CTB) to help pay their Council Tax. The CTB scheme was administered by Local Authorities on behalf of the Department for Work and Pensions (DWP) and was assessed on a means tested basis. Under this national scheme, Council Taxpayers 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 residents. 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. Whilst Revenue Support Grant (RSG) was initially reduced each year in line with Government policy and has more recently stabilised, since the introduction of the piloting of 100% Business Rates Retention by the Council and the subsuming of RSG into the Council's Business Rates Top Up Grant, the link between Central Government funding and Central Government support for CTR has been broken. The Council funds the cost of the CTR scheme through the Collection Fund i.e., the income collected from Council Tax and Business Rates.
- 1.3 The legislation confers an obligation on the Council to consider whether to review the CTR scheme on an annual basis. The scheme cannot be amended in-year and can only be changed following consultation with the public and the major preceptor, the Greater Manchester Combined Authority (GMCA) on behalf of the Mayor of Greater Manchester and the Greater Manchester Police and Crime Commissioner.
- 1.4 The CTR scheme for 2025/26 will require Council approval whether it is changed or not.
- 1.5 A change to the scheme for 2025/26 would require a consultation exercise and approval by full Council prior to the deadline for the setting of the Council's budget (which is no later than 10 March 2025). The last Council meeting before this date is 6 March 2025.
- 1.6 The evaluation of potential changes to the scheme for 2025/26 has factored in the operation and cost of the current scheme. In recommending potential options for 2025/26, consideration has also been given to the cost-of-living crisis, and the effects of the transition of residents to Universal Credit and its impact on those residents, the economy, and on Council resources and caseload. When considering the approach to the CTR scheme, over the past few years, the availability of additional Government resources has also been a factor. However, there is uncertainty over the continuation of Government funding streams into 2025/26 or if there will be some other national cost of living support, so this cannot be included in the context of the 2025/26 CTR scheme.

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 Council has maintained the same maximum level of support for working age claimants at 85% since 2014/15. The minimum weekly payment has risen from £3.64 in 2019/20 to £4.46 in 2024/25, because of annual increases in Council Tax charges.
- 2.3 On 1 July 2024, there were 13,820 working age CTR claimants. Current projections for the annual collection rates for CTR cases due in 2024/25 suggest a collection rate of between 75-80%. Given the 5% collection rate range, this is potentially lower CTR collection rate to that recovered in 2023/24 (78.20%) and 2022/23 (79.51%), although an 80% collection rate would compare well to both years.
- 2.4 A reduced collection rate of 1.8% of CTR debt could result in a reduction of £99k in Council Tax receipts for 2024/25 and hence reduce the resources available to support the financial position of the Council in future years (it should be noted that changes in relation to Council Tax income impact one year in arrears given the accounting arrangements that must be applied).
- 2.5 The roll out of the full service of UC commenced in Oldham from April 2017. 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 (ESA) (Income-related) and Job Seekers Allowance (JSA) (Income-related). The 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 ends and UC must be claimed instead. Oldham was an early adopter of UC full service and in February 2024 (the latest available figures), rollout was 81% complete in Oldham East and Saddleworth and 78% in Oldham West and Royton. The North West average is 76%.
- 2.6 From April 2023, the DWP reinstated the UC managed migration programme which was suspended during the period of the COVID-19 pandemic starting with all claimants in receipt of tax credits. Migration notices have been issued to claimants in Oldham since June 2023.
- 2.7 Throughout 2024/25, nationally, working age claimants with tax credits (including those in receipt of ESA, WTC and CTC), all cases on Income Support and Jobseeker's Allowance (Income Based) and all Housing Benefit cases (including combinations of these benefits) will be required to move to Universal Credit.
- 2.8 In most cases, claimants in receipt of legacy welfare benefits receive a higher income than those residents in receipt of UC. This means that residents on legacy welfare benefits receive less support under the current CTR scheme. Moving to an income banded scheme in 2025/26 would adversely affect a significant number of legacy claimants who are yet to migrate to UC.
- 2.9 As of 1 July 2024, the overall CTR caseload was 20,320. The caseload for those of pensionable 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 are

reducing, for example, from those who are in receipt of HB. The management of UC/CTR creates an administrative burden for Local Authorities as data files are received each month confirming changes to entitlement however small.

Table 1: CTR Caseload Changes



- 2.10 The rapidly changing environment created by the cost-of-living crisis, and the transition of working age claimants from legacy benefits to UC has presented difficulties in accurately modelling financial impacts of both retaining the existing CTR scheme for 2025/26 or introducing a revised scheme.
- 2.11 However, work to look at the practical issues of changing the CTR scheme has been progressed. Options in relation to an income banded CTR scheme have been considered. An income banded scheme would mean that the level of CTR would be based on a claimant’s weekly household income assessed against pre-determined income bands. This means if a claimants household income varies but remains in the same band, the amount of support they get won’t change. The amount of support only varies if their income changes and moves them into another income band.
- 2.12 The DWP has committed to completing the migration of all legacy welfare benefits by the end of 2025/26. This means that the Council would be able to predict the impact and cost of an income banded scheme more accurately for working age claimants for 2026/27.
- 2.13 The Council continues to make awards to residents who are experiencing severe financial hardship under the Exceptional Hardship Payments (EHP) scheme and resource is available to support those who have difficulty in paying Council Tax.

3 Options/Alternatives

3.1 Given the financial position of the Authority and the uncertainty prevailing, there are 2 options presented for consideration. These are:

Option 1: 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.

Option 2: Introduce income banded scheme.

The key issues in relation to each of these options are set out below.

Option 1 Maintain the Current 85% of a Band A 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. This scheme requires a minimum payment towards Council Tax for all those of working age. Oldham's scheme requires a minimum payment of 15% of a Band A Council Tax charge which is set out in the table below. The payments made by eligible households in properties from Bands B to H are therefore reduced by a maximum of £1,317.70 (the difference between the Band A charge and the minimum payment).
- 3.3 An overall CTR collection rate of 80% would deliver the income needed to meet the Council Tax requirements for 2025/26 if the current scheme remained in place. A comparison of the maximum levels of support for 2024/25 for Local Authorities is set out below although there are differences in eligibility criteria between Councils which is not evident from the headline numbers.

Table 3: Greater Manchester Local Authority Council Tax Reduction Charges 2024/25

Local Authority	Council Tax Band A 2024/25	Maximum Support %	Annual Charge At Band A	Monthly (12 Months)	Monthly (10 Months)	Minimum Weekly Payment if in receipt of Full CTR
Bolton	£1,427.38	82.50%	£249.79	£20.82	£24.98	£4.79
Bury	£1,525.86	80%	£305.17	£25.43	£30.52	£5.85
Manchester	£1,378.82	85.00%	£206.82	£17.24	£20.68	£3.97
Oldham	£1,550.24	85%	£232.54	£19.38	£23.25	£4.46
Rochdale	£1,553.49	85%	£233.02	£19.42	£23.30	£4.47
Salford	£1,549.63	88%	£185.96	£15.50	£18.60	£3.57
Stockport	£1,564.42	100%	£0.00	£0.00	£0.00	£0.00
Tameside	£1,460.23	75%	£365.06	£30.42	£36.51	£7.00
Trafford	£1,313.90	100%	£0.00	£0.00	£0.00	£0.00
Wigan*	£1,281.75	80%	£256.35	£21.36	£25.64	£4.92

*except for households with Children under 5

- 3.4 CTR is a demand led scheme so costs can fluctuate as the caseload changes. The Council saw an increase in the working age caseload during the COVID crisis as more residents claimed UC and this saw a reduction in the Council Tax Taxbase and a reduction in income that could be collected. The caseload is expected to fluctuate further as a result of residents transitioning to UC.

Option 2 – Introduce an Income Banded Scheme

- 3.5 The Council considered an income banded model for the 2024/25 Council Tax reduction scheme with the aim of maintaining the cost of award levels of the current scheme but reducing the administration costs.
- 3.6 This scheme would have introduced the following Council Tax reduction awards.

Income Thresholds

Band	Discount	Single	Couple	1 child addition	2 child addition
1	85%	0-90	0-220	100	200
2	75%	90-120	220-260	100	200
3	65%	120-170	260-340	100	200
4	45%	170-220	340-390	100	200
5	30%	220-270	390-440	100	200
6	20%	270-340	440-490	100	200

- 3.7 It was determined that the scheme would disproportionately affect those households with children. This needs further analysis, but it is believed that households with children are more likely to have adults in paid employment.
- 3.8 The cost of the scheme would incrementally increase as households transfer to UC throughout 2024/25. An analysis undertaken suggests that had the scheme been introduced in 2024/25 the cost of the scheme would have been £22.4m. An increase of £670k from maintaining the current scheme.
- 3.9 To meet the aim of reducing administration costs the model would require aligning with the DWP concept of the minimum income floor (MIF). The MIF is an earnings threshold that applies to some self-employed claimants. If their actual declared self-employed earnings are below the MIF, they will be treated as having earnings at the level of the MIF instead. To calculate a claimants MIF, the DWP multiplies the claimants expected minimum wage for their age group by the number of hours they are expected to work. This is multiplied by 52, and then divided by 12 to provide a monthly figure.
- 3.10 Several local authorities have adopted a MIF approach for self-employed claimants within their CTR schemes. Under those schemes 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.
- 3.11 If the Council introduced a MIF approach, there would be a significant reduction in the administrative burden of administering self-employed CTR claims, as the service would not need to request evidence from self-employed claimants who declare their earnings to below the MIF. However self-employed claimants earning less than the MIF would see a reduction in the CTR entitlement.
- 3.12 An assessment of the implementation costs of an income banded scheme has concluded that the cost to implement the scheme would exceed the proposed budget reduction proposals outlined of £45,000 for 2025/26.

4 Preferred Option

- 4.1 The preferred option is Option 1 – to retain the current 85% scheme in 2025/26.
- 4.2 The delayed migration of claimants from legacy welfare benefits to UC has resulted in differences in calculation methods to determine income for CTR. This means two claimants with a similar household composition, and income could receive varying levels of CTR dependent on whether they have migrated or waiting to migrate.
- 4.3 In most cases, claimants in receipt of legacy welfare benefits receive a higher income than those residents in receipt of UC. This means that residents on legacy welfare benefits receive

less support under the current CTR scheme. Moving to an income banded scheme in 2025/26 would adversely affect a significant number of legacy claimants who are yet to migrate to UC.

- 4.4 Moving to an income banded scheme in 2025/26 will adversely affect a significant number of legacy claimants who migrate to UC during the year. They would see a decrease in the level of CTR they would receive and consequently an increased Council Tax bill. Retaining the 85% scheme in 2025/26 would provide some certainty for residents subject to UC migration.
- 4.5 The Council would be required to allocate additional funding to implement an income banded scheme which would negate any potential admin savings.
- 4.6 Members will be aware that discretionary funding is available to support those residents in most need. A discretionary Exceptional Hardship discount can be awarded under Section 13a(1)(c) of the Local Government Finance Act 1992 (as amended).

5 **Consultation**

- 5.1 Any changes to the 2025/26 scheme require prior consultation with the major preceptor, the GMCA, with regard to the Mayoral Police and Crime Commissioner precept and Mayoral General Services precept including Fire Services. There would also be a requirement to carry out a public consultation.
- 5.2 No public consultation has been launched and should Council not accept the recommended approach and consider a change to the 2025/26 scheme was appropriate, then the timeline for such a consultation exercise would be extremely limited. The Council has provisionally notified GMCA of its intention not to amend the CTR scheme in 2025/26.
- 5.3 There is no requirement to undertake public consultation if the scheme is left unchanged.

6 **Financial Implications**

- 6.1 The direct grant paid by the Ministry of 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 reduction in the level of grant funding from 2010 until 2019/20 (pre-pandemic).
- 6.2 It is envisaged that the Council will continue to collect an amount of approximately 75%-80% of the amount due in 2024/25. 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 due to the ongoing cost of living crisis. 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 would have the impact of increasing the risk of arrears from those who are currently paying their Council Tax.
- 6.3 As of 1 July 2024, the overall CTR caseload was 20,320 of which there were 13,820 working age CTR claimants. The caseload for those of pensionable age remains relatively static.
- 6.4 An overall CTR collection rate of 80% would deliver the income needed to meet the Council Tax requirements for 2025/26 if the current scheme remained in place.

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- 6.5 On 1 March 2023, Council agreed budget reduction proposals within the Revenues and Benefits department, which included a review of the administration of the CTR scheme to introduce efficiencies in operating arrangements, improving the service for CTR recipients and the Council. The proposal forecasted potential administrative savings of £45,000 in 2025/26.
- 6.6 The Council considered an income banded model for the 2024/25 Council Tax reduction scheme (options 2) with the aim of maintaining the cost of award levels of the current scheme but reducing the administration costs.
- 6.7 It was determined that the scheme would disproportionately affect those households with children. This needs further analysis, but it is believed that households with children are more likely to have adults in paid employment.
- 6.8 The cost of the scheme would incrementally increase as households transfer to UC throughout 2024/25. An analysis undertaken suggests that had the scheme been introduced in 2024/25 the cost of the scheme would have been £22.4m, an increase of £670k from maintaining the current scheme.
- 6.9 An assessment of the implementation costs of an income banded scheme has concluded that the cost to implement the scheme would exceed the proposed budget reduction proposals outlined of £45,000 for 2025/26.
- 6.10 Given all the information presented above, adopting the recommended approach, the maintenance of an unchanged CTR scheme, can be managed within the context of the current financial position of the Council and is in line with current budget estimates. (Matthew Kearns – Finance Manager)

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.
- 7.5 In this circumstance, vulnerable residents and residents generally will benefit from the option proposed i.e. no change. It would therefore be unlikely that any legal challenge would ensue from this action. (Alex Bougatef – Interim Assistant Director Legal Services)

8. Co-operative Implications

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 The proposed recommendation option is in line with the decision reached in previous years to keep the scheme at the same level of deduction. As per previous years there are several risks that continue to be managed during this process

- Ensuring the scheme is not subject to a legal challenge on the basis of equality legislation although as the proposal is for an unchanged scheme, this risk is considered to be extremely low;
- Ensuring that a scheme is both fair and affordable to the Council in 2025/26 particularly as it will only be based on collection rates information from part of the financial year;
- There continues to be a challenging financial environment facing both the Council and Council Taxpayers, however, the agreement of the CTR scheme for 2025/26 establishes one key element of the Councils financial strategy and an unchanged scheme provides certainty for recipients of CTR.

Vicki Gallacher (Head of Insurance and Information Governance)

11 **IT Implications**

11.1 There are no IT implications.

12 **Property Implications**

12.1 There are no property implications.

13 **Procurement Implications**

13.1 There are no Procurement implications.

14 **Environmental and Health & Safety Implications**

14.1 There are no Environmental and health and Safety Implications

15 **Community cohesion disorder implications in accordance with Section 17 of the Crime and Disorder Act 1998**

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 impact arising from the proposed scheme and to identify any actions which might mitigate these impacts.

16 **Oldham Impact Assessment Completed (Including impact on Children and Young People)**

16.1 An Oldham Equality Impact Assessment is set out at Appendix 1.

17 **Key Decision**

17.1 Yes

18 **Key Decision Reference**

18.1 FCR-12-24

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 included at Appendix 1
Officer Name:	Adam Parsey – Exchequer Client Manager
Contact:	adam.parsey@oldham.gov.uk

20 **Appendices**

20.1 Appendix 1 – Oldham Equality Impact Assessment