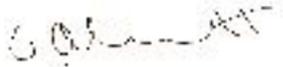


Report to:	Housing, Economy and Business Committee	Date:	29 January 2019
Report title:	Council Tax Reduction Scheme 2019/20		
Report from:	Gerald Almeroth, Strategic Director - Resources		
Ward/Areas affected:	Borough Wide		
Chair of Committee/Lead Member:	Councillor Jayne McCoy, Chair Councillor David Bartolucci, Lead Member Revenues and Benefits		
Author(s)/Contact Number(s):	Julie Turner, Deputy Assistant Director Resources - Business Services 020 8770 4496		
Corporate Plan Priorities:	<ul style="list-style-type: none"> Smarter ways of working 		
Open/Exempt:	Open		
Signed:		Date:	16 January 2019

1. Summary

- 1.1. This report describes the outcome of the recent consultation proposing to revise the Income Bands in the Council Tax Reduction Scheme (the Scheme) to allow for an annual inflation increase.
- 1.2. A Task and Finish Group, consisting of Housing, Economy and Business Committee cross-party Councillors, met, discussed and agreed the options and other considerations for public consultation.
- 1.3. The proposed changes do not affect any person of state pension credit age.

2. Recommendations

The Housing, Economy and Business Committee is recommended to:

- 2.1. Agree the Council Tax Reduction Scheme is revised and the Income Bands are uplifted by 3% with effect from 1 April 2019 as set out in Appendix A, table 2.
- 2.2. Agree that the Council undertakes a further consultation exercise on the proposed inflation indexation principle to be adopted for the financial year commencing 1 April 2020 as set out in paragraph 6.7 of the report.
- 2.3. Agree that the Council adopts an upper limit of 5% inflation increase that may be applied in any future years.

3. Background

- 3.1. In June, the Committee considered a report on the annual review of the Council's Scheme 2017/18. The report explained there had been two issues arising during the financial year.
- 3.2. The first that there had been several enquiries about the support the Council was providing to care leavers with a request that Council's considered exempting care leavers from Council Tax until their 25th birthday.
- 3.3. The second issue raised was on the impact of inflation, which in September 2017 had been 3%; this being the usual month that the Government sets its state pension and benefit increases for the following year. However, it was also noted that some specific welfare benefits would not be increased.

Task and Finish Group

- 3.4. A Task and Finish Group consisting of the following members, Councillors McCoy, Melican, Fivey (Liberal Democrat) and Hicks (Conservative) was convened on 24 July 2018 to consider the issues outlined above. Please see Appendix B.

4. Issues

Care Leavers

- 4.1. Members considered how the Council currently provided support for former care leavers within the Scheme, as follows:
 - there is a 100% discount against council tax liability if the care leaver is on income related benefits, and;
 - a £50 earnings disregard (per week) is applied where they are in paid employment.
- 4.2. Members considered the impact of awarding a total exemption to all care leavers up to the age of 25. It was noted that where the care leaver is not employed the scheme afforded them a 100% discount against their council tax liability meaning they would not have to pay.
- 4.3. It was also noted for former care leavers, there was a more generous earnings disregard of £50 as opposed to all other working age household types with a disregard of £20. This means that the first £50 of any earned income is ignored when calculating their entitlement to a reduction and moves the care leaver into a lower band for their income, leading to a higher percentage discount awarded against their council tax liability.
- 4.4. Members commented that if all care leavers were fully exempted from council tax until the age of 25 this would create a 'cliff edge' effect. As they could go from paying nil council tax to attracting (possibly) a full liability to council tax especially if they were working and not entitled to a council tax reduction.
- 4.5. When the Council revised its Scheme for 2017/18 efforts were made to take into account the impact council tax debt could have on young adult care leavers up to the age of 25 (day

before 25th birthday). Members discussion focussed on the additional support offered by the Council from its Welfare Reform Outreach Team who work closely with the Leaving Care Team to ensure care leavers are fully supported where they have a rent and / or council tax liability.

- 4.6. Therefore, members considered the current scheme of support for care leavers was adequate. Members felt it took a balanced approach to providing 100% discount where needed and a more generous earned income disregard for those working. Thus helping to ensure the care leaver understood the need to budget and pay their council tax bill.

Inflation increase

- 4.7. The Task and Finish Group considered a number of options regarding the application of an annual inflation increase to the Scheme Income Bands. The options are set out in more detail within Appendix B.
- 4.8. Members were keen to ensure the simplicity of the scheme was preserved, in particular the £50 incremental rise. Some of the options discussed presented variations in each Income Band caused by rounding (up and down) that did not maintain the £50 increment between each band. Therefore, it was agreed that anomalies caused by 'pence' should be rounded up to the nearest pound.
- 4.9. Members felt the 3% should be applied to the income band in the middle that had the largest number of claimants. Once this Income Band had been inflated the £50 increments were applied to all other bands.
- 4.10. It was felt that this method would smooth the impact of the inflation increase across all income bands, and ensure all claimants received an increase. Furthermore, it helped to maintain the affordability of the scheme by providing an average inflation increase of 3.2%. Claimants with the lowest incomes would receive a 4% inflation increase and those with higher incomes a 2.7% inflation increase.
- 4.11. Members considered there needed to be a balance made between recognising the need to provide for an inflation increase and the ongoing affordability of the scheme for the Council. This was in the context of the continuing pressure on the Council's budget for the ongoing provision of services.
- 4.12. Members agreed this was their preferred option, and subject to the outcome of a public consultation, the revised income bands, would apply with effect from 1 April 2019.

5. Options

- 5.1. The options considered by the Task and Finish Group are as set out in the Record of Task and Finish Group, Appendix B to this report.

6. Consultation

- 6.1 The Council has conducted a full consultation on the proposals outlined in this report. The public consultation ran from 21 September to 18 November 2018 on the Consultation Hub on the Council's website. Council Tax payers and recipients of a reduction via the Scheme

were invited to participate by email. A total of 9,000 emails were initially sent on 26 September 2018, which consisted of both Council Tax payers and recipients of a reduction via the Council Tax Reduction Scheme. The consultation was also a regular feature of the Council's news carousel on the website. There were articles about it published in Insight, the Council's internal weekly newsletter, and Sutton Scene, the Council's E-newsletter to residents. Follow up emails were sent on 19 October 2018 (6,000) and 05 November 2018 (6,000), a total of 12,000 emails reminding residents of the consultation and asking for their participation. Comment on the proposals was also invited from the GLA and Steve O'Connell, Sutton and Croydon London Assembly Member.

- 6.2 In total, there were 548 respondents, which was better than the preceding consultation, which ran from 18 July to 9 October 2016 on changing the scheme to one based on income bands, which received 483 replies.
- 6.3 The summary findings from the consultation report are as follows:
- 6.3.1 43% of respondents agreed that the Council should apply a 3% inflation increase. 36% disagreed.
 - 6.3.2 58% agreed that if the preceding inflation increase is above 5%, then the increase applied to the Scheme should be capped to a maximum upper limit of 5%.
 - 6.3.3 43% agreed that to simplify the system, the Council should apply the respective inflation increase to the income band in the middle of the income bands, which has the most claims, then to maintain the £50 increment for all other income bands. 28% disagreed.
 - 6.3.4 45% agreed that the Council should apply an inflation increase and for the new Income Bands to be applied from April 2019. 32% disagreed.
 - 6.3.5 65% selected one of the 4 proposed Options. From the 65% (347), the largest proportion (35%) preferred Option One (the preferred option).
- 6.4 During the review of the consultation report it was noted that the Council had incorrectly referred to 'retail price index' (RPI), when it should have referred to 'consumer price index' (CPI) in considering the inflationary increases to the scheme income bands for 2019/20. However, the percentage of inflation referred to throughout the consultation was 3%, which was the correct value for the CPI increases as at September 2017. The RPI data, although still collected is no longer classified as a national data set. Legal advice has been sought and it is considered that the clear and obvious intention of the Council's consultation was to provide for an inflation increase for 2019/20 as set out in this report, and as such the Council can rely upon the consultation to support its proposed changes to the scheme.
- 6.5 The consultation also referred to aligning any future inflation increases to September in the preceding year to maintain alignment with the Government's annual uprating exercise,

which uses CPI. However, it has subsequently been noted that the Government now takes into account a variety of measures as noted for the 2019/20 annual uprating exercise:

- A. The basic and new State Pension will be increased by the Government's 'triple lock' commitment, meaning that they will be up-rated in line with the highest of prices (CPI), earnings or 2.5%. Consequently, they will be up-rated by 2.6% (the May-July Average Weekly Earnings figure).
- B. The legislative requirement for the Pension Credit Standard Minimum Guarantee is that it is increased at least in line with **earnings**. This year the Pension Credit Standard Minimum Guarantee will increase by £4.25 a week for a single person (and £6.45 for a couple). The Pension Credit Savings Credit maximum amount will be increased in line with **prices**.
- C. Benefits linked to the additional costs of disability, and for carers, are increased by the annual rise in prices (2.4%). A number of other elements – including Non-Dependant Deductions – will also be up-rated in line with prices.

(Source - Parliament questions and written statements)

- 6.6 Regrettably, there are too many variables set out in the above uprating methodology for the Council to rely on one indexation measure for its scheme. Therefore, it is now proposed that the Council will align the indexation methodology with that of the Council's commissioning and financial planning process.
- 6.7 In its commissioning and financial planning report for 2018/19 the Council provided for price inflation as follows; In 2018/19 and future years, a flat rate of 2% has been provided for **price inflation** on expenditure items (excluding salaries) and 2% on income. This was assumed in the budget process last year and reflected inflation expectations over the medium term. It is proposed that it remains at this level over the planning period based on the latest forecast in the Chancellor's Autumn Budget that assumes CPI will be 2.2% in 2018/19, 1.8% in 2019/20 and 2.0% in 2020/21. It is proposed that this indexation principle is applied to the scheme for future indexation increases.
- 6.8 It is therefore further recommended, that the Council undertakes a further consultation exercise in financial year 2019/20 to clarify the indexation principle that will apply to the Scheme with effect from 1 April 2020. This will be addressed with the annual review of the CTRS scheme 2018/19, which will come before this Committee at a future date.

7. Impacts and Implications

Financial

- 7.1 The original separate grant for the scheme is now incorporated into the Council's overall revenue support grant from central government. Therefore, there is no dedicated allocation within the overall grant from 2015/16. The overall revenue support grant was reduced by

6.9% in 2014/15, 9.8% in 2015/16, 13.1% in 2016/17, a further 9.6% in 2017/18, and 2% in 2018/19.

- 7.2 The tax base for 2018/19 including provision for the scheme has been reviewed as part of the 2018/19 financial planning process. The estimate for scheme costs, per the tax base calculation, was at the time £10.520m, of which, the Sutton share was £8.589m. As at the 30 November 2018, the estimated cost of the current scheme for 2018/19 is £10.339m, which is £0.181m below the estimated tax base calculation. The reduction in the estimated cost is due to a slight decrease in the number of claims at the beginning of the year.

Table 1: 2017/18 and 2018/19 Council Tax Reduction scheme tax base calculation

All figures are £'000	2017/18 Original Estimate as per tax base calculation	2017/18 Actual scheme costs	Change	2018/19 Original Estimate as per tax base calculation	2018/19 Estimate of scheme costs	Change
Scheme cost	10,301	9,825	-476	10,520	10,339	-181
Less GLA	1,875	1,788	-87	1,931	1,898	-33
Sutton Share	8,426	8,037	-389	8,589	8,441	-148

- 7.3 Revising the scheme and increasing the income bands as set out in Appendix A, Table 2, would increase the cost of the scheme by an estimated £53k of which the Council's share is £43,270. This is based on the current number of eligible claimants. It should be noted that the scheme is demand led and any downturn in the economy could lead to an increase in eligible claimants and an increase in the cost of the scheme.
- 7.4 If the Council decides to increase Council Tax in April 2019 it is likely to lead to an increase in the costs of the Scheme. Table 2 below shows the effect on the estimated £53k figure with a range of possible percentage increases:

Table 2: Estimated cost of scheme - Council Tax increase.

Current estimate	Effect of applying a 3% increase	Effect of applying a 4% increase	Effect of applying a 5% increase
£53,000	£54,590	£55,120	£55,650
LBS share £43,270	LBS share £44,765	LBS share £45,200	LBS share £45,630
GLA share £9,730	GLA share £9,825	GLA share £9,920	GLA share £10,020

Legal

- 7.5 Under the Local Government Finance Act 1992, as amended by the Local Government Finance Act 2012, (“the Act”) every billing authority in England is required to make a Council Tax Reduction Scheme (CTRS).
- 7.6 Each financial year every billing authority in England is required to consider whether to revise or replace its CTRS. The Act imposes certain procedural requirements which must be satisfied before the Billing Authority can make any revisions, including a requirement to consult persons who are likely to have an interest in the operation of their CTRS.
- 7.7 The statutory consultation the Authority undertook in 2016/17 and again in 2018/19 was formulated having regard to the guidance of the Supreme Court in R v Haringey LBC ex parte Moseley 2014. This is to ensure public participation in the decision-making process. In determining what revisions the Authority should make to the CTRS, if any, the Authority must have regard to the requirements of the Act, including the outcome of the consultation and the public sector equality duty referred to below. The outcome of the consultation is considered elsewhere in this report.
- 7.8 If the Authority’s CTRS is to be revised or replaced for 2019/20 as proposed the decision to do so must be made by Full Council no later than 11 March 2019 to enable the revisions to come into force on 1 April 2019. As with any public law decision of the Authority it may be challenged by way of judicial review.

Equality Impact Assessment

- 7.9 In considering the proposed revisions to the CTRS upon which the Authority is required to consult, the committee must consider the Council’s Public Sector Equality Duty under section 149 of the Equalities Act 2010 and to have due regard to the need to:
- a) Eliminate unlawful discrimination, harassment and victimisation
 - b) Advance equality of opportunity between persons who share a protected characteristic and persons who do not , and
 - c) Foster good relations between people who share a protected characteristic and those who do not.
- 7.10 Committee members are referred to the equalities impact assessment at appendix B, which sets out the consideration of equalities issues which should be considered when making decisions on the recommendations in this report.

Risks

- 7.11 The Scheme is one of a number of national benefit changes in recent years as part of the overall national Welfare Reform policy. From April 2017 there has been no increase in most of the national benefit rates, and this will increase additional pressure on those

residents in receipt of those income types. This may lead to greater arrears of council tax. The Council’s hardship fund should help to mitigate this.

7.12 The Council employs officers to provide welfare reform outreach support in order to mitigate the impacts of the reduction in welfare benefits available to residents. These officers work closely with affected residents and both internal and external stakeholders, such as Citizens Advice Sutton, to identify those affected and offer the most appropriate support. This can be in the form of financial and budgeting advice, support with their housing options, support for training and support to make them ‘work ready’. Council officers advise customers of the additional support available from the DWP, such as Budgeting Loans, Payments in Advance and where appropriate or where the customer is vulnerable an Alternative Payment Arrangement.

8. Appendices and Background Documents

Appendix letter	Title
A	Income Band Tables
B	Record of Task and Finish Group
C	Equalities Impact Assessment

Background documents
Consultation Report
Options Tables

Audit Trail		
Version	Final	14 January 2019
Consultation with other officers		
Finance	Yes	Andrew Bryant
Legal	Yes	Byron Britton
Equalities Impact Assessment required?	Yes	Attached at Appendix C