




Report to:	Housing, Economy and Business Committee	Date:	23 June 2015
Report title:	Annual Review of the Council Tax Reduction Scheme		
Report from:	Gerald Almeroth, Strategic Director, Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Jayne McCoy / Councillor Nick Emmerson (Revenues and Benefits)		
Author(s)/Contact Number(s):	Julie Turner, Head of Revenues, Benefits, Insurance and Pensions (020 8770 4496)		
Corporate Plan Priorities:	<ul style="list-style-type: none"> • A Fair Council • A Smart Council 		
Open/Exempt:	Open		
Signed:		Date:	10 June 2015

1. Summary

- 1.1 This report sets out the latest position in respect of the Council Tax Reduction scheme, which was introduced 1 April 2013 and following review and consultation during 2014/15 was revised with an implementation date for the changes of 1 April 2015.
- 1.2 The report also details the final expenditure on the scheme in 2014/15 along with the estimated expenditure for 2015/16

2. Recommendations

- 2.1 That the Housing, Economy and Business Committee agree that the scheme remains unchanged for the 2016/2017 financial year and for this to be recommended to the next Full Council meeting.

3. Background

- 3.1 Previously under the national Council Tax Benefit arrangements the council was fully reimbursed for benefit payments that it made locally. Responsibility to develop and operate a local Council Tax Support scheme with effect from 1 April 2013 was transferred to the local authority in the Local Government Finance Act 1992 (as amended by the LGFA 2012 Act). At the same time the Government funding available for a local scheme was reduced by 10%.
- 3.2 A decision was made at Full Council in January 2013 to adopt a local scheme that reduced the impact of the 10% reduction in Government grant to the council. The 10% reduction figure (estimated) was based on the amount of Council Tax Benefit paid out in 2011/12, which in Sutton was £14 million; which meant the council had an expected £1.4 million to save in benefit or generate in revenue. The net loss for Sutton was estimated at £1.1m as the GLA element at the time amounted to 21.2%. The principles of the CTR scheme introduced on 1 April 2013 can be found at appendix B.



- 3.3 The Council received £9.7m allocation for its Council Tax Reduction scheme in 2013/14, which represented a reduction of about £0.4m on previous estimates. The allocation was adjusted by a pre-determined calculation based on expected budget pressures. Those authorities whose budget pressure exceeded the ceiling received an additional allocation and those whose budget pressure was below the floor had their allocation reduced. The London Borough of Sutton had its allocation reduced.
- 3.4 National government cuts, as a result of the coalition government's policy to reduce the public sector deficit, are being significantly felt by local government. The whole of local government is changing as Councils face unprecedented reductions to their funding coupled with increasing demand for services due to demographic pressures and the consequences of other national government policies such as welfare reform.
- 3.5 The London Borough of Sutton is no different from other Councils. The Council has faced a 25% reduction to its budget since 2010 and to address this, the council identified £32m through its four year Smarter Services Sutton (SSS) programme.
- 3.6 Projections for the council budget over the next four years (2015/16 to 2018/19) shows that there is a budget shortfall of £38m or 27% of current net expenditure. This shortfall will need to be met by identifying and delivering savings or additional income.
- 3.7 The grant for Council Tax Reduction schemes is now incorporated into the Council's overall revenue support grant. Therefore, there is no dedicated allocation within the overall grant for 2014/15. However, this grant was reduced by 7.9% in 2014/15 and was reduced by a further 11.2%¹ in 2015/16.
- 3.8 Spending on the scheme for the first full year (2013/14) was as follows:

Table 1: 2013/14 Council Tax Reduction scheme actual costs

	Gross Cost	GLA	Sutton	Grant	Sutton net Cost
2013/14	£12.701m	£2.664m	£10.037m	£9.724m	£313k

The reduction in grant funding was also offset by a number of technical changes to the Council Tax exemptions. At the time this offered additional income of £540k.

Final Position 2014/15

- 3.9 As at the 31 March 2015 there were 12,545 households claiming a Council Tax Reduction. The total number of households claiming Council Tax Benefit in March 2014 was 13,593. The claim base has reduced by 1,048 cases (8%), which could be as a result of improved circumstances for claimants therefore no longer qualifying or other changes in circumstances such as moved out of the borough or found work.
- 3.10 Table 1 in appendix A highlights the households in the borough claiming a Council Tax Reduction by banding type. Nearly 92% (11,492) of households claiming are in bands

¹ The Revenue Support Grant was reduced by 19.4%, from £41.7m to £33.8m. Total Settlement Funding Assessment was reduced by 10.1%, but that is after rolling in the 2014/15 council tax freeze grant so the underlying reduction is 11.2%.



A to D. The table includes those that are fully protected, a total of 8,366 customers.

3.11 Table 2 in appendix A highlights the non-protected households by band. Nearly 92% (2,867) of households affected are in bands A to D, However, 8% (259) of households in bands E to H would be some of the households most affected in monetary terms due to Council Tax Reduction being capped at band D.

3.12 As the table below shows, using figures at 31 March 2015, the total cost of the Council Tax Reduction scheme for 2014/15 was £11.879m of which the Sutton share was £9.412m. This represents an overall reduction in the gross cost of scheme of £625k (Sutton share) when compared with 2013/14 (£10.037m). However, the net cost of the scheme after grant to Sutton has increased from £313k in 2013/14 to £456k in 2014/15

Table 2: 2013/14 and 2014/15 Council Tax Reduction scheme actual cost

	Gross Cost	GLA	Sutton	Grant	Sutton net Cost
2013/14	£12.701m	£2.664m	£10.037m	£9.724m	£313k
2014/15	£11.879m	£2.467m	£9.412m	£8.956m*	£456k

* Baseline grant £9,724m – £768k (7.9%)

3.13 Table 3 below provides a detailed breakdown of the 2014/15 Council Tax Reduction scheme by classification of claim types.

Table 3: 2014/15 Council Tax Reduction scheme cost by classification

Council Tax Reduction scheme classification	2014/15 Scheme cost	Cases	Average Weekly Award
*Pensionable	£4.690m	4,805	£18
*Vulnerable household (children under 5)	£1.837m	1,850	£18
*Vulnerable (disability benefit)	£2.910m	2,765	£20
Working Age – Not In Employment	£1.503m	1,833	£15
Working Age - In Employment	£939k	1,292	£14
Total	£11.879m	12,545	£18

- * These are the protected claims within the overall caseload.

2015/16 Estimated Cost

- 3.14 During the financial year 2014/15 the Council carried out a review of its Council Tax Reduction scheme. The report was presented to the Housing, Economy and Business Committee on 1 July 2014, and recommended proposals for a number of changes to the scheme. The Council completed a 12 week consultation and undertook a Task and Finish group.
- 3.15 To ensure that residents were fully aware of the options proposed, including the recommended way forward set out above, it was agreed a second consultation period of 3 weeks would run from 10 November to 2 December 2014. This was following receipt of the Supreme Court judgement ruling that the London Borough of Haringey's consultation on its CTR scheme was unlawful.
- 3.16 The outcome of the consultations and the proposed Council Tax Reduction scheme changes were presented to the Housing, Economy and Business Committee on 9 December 2014. The Housing, Economy and Business Committee agreed the proposed changes, which were duly recommended to Full Council for implementation on 1 April 2015. The recommended changes are set out in appendix C.
- 3.17 The changes implemented in 2015/16 were estimated to reduce the net cost of the Council Tax Reduction scheme to Sutton by £623k. The proposed changes were estimated to reduce costs further but not to meet the full grant reduction, therefore leaving a net cost to Sutton of £444k. However, this was based on estimates that are difficult to predict in a demand led service, which is volatile to customer changes in circumstances and the final expenditure figures for Sutton in 2014/15 were £365k higher than the earlier estimates.
- 3.18 Table 4 below sets out the 2014/15 estimates and the actual net cost of the scheme to Sutton in 2014/15 and the net grant reductions compared to the estimated costs of the scheme in 2015/16, following implementation of the changes.

Table 4: Council Tax Reduction scheme cost compared to grant reductions

	Gross Cost	GLA	Sutton	Grant	Sutton net cost
2014/15 Estimate	£11.419m	£2.372m	£9.047m	£8.956m	£0.091m
2014/15 Actual	£11.879m	£2.467m	£9.412m	£8.956m*	£0.456m
2015/16 Estimate	£11.211m	£2.268m	£8.943m	£7.980m**	£0.963m
Change (actual 14/15 to estimate 15/16)	(£0.668m)	(£0.199m)	(£0.469m)	(£0.976m)	£0.507m

* Baseline grant £9,724m – £768k (7.9%)



** Baseline grant £9,724m – £768k (7.9%) - £976k (11.2%)

- 3.19 The estimated cost of the Council Tax Reduction scheme in 2015/16 and as at 20 May 2015 is suggesting a reduction in the gross cost of the scheme compared to the actual cost in 2014/15, however, the net cost of the scheme after the grant is taken into account is estimated to increase by £0.507m.

Table 5: 2015/16 Forecast Council Tax Reduction scheme cost by classification

Council Tax Reduction scheme classification	2015/16 Forecast gross cost	Cases	Average Weekly Award
*Pensionable	£4.548m	4,749	£18
*Vulnerable household (children under 2)	£649k	662	£19
*Vulnerable (disability benefit)	£2.932m	2,756	£20
Working Age – Not In Employment	£1.969m	2,430	£16
Working Age - In Employment	£1.113m	1,535	£14
Total	£11.211m	12,132	£17

* These are the protected claims within the overall caseload.

- 3.20 The number of working age recipients of CTR has reduced from 7,740 to 7,383 a reduction of 357 cases. There is no clear reason for the fall in the number of working age recipients, as there has been movement in all classifications of the scheme.
- 3.21 The main difference between the 2014/15 out turn and the 2015/16 estimate is the effect of the changes introduced on 1 April 2015. The principles of the CTR scheme introduced on 1 April 2013 can be found at appendix B with the list of additional changes introduced from 1 April 2015 attached at appendix C.
- 3.22 Following the introduction of the 1 April 2015 changes there are 1,188 less claimants classified as a vulnerable household (children under 2), which is due to the lowering of the youngest child's age from 5 to 2. This means those claimants with children aged 2 or over have moved into either working age employed (increased by 243) or working age not employed (increased by 597).
- 3.23 It is worth noting that, of the estimated £11.211m gross cost (Sutton share £8.943m) of the council's scheme in 2015/16, protected cases (table 5 above) account for £8.128m (Sutton share £6.484m) 62% and non-protected working age cases in the scheme account for £3.083m gross cost (Sutton share £2.459m) 38%. Given the statutory protection for pensioners and the protection for claimants with children under 2 years of age and claimants with a disability any future cost reduction would need to be borne by working age customers and could act as a disincentive to work.



- 3.24 A hardship fund of £25,000 was agreed by the Council to help residents receiving a Council Tax Reduction that were struggling to pay their Council Tax. In 2014/15 there were 234 hardship awards totalling £12k. Of these, 25 related to Care Leavers.
- 3.25 Gross spending on the CTR scheme has continued to fall year on year. However, the reduction in the Revenue Settlement Grant (RSG) has meant that that available grant funding has also reduced over time. In 2013/14 the Council introduced changes to Council Tax discounts to offset the original gap in funding. This provided an increase in funding of £540k. These technical changes are now incorporated into the council's Council Tax base and can no longer be stated separately.

Table 6: Spending on the CTR scheme year on year.

	Gross Cost	GLA	Sutton	Grant	Sutton net cost
2013/14	£12.701m	£2.664m	£10.037m	£9.724m	£0.313m
2014/15	£11.879m	£2.467m	£9.412m	£8.956m	£0.456m
2015/16 Estimated	£11.211m	£2.268m	£8.943m	£7.980m	£0.963m

NB. The figures for the grant assume the 7.9% and 11.2% RSG reductions have been applied to the original grant allocation of £9,724m.

4. Performance

- 4.1 The 2014/15 year end collection rate was 98.52%% against a target of 97.61%. Assumptions, had been made that there would be a dip in collection when trying to collect small sums from residents who previously had not had to make a contribution towards their Council Tax. However, there has been a reduction in collection performance of 0.08% since 13/14 when the out turn was 98.6%. The full year collection performance is set out in table 3, appendix A.
- 4.2 Collection performance against each respective scheme was better than previous assumptions, which helped maintain the overall collection performance. This is set out in table 4, appendix A.
- 4.3 The total number of Housing Benefit and Council Tax Reduction claims in payment at the end of March 2015 was 15,397. Claims monthly average in 2014/15 was 15,692 and range from a high of 15,887 to a low of 15,397; of these there were 12,698 Council Tax Reduction claims on the 31 March 2015. As at 20 May 2015 the council has 12,132 Council Tax Reduction claims.
- 4.4 Council Tax Reduction new claims were assessed on average within 23 days against a target of 17 days. Council Tax Reduction changes in circumstances were assessed on average within 7 days against a target of 8.9 days.
- 4.5 Any overpayment of a Council Tax Reduction is recovered from the customer's Council Tax account and the amount is allowed to be paid over the remainder of the financial year. To reduce the number of and size of overpayment it is important that changes in circumstances are actioned quickly.



- 4.6 For 2014/15 the Benefits team received 7 complaints covering all forms of Benefit but only 2 have been specifically about customers querying or complaining about their Council Tax Reduction entitlement. Neither complaint was upheld.

5 CTR scheme review

- 5.1 The Council is legally required to review its CTR scheme on an annual basis. Having introduced a number of changes to the scheme on 1 April 2015 it is too soon to have identified any unintended consequences or areas for review or clarification. Please see appendix C for the full list of changes.
- 5.2 Therefore, it is not recommended to make year on year changes to the scheme as it is likely to cause customer confusion and could lead to a decrease in overall collection performance.
- 5.3 The Council will, as previously consulted upon, increase the minimum contribution rate and the non-dependent deductions from the beginning of the financial year 2016 /2017 to remain in line with any changes proposed in the annual autumn uprating from the DWP.

6 Impacts and Implications

Financial

- 6.1 The total cost of the scheme in 2014/15 was £11.879m of which the Sutton share is £9.412m. This is a decrease against the Council's estimated cost included within the tax base calculation for that year of £679k. This reduction is most likely due to fewer people making claims for a Council Tax Reduction, which may be due to the improvement in the economy and a better collection rate than anticipated for the new scheme.

Table 7: 2014/15 and 2015/16 Council Tax Reduction scheme tax base calculation

	2014/15 Original Estimate (as per taxbase calculation) £'000	2014/15 Actual scheme cost £'000	Change £'000	2015/16 Original Estimate (as per taxbase calculation) £'000	2015/16 Estimate of scheme costs £'000	Change £'000
Scheme cost	12,737	11,879	(858)	11,127	11,211	84
Less GLA	2,646	2,467	(179)	2,251	2,268	17
Sutton Share	10,091	9,412	(679)	8,876	8,943	67

- 6.2 The tax base for 2015/16 to 2018/19 including provision for the Council Tax Reduction Scheme has been reviewed as part of the 2015/16 financial planning process. The estimate for scheme costs, per the tax base calculation, is £11.127m, of which, the Sutton share is £8.876m. This calculation takes into account the expected reduction in cost of the scheme from the implemented changes and 2% for natural reduction due to the improving economic position. Current estimates suggest the CTR scheme may



cost Sutton £8.943m, which is currently £67K above the estimated tax base calculation.

- 6.3 It should be noted that there are significant financial risks as there could be increases in the numbers of eligible residents or changes in the characteristics of applicants increasing the cost of the scheme.
- 6.4 The grant for Council Tax Reduction Schemes is now incorporated into the Council's overall revenue support grant. Therefore, there is no dedicated allocation within the overall grant for 2015/16. However this grant was reduced by 7.9% in 2014/15 and a further 11.2% in 2015/16. If these reductions are applied to the grant amount rolled into revenue support grant for Council Tax Reduction Schemes, this would mean a reduction of £768k in 2014/15 and a further £976k in 2015/16 bringing the total reduction to £1.744m. The reduction in the cost of the scheme to Sutton over the three years is estimated at £1.094m. This means the overall cost to the council of the scheme is estimated at £650k over the 3 years.
- 6.5 It will be difficult to achieve further significant reductions in the cost of the scheme as 62% (£8.943m) of existing costs are paid to protected groups. The remaining non-protected working age cases within the scheme account for an estimated £2.459m (Sutton share) or 38% in 2015/16.

Legal

- 6.6 The Local Government Act 2012 prescribes that a review of the Council Tax Reduction scheme must take place each financial year. If the scheme is to be revised or replaced for 2016/17 the decision has to be made no later than 31 January 2015.
- 6.7 The Local Government Finance Act 1992 (as amended) revising a Council Tax Reduction scheme is reserved to full Council.

Equality Impact Assessment

- 6.8 The Council has a Public Sector Equality Duty and has due regard to the need to:
- a) Eliminate unlawful discrimination, harassment and victimisation
 - b) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, and
 - c) Foster good relations between people who share a protected characteristic and those who do not.
- 6.9 An integrated impact assessment can be found at appendix D.

7 Risks

- 7.1 The local Council Tax Reduction scheme is one of a number of national benefit changes in recent years and the Government has pledged to deliver a further £12bn in further welfare spending reductions over the next parliament.
- 7.2 Government proposals are likely to include a further reduction in the overall benefit cap from £26,000 down to £23,000; this would double the existing cases from approximately 150 to 300. Further proposals are likely to remove housing benefit for single people under 21 (or possibly 25), removing job seekers allowance for 18 to 21 year olds and replacing with a youth allowance (limited to 6 months) and freezing benefit rates for 2 years from 2016. All of which are likely to place additional cost



pressures on low income and vulnerable benefit recipients.

- 7.3 In addition, Sutton Job Centre is piloting the rollout of Universal Credit digital service. This commenced on 26 November 2014 with SM5 2 postal district, with SM6 7 and SM6 8 being added on 18 March 2015. The Department for Work and Pensions (DWP) has advised the council that it intends to further expand the pilot on 10 June 2015 to SM6 9 and CR0 4. The pilot is based on natural migration based on certain changes in circumstances or a residents need to make a new claim. Given this, up take for those requiring housing support costs payment (rent and mortgages) as at 3 May 2015 is less than 1% of the Housing Benefit caseload., which is 12,610 cases.
- 7.4 There are a number of other risks identified:
- a. The impact of the local housing allowance reductions and the benefit cap may lead to increased migration from high-rent areas and therefore an increase in the caseload, with a consequential increase in the net cost to the Council.
 - b. There is an increased likelihood and risk that all of the welfare benefit changes may make collection of Council Tax due difficult and lead to a reduction in current collection performance.
 - c. Interested groups or parties could mount challenges in the form of appeals, ombudsman investigations, and possibly judicial reviews but these risks are minimised through the proper decision making processes being undertaken, which includes consultation where necessary and undertaking and having regard to the appropriate equality analysis.
 - d. Customers could face more hardship than was originally intended. To mitigate against this the Council will ensure that the hardship scheme is more widely promoted and if necessary consider an increase in the sum available to minimise the effects of the scheme.
- 7.5 In order to mitigate the impacts of the reduction in welfare support available to residents the council employs a welfare reform outreach officer. The officer works closely with affected residents and both internal and external stakeholders to identify those affected and offer the most appropriate support. This could be in the form of financial and budgeting advice, support with their housing options, support for training and support to make them 'work ready'.

Appendix Letter	Title
A	Data Tables
B	Summary 2013/14 and 2014/15 CTR scheme
C	CTR Scheme changes implemented 1 April 2015/16
D	Integrated Impact Assessment

Background Documents and Previous Decisions

Strategy and Resources Committee report 17 December 2012

Housing Economy and Business Committee report 8 October 2013

Housing Economy and Business Committee Report 9 December 2014

Audit Trail		
Version	Final	9 June 2015
Consultation with other officers		
Officer	Comments Sought	Comments checked by
Finance	Yes	Sue Hogg
Legal	Yes	Chris Warner