

CABINET

MAYOR

Mayor John Biggs

CABINET MEMBERS

Councillor Sirajul Islam	(Statutory Deputy Mayor and Cabinet Member for Housing)
Councillor Rachel Blake	(Deputy Mayor and Cabinet Member for Regeneration and Air Quality)
Councillor Asma Begum	(Deputy Mayor and Cabinet Member for Community Safety and Equalities)
Councillor Amina Ali	(Cabinet Member for Culture, Arts and Brexit)
Councillor David Edgar	(Cabinet Member for Environment)
Councillor Danny Hassell	(Cabinet Member for Children, Schools and Young People)
Councillor Denise Jones	(Cabinet Member for Adults, Health and Wellbeing)
Councillor Candida Ronald	(Cabinet Member for Resources and the Voluntary Sector)
Councillor Motin Uz-Zaman	(Cabinet Member for Work and Economic Growth)

[The quorum for Cabinet is 3 Members]

MEETING DETAILS

Wednesday, 9 January 2019 at 5.30 p.m.

C1, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

The meeting is open to the public to attend.

Further Information

The public are welcome to attend meetings of the Cabinet. Procedures relating to Public Engagement are set out in the 'Guide to Cabinet' attached to this agenda.

Contact for further enquiries:

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Public Information

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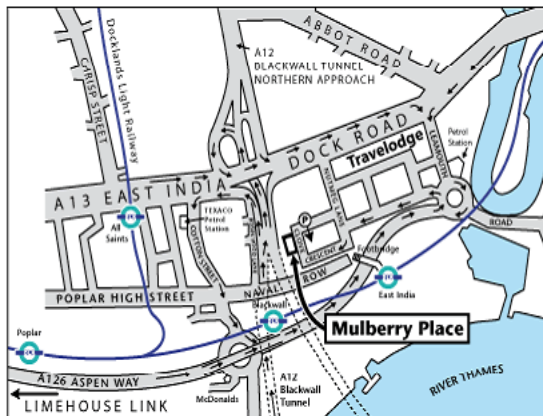
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A Guide to CABINET

Decision Making at Tower Hamlets

As Tower Hamlets operates the Directly Elected Mayor system, **Mayor John Biggs** holds Executive powers and takes decisions at Cabinet or through Individual Mayoral Decisions. The Mayor has appointed nine Councillors to advise and support him and they, with him, form the Cabinet. Their details are set out on the front of the agenda.

Which decisions are taken by Cabinet?

Executive decisions are all decisions that aren't specifically reserved for other bodies (such as Development or Licensing Committees). In particular, Executive Key Decisions are taken by the Mayor either at Cabinet or as Individual Mayoral Decisions.

The constitution describes Key Decisions as an executive decision which is likely

- a) to result in the local authority incurring expenditure which is, or the making of savings which are, significant having regard to the local authority's budget for the service or function to which the decision relates; or
- b) to be significant in terms of its effects on communities living or working in an area comprising two or more wards in the borough.

Upcoming Key Decisions are published on the website on the 'Forthcoming Decisions' page through www.towerhamlets.gov.uk/committee

Published Decisions and Call-Ins

Once the meeting decisions have been published, any 5 Councillors may submit a Call-In to the Service Head, Democratic Services requesting that a decision be reviewed. This halts the decision until it has been reconsidered.

- The decisions will be published on: **Friday, 11 January 2019**
- The deadline for call-ins is: **Friday, 18 January 2019**

Any Call-Ins will be considered at the next meeting of the Overview and Scrutiny Committee. The Committee can reject the call-in or they can agree it and refer the decision back to the Mayor, with their recommendations, for his final consideration.

Public Engagement at Cabinet

The main focus of Cabinet is as a decision-making body. However there is an opportunity for the public to contribute through making submissions that specifically relate to the reports set out on the agenda.

Members of the public may make written submissions in any form (for example; Petitions, letters, written questions) to the Clerk to Cabinet (details on the front page) by 5 pm the day before the meeting.

LONDON BOROUGH OF TOWER HAMLETS

CABINET

WEDNESDAY, 9 JANUARY 2019

5.30 p.m.

	Pages
1. APOLOGIES FOR ABSENCE	
To receive any apologies for absence.	
2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS	9 - 12
To note any declarations of interest made by Members, including those restricting Members from voting on the questions detailed in Section 106 of the Local Government Finance Act, 1992. See attached note from the Monitoring Officer.	
3. UNRESTRICTED MINUTES	13 - 22
The unrestricted minutes of the Cabinet meeting held on Wednesday 19 December are presented for approval.	
4. ANNOUNCEMENTS (IF ANY) FROM THE MAYOR	
5. OVERVIEW & SCRUTINY COMMITTEE	
5.1 Chair's Advice of Key Issues or Questions	
Chair of Overview and Scrutiny Committee (OSC) to report on any issues raised by the OSC in relation to unrestricted business to be considered.	
5.2 Any Unrestricted Decisions "Called in" by the Overview & Scrutiny Committee	
(Under provisions of Article 6 Para 6.02 V of the Constitution).	

6. UNRESTRICTED REPORTS FOR CONSIDERATION

6 .1	Mayor's Foreword to the Council's Budget Report	See Budget Pack
Report Summary: Wards: All Wards Lead Member: Corporate Priority:		
6 .2	The Council's 2019-20 Budget Report and MTFS 2019-22	See Budget Pack
Report Summary: To agree a draft budget for the financial year 2019/20 to be put forward for consideration. Wards: All Wards Lead Member: Cabinet Member for Resources and the Voluntary Sector Corporate Priority: All Priorities		
6 .3	Calculation of Council Tax Base 2019/20	23 - 28
Report Summary: To set the Council Tax base for the financial year 2019/20. Wards: All Wards Lead Member: Cabinet Member for Resources and the Voluntary Sector Corporate Priority: All Priorities		
6 .4	Report of the Overview and Scrutiny Committee: Local Council Tax Reduction Scheme scrutiny challenge report	29 - 80
Report Summary: Following the Overview and Scrutiny challenge session on the council's Local Council Tax Reduction scheme, this report contains the findings and recommendations from the scrutiny challenge, officers response and an action plan for the Mayor in Cabinet to consider. Wards: All Wards Lead Member: Cabinet Member for Resources and the Voluntary Sector Corporate Priority: People are aspirational, independent and have equal access to opportunities		

6 .5	Local Council Tax Reduction Scheme 2019-2020	81 - 104
<p>Report Summary: Each financial year, the council is required by law to consider whether to revise its scheme or replace it with a different scheme.</p> <p>Following a full public consultation, this report recommends changes to the council's Local Council Tax Reduction Scheme 2019-2020.</p> <p>Wards: All Wards Lead Member: Cabinet Member for Resources and the Voluntary Sector Corporate Priority: People are aspirational, independent and have equal access to opportunities</p>		

6 .6	Mulberry Place, 5 Clove Crescent, London E14 2BG - New Lease	Report to Follow
<p>Report Summary: The report recommends that the Council enters into a surrender of its current lease of the Town Hall and simultaneously takes a new lease until 24th March 2023.</p> <p>Wards: All Wards Lead Member: Mayor Corporate Priority: A borough that our residents are proud of and love to live in; A dynamic outcomes-based Council using digital innovation and partnership working; People are aspirational, independent and have equal access to opportunities; TH Plan 2: Good jobs and employment</p>		

7. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

8. EXCLUSION OF THE PRESS AND PUBLIC

Should the Mayor in Cabinet consider it necessary, it is recommended that the following motion be adopted to allow consideration of any exempt/restricted documents.

“That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the Press and Public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government, Act 1972”.

EXEMPT/CONFIDENTIAL SECTION (PINK)

The Exempt / Confidential (Pink) Committee papers in the Agenda will contain information, which is commercially, legally or personally sensitive and should not be divulged to third parties. If you do not wish to retain these papers after the meeting, please hand them to the Committee Officer present.

9. EXEMPT / CONFIDENTIAL MINUTES

Nil items.

10. OVERVIEW & SCRUTINY COMMITTEE

10 .1 Chair's Advice of Key Issues or Questions in Relation to Exempt / Confidential Business

Chair of Overview and Scrutiny Committee (OSC) to report on any issues raised by the OSC in relation to exempt/confidential business to be considered.

10 .2 Any Exempt / Confidential Decisions "Called in" by the Overview & Scrutiny Committee

(Under provisions of Article 6 Para 6.02 V of the Constitution).

11. EXEMPT / CONFIDENTIAL REPORTS FOR CONSIDERATION

Nil items.

12. ANY OTHER EXEMPT/ CONFIDENTIAL BUSINESS CONSIDERED TO BE URGENT

Next Meeting of the Committee:

Wednesday, 30 January 2019 at 5.30 p.m. in C1, 1st Floor, Town Hall, Mulberry Place, 5 Clove Crescent, London, E14 2BG

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DECLARATIONS OF INTERESTS - NOTE FROM THE MONITORING OFFICER

This note is for guidance only. For further details please consult the Members' Code of Conduct at Part 5.1 of the Council's Constitution.

Please note that the question of whether a Member has an interest in any matter, and whether or not that interest is a Disclosable Pecuniary Interest, is for that Member to decide. Advice is available from officers as listed below but they cannot make the decision for the Member. If in doubt as to the nature of an interest it is advisable to seek advice **prior** to attending a meeting.

Interests and Disclosable Pecuniary Interests (DPIs)

You have an interest in any business of the authority where that business relates to or is likely to affect any of the persons, bodies or matters listed in section 4.1 (a) of the Code of Conduct; and might reasonably be regarded as affecting the well-being or financial position of yourself, a member of your family or a person with whom you have a close association, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward affected.

You must notify the Monitoring Officer in writing of any such interest, for inclusion in the Register of Members' Interests which is available for public inspection and on the Council's Website.

Once you have recorded an interest in the Register, you are not then required to declare that interest at each meeting where the business is discussed, unless the interest is a Disclosable Pecuniary Interest (DPI).

A DPI is defined in Regulations as a pecuniary interest of any of the descriptions listed at **Appendix A** overleaf. Please note that a Member's DPIs include his/her own relevant interests and also those of his/her spouse or civil partner; or a person with whom the Member is living as husband and wife; or a person with whom the Member is living as if they were civil partners; if the Member is aware that that other person has the interest.

Effect of a Disclosable Pecuniary Interest on participation at meetings

Where you have a DPI in any business of the Council you must, unless you have obtained a dispensation from the authority's Monitoring Officer following consideration by the Dispensations Sub-Committee of the Standards Advisory Committee:-

- not seek to improperly influence a decision about that business; and
- not exercise executive functions in relation to that business.

If you are present at a meeting where that business is discussed, you must:-

- Disclose to the meeting the existence and nature of the interest at the start of the meeting or when the interest becomes apparent, if later; and
- Leave the room (including any public viewing area) for the duration of consideration and decision on the item and not seek to influence the debate or decision

When declaring a DPI, Members should specify the nature of the interest and the agenda item to which the interest relates. This procedure is designed to assist the public's understanding of the meeting and to enable a full record to be made in the minutes of the meeting.

Where you have a DPI in any business of the authority which is not included in the Member's register of interests and you attend a meeting of the authority at which the business is considered, in addition to disclosing the interest to that meeting, you must also within 28 days notify the Monitoring Officer of the interest for inclusion in the Register.

Further advice

For further advice please contact:-

Asmat Hussain, Corporate Director, Governance and Monitoring Officer. Tel 020 7364 4800

APPENDIX A: Definition of a Disclosable Pecuniary Interest

(Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, Reg 2 and Schedule)

Subject	Prescribed description
Employment, office, trade, profession or vacation	Any employment, office, trade, profession or vocation carried on for profit or gain.
Sponsorship	<p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a member, or towards the election expenses of the Member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p>
Contracts	<p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority—</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p>
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	<p>Any tenancy where (to the Member's knowledge)—</p> <p>(a) the landlord is the relevant authority; and</p> <p>(b) the tenant is a body in which the relevant person has a beneficial interest.</p>
Securities	<p>Any beneficial interest in securities of a body where—</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant authority; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p>

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LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE CABINET

HELD AT 5.33 P.M. ON WEDNESDAY, 19 DECEMBER 2018

**C1, 1ST FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT,
LONDON, E14 2BG**

Members Present:

Mayor John Biggs	
Councillor Sirajul Islam	(Statutory Deputy Mayor and Cabinet Member for Housing)
Councillor Rachel Blake	(Deputy Mayor and Cabinet Member for Regeneration and Air Quality)
Councillor Asma Begum	(Deputy Mayor and Cabinet Member for Community Safety and Equalities)
Councillor David Edgar	(Cabinet Member for Environment)
Councillor Danny Hassell	(Cabinet Member for Children, Schools and Young People)
Councillor Denise Jones	(Cabinet Member for Adults, Health and Wellbeing)
Councillor Candida Ronald	(Cabinet Member for Resources and the Voluntary Sector)
Councillor Motin Uz-Zaman	(Cabinet Member for Work and Economic Growth)

Other Councillors Present:

Councillor Andrew Wood	(Leader of the Conservative Group)
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Apologies:

Councillor Amina Ali	(Cabinet Member for Culture, Arts and Brexit)
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Others Present:

Mike Harmer	(Metropolitan Police)
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Officers Present:

Richard Chilcott	(Acting Divisional Director, Property and Major Programmes)
Ann Corbett	(Divisional Director, Community Safety)
David Courcoux	(Head of the Mayor's Office)
Thorsten Dreyer	Strategy & Business Development Manager
Sharon Godman	(Divisional Director, Strategy, Policy and Partnerships)
Rafiqul Hoque	(Lettings Services Manager, Housing Options Service, Development & Renewal)
John Kiwanuka	(Housing Partnerships Manager, Housing Strategy Regeneration and Sustainability, Development & Renewal)

Susan Mulligan	(Communications Advisor, Communications, Law Probity & Governance)
Andy Simpson	(Business Improvement Coordinator)
Matthew Vaughan	(Political Advisor to the Conservative Group, Democratic Services, LPG)
Asmat Hussain	(Corporate Director, Governance and Monitoring Officer)
Debbie Jones	(Corporate Director, Children and Culture)
Neville Murton	(Acting Corporate Director, Resources)
Denise Radley	(Corporate Director, Health, Adults & Community)
Ann Sutcliffe	(Acting Corporate Director, Place)
Will Tuckley	(Chief Executive)
Tom McCourt	(Strategic Director)
Stephen Bramah	(Deputy Head of the Mayor's office)
Matthew Mannion	(Committee Services Manager, Democratic Services, Governance)
Joel West	(Senior Democratic Services Officer)

AGENDA ORDER

During the meeting the Mayor agreed to change the order of business due to interest in the public gallery on a particular report. He therefore took Agenda Item 6.6 (Site at 20 Alton Street) straight after Agenda Item 6.1 (Operation Continuum). For clarity the minutes are presented in the order the items appeared on the agenda.

1. APOLOGIES FOR ABSENCE

Apologies for absence were received on behalf of:

- Councillor Amina Ali (Cabinet Member for Culture, Arts and Brexit)
- Councillor Abdal Ullah (Chair of the Overview and Scrutiny Committee)
- Councillor Marc Francis (Vice Chair of the Overview and Scrutiny Committee)

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTERESTS

There were no Declarations of Disclosable Pecuniary Interests.

3. UNRESTRICTED MINUTES

RESOLVED

1. That the unrestricted minutes of the Cabinet meeting held on Wednesday 28 November be approved and signed by the Chair as a correct record of proceedings.

4. ANNOUNCEMENTS (IF ANY) FROM THE MAYOR

The Mayor noted that there had been an incident earlier in the day with a man wielding a knife on Roman Road which had been in the press. The Mayor confirmed that a man had been arrested and the situation was under control.

5. OVERVIEW & SCRUTINY COMMITTEE

5.1 Chair's Advice of Key Issues or Questions

Pre-Decision Scrutiny Questions and officer responses were noted in respect of Agenda Item 6.6 (Site at 20 Alton Street). These were considered during discussion of that item.

Councillor Abdal Ullah, Chair of the Overview and Scrutiny Committee and Councillor Marc Francis, Vice-Chair of the Overview and Scrutiny Committee, gave their apologies to the meeting. However, Councillor Marc Francis did provide a written update to Cabinet on the meeting the Committee had held earlier that week. The report noted that the Committee had considered a number of issues/reports including:

- A Spotlight session with the Mayor which covered a wide range of issues including education, housing, waste and the environment.
- The latest update of the Children's Safeguarding Improvement Plan
- A discussion on the Council's budget, related consultation exercise and updates on government funding. They also examined the Council's three year budget plan.
- An examination of the Council's Homelessness and Rough Sleeping Strategy 2018-23.

5.2 Any Unrestricted Decisions "Called in" by the Overview & Scrutiny Committee

Nil items.

6. UNRESTRICTED REPORTS FOR CONSIDERATION

6.1 Operation Continuum

The Mayor and Cabinet were provided with a presentation on the progress and successes of the Council's Operation Continuum campaigns targeting drug dealing and associated criminality.

Councillor Asma Begum, Deputy Mayor and Cabinet Member for Community Safety and Equalities, and Mike Harmer, Metropolitan Police, set out the good work that had been undertaken in the partnership and highlighted the figures which demonstrated the number of arrests, seizures and other actions that had taken place. They explained that the work was not just about making arrests but it was focusing on a more holistic approach to tackling the impact including looking at drug treatment and other underlying causes of drug use. The Cabinet were shown videos of the work of the partnership including raids on suspected drug dealers and community engagement exercises.

The **Mayor** welcomed the report and the positive impact the Operation had demonstrated. He explained that this was a major area of focus for the Council as the impact could be seen in many parts of the community. He welcomed the progress but agreed that there was a lot more to do. He was particularly concerned about the potential impact this was having on young people and vulnerable adults.

The **Mayor** thanked all those who were involved for their important contribution to the wellbeing of the borough and he **agreed** the recommendations set out in the report.

RESOLVED

1. To note the report and the progress of Operation Continuum since its implementation in December 2017 to date.
2. To support the continuation of targeted geographic operations to disrupt drug markets in addition to business as usual law enforcement and robust policing.
3. To commend our local Borough Commander, her police officers, those in the Council funded Partnership Task Force and wider partners for their focus to date on this issue and encourage the Metropolitan Police to maintain their corporate commitment to tackling drugs with the full support of all council resources.
4. To endorse the partnership approach and ensure that we continue to build our understanding of drug markets in order to disrupt, dismantle and safeguard our communities and young people from harm.
5. To ensure robust enforcement initiatives like Continuum and targeted communications are incorporated in the future approach to tackling substance misuse problems, crime and offending.

6.2 Children's Services Improvement Programme, Quarterly Progress Report (Quarter 2- 2018/19)

Councillor Danny Hassell, Cabinet Member for Children, Schools and Young People, introduced the latest update on the Children's Services Improvement Programme. He highlighted the significant improvements he had seen across the services and the continuing changes that were taking place. In particular he reported on the recently launched Social Work Academy to support new social workers. This was a significant part of the overall work to reduce staff turnover.

He also highlighted a number of other areas of improvement including on ensuring assessments and auditing were properly managed and the work to support vulnerable children and young people. He reported back on the discussion at the Overview and Scrutiny Committee and how their feedback would be used when looking at the presentation of future reports.

The **Mayor** welcomed the report and **agreed** the recommendations as set out.

RESOLVED

1. To endorse the progress made in delivering the children's services improvement programme.
2. To agree the next steps in the improvement journey which would be updated on in the next report.

6.3 MTFS Budget Update 2019-22

Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector, provided the Mayor and Cabinet with an update on the Council's Budget and Medium Term Financial Strategy. She reported on the Chancellor's recent budget announcements and confirmed additional funding on winter pressures for one year only. She also updated Members on the Local Government Settlement and the London Business Rates Retention Scheme.

The report provided information on the recent budget consultation exercise undertaken with residents which suggested that residents would like the Council to generate more income and look to create further efficiencies in its operations as ways of supporting the Council's work given the financial pressures the authority was facing.

The **Mayor** noted that the draft budget proposals for 2019-20 would be published before the end of the week. He **agreed** the recommendations as set out.

RESOLVED

1. To note the changes to the draft budget position for 2019-2020 and over the MTFS period 2019-2022.
2. To note the illustrative modelling for the 2019-20 London Business Rates Retention Scheme.
3. To note the decisions of London Councils to participate in the 2019-20 London Business Rates Retention Scheme.
4. To note the options for Council Tax levels over the MTFS period 2019-2022.
5. To note the analysis and outcomes from the Your Borough Your Future budget consultation in Appendix A and have due regard to the issues raised in finalising its detailed budget proposals.
6. To note the additional resources required over the MTFS to cover estimated risks and uncertainties.

7. To note proposed increase to tenanted service charges by 3.4% from the first week in April 2019.
8. To note the Equalities Impact Assessment / specific equalities considerations as set out in section 4 of the report.

6.4 Homelessness Scrutiny Review Report and Action Plan

Councillor Denise Jones, Cabinet Member for Adults, Health and Wellbeing, introduced the report. She explained that the Health Scrutiny Sub-Committee review on homelessness had taken place before the last local elections and she particularly thanked former Councillor Clare Harrisson for leading the review. The work had focussed on health and social care provision for homeless residents.

She took Members through particular issues that were raised in the report including that homeless residents had a life expectancy of 30 years lower than other residents.

She welcomed the recommendations in the report but she also asked the officers take on an additional challenge of looking at how homeless people with pets could be better supported explaining that a pet was often a really important support mechanism for these vulnerable people.

The **Mayor** also welcomed the report and agreed that officers should explore the additional issues around supporting people with pets. Noting that request, he **agreed** the recommendation as set out.

RESOLVED

1. To note the report and to agree the action plan in response to the report recommendations.

6.5 Homelessness and Rough Sleeping Strategy 2018 - 2023

Councillor Sirajul Islam, Statutory Deputy Mayor and Cabinet Member for Housing, introduced the report setting out the Council's Homelessness and Rough Sleeping Strategy 2018-23. He highlighted that this was a cross-London problem and that close partnership working was really important if this issue was to be tackled effectively.

Members noted a number of areas including:

- How the Council was managing to move families out of Bed and Breakfast accommodation within the 6 weeks target.
- The new partnership working with Poplar HARCA to support entrenched rough sleepers.
- The need to promote the private sector as a source of accommodation.
- The links to the wider Housing Strategy.
- The work to support young people leaving care.

The **Mayor** welcomed the report, thanked the Housing Options service for their hard work in very difficult circumstances, and **agreed** the recommendations as set out.

RESOLVED

1. To approve a draft of the joint Homelessness and Rough Sleeping Strategy 2018 -2023. The draft Strategy is attached at Appendix A to the report.
2. To agree the annual homelessness delivery plan and the annual review of the plan, which will involve taking into account feedback from the Homelessness Partnership Board.

6.6 Site at 20 Alton Street E14 6BZ

The **Mayor** introduced the report on the proposed disposal of the site at 20 Alton Street on a 99 year lease to Lansbury Estate Muslim Association. He explained that the report had now returned to Cabinet following review of questions raised previously.

He noted the concerns raised by Councillor Andrew Wood, Leader of the Conservative Group, in the Pre-Decision Scrutiny Questions over whether this was an appropriate use of the site and in particular whether the site should be used for housing.

The **Mayor** confirmed his view that provision of community facilities was important.

Asmat Hussain, Corporate Director, Governance and Monitoring Officer, advised Members that some of the legal comments which referred to the Council's well-being powers were not required for this specific decision and could be disregarded. The exact deletions would be circulated. This change did not affect the decision to be taken.

[Clerk's Note – the deleted text is set out below]

- 7.5 The Council's procedure for disposals and lettings specifies that the procedure adopted for disposal is to be determined by the Divisional Director, Property and Major Programmes. Sale by negotiation would usually involve a "Special Purchaser", an example of which is a sitting tenant. This is on the basis that either a negotiated procedure will generate a higher capital receipt or, as is the case here, the Council's well-being powers justify it. ~~The well-being power is satisfied, under the procedure, in circumstances where:~~

- 7.6 ~~"(a) the Local Authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of its area, or of all or any persons resident or present in its area;~~

- ~~i) the promotion or improvement of economic well-being;~~
- ~~ii) the promotion or improvement of social well-being;~~
- ~~iii) the promotion or improvement of environmental well-being; and~~

~~7.7 (b) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000 (two million pounds)”.~~

~~7.8 It should be noted, however, that (b) is not relevant for these purposes as it does not apply to HRA land, nor is the disposal at an undervalue. The disposal by way of negotiation, on the basis of the intended use, is therefore consistent with Council policy.~~

The **Mayor** noted the above comments and **agreed** the recommendations as set out.

RESOLVED

1. To agree that the site at 20 Alton Street E14 be declared surplus;
2. To agree to the disposal of the site on a 99 year lease to Lansbury Estate Muslim Association at a premium of £402,250;
3. To delegate to the Acting Corporate Director of Place in consultation with the Corporate Director Governance the authority to agree the detailed heads of terms and, thereafter, enter into the legal documentation (including, but not limited to, a development agreement, agreement for lease and lease) in order to give effect to the decision
4. To note the Equalities Impact Assessment / specific equalities considerations as set out in Paragraph 4.1 of the report.
5. To note the result of the further investigations requested in July leading to the decision previously being deferred as set out in paragraph 3.14 of the report.

6.7 Withy House Tenant Management Organisation Termination Notice – outcome of independent assessment

Councillor Sirajul Islam, Statutory Deputy Mayor and Cabinet Member for Housing, introduced the report. He explained that, following a proposal to serve a termination notice on Withy House Tenant Management Organisation (TMO), an independent assessment had been undertaken. This review was recommending that the TMO continued to provide housing services and that Tower Hamlets Council and Tower Hamlets Homes should continue to provide support and monitoring.

The **Mayor** welcomed the report. He thanked officers for their hard work on this and noted that a further audit report on the TMO would be provided at a later date. He **agreed** the recommendations as set out.

RESOLVED

1. To agree the recommendations of the Independent Assessor's report appended at Appendix 1 to the report. The Independent Assessor recommends that the TMO continue to provide housing services, and that THH and LBTH continue to provide support and monitor the TMOs implementation of the actions identified by the Independent Assessor.
2. To note specifically the independent assessment made with regard to:
 - The service of the Breach Notice served on 3rd June 2016
 - The service of the Termination Notice dated 4th January 2017
 - The suggested further actions detailed in the Approved Assessors report attached as Appendix 1 to this report.

6.8 Contracts Forward Plan 2018/19 – Quarter Three

Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector, introduced the report on the Council's Contracts Forward Plan.

She took Members through the report and highlighted the procurement plan set out in Appendix 2 in addition to the list of contracts set out in Appendix 1. She also asked Members to note the community benefits that the individual contracts were looking to deliver.

The **Mayor** welcomed the report and **agreed** the recommendations.

RESOLVED

1. To note the report and appendices.
2. To confirm that all contracts listed can proceed to contract award after tender.
3. To authorise the Divisional Director - Legal Services to execute all necessary contract documents in respect of the awards of contracts referred to at recommendation 2. above
4. To note the procurement forward plan 2018-2022 schedule detailed in Appendix 2.

6.9 Strategic Plan Performance & Delivery Reporting: Quarter 2 2018/19

The **Mayor** introduced the latest Strategic Plan Performance and Delivery report. He took Members through the targets, indicators and descriptive information. He welcomed the areas of good performance set out and also noted the challenges that remained.

He then **agreed** the recommendations as set out.

RESOLVED

1. To note the summary status as set out at the beginning of the attached monitoring report; and
2. To note the performance of the strategic measures at mid-year, including those measures where the minimum expectation has been missed; and
3. To note progress in delivering Strategic Plan activities at the mid-year point, including those activities that are flagged as delayed and overdue.

7. ANY OTHER UNRESTRICTED BUSINESS CONSIDERED TO BE URGENT

Nil items.

8. EXCLUSION OF THE PRESS AND PUBLIC

Nil items.

9. EXEMPT / CONFIDENTIAL MINUTES

Nil items.

10. OVERVIEW & SCRUTINY COMMITTEE

10.1 Chair's Advice of Key Issues or Questions in Relation to Exempt / Confidential Business

Nil items.

10.2 Any Exempt / Confidential Decisions "Called in" by the Overview & Scrutiny Committee


Nil items.

11. ANY OTHER EXEMPT/ CONFIDENTIAL BUSINESS CONSIDERED TO BE URGENT

Nil items.

The meeting ended at 7.09 p.m.

MAYOR JOHN BIGGS

<p style="text-align: center;">Cabinet</p> <p style="text-align: center;">9 January 2019</p>	 <p style="text-align: center;">TOWER HAMLETS</p>
<p>Report of: Neville Murton; Acting Corporate Director of Resources</p>	<p>Classification: Unrestricted</p>
<p>Calculation of Council Tax Base 2019/20</p>	

Lead Member	Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Neville Murton; Acting Corporate Director of Resources
Wards affected	All wards
Key Decision?	No
Forward Plan Notice Published	11 December 2018
Reason for Key Decision	N/A
Strategic Plan Priority / Outcome	<p>Priority 1 - People are aspirational, independent and have equal access to opportunities</p> <p>Priority 2 - A borough that our residents are proud of and love to live in.</p> <p>Priority 3 - A dynamic outcomes-based Council using digital innovation and partnership working to respond to the changing needs of our borough</p>

Executive Summary

This report sets out the calculation of the Council Tax Base for 2019/20 as required by statute.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Approve, in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012, that the amount calculated by the London Borough of Tower Hamlets as its Council Tax Base for the year 2019/20 shall be 98,396.

1. REASONS FOR THE DECISIONS

- 1.1 The scheme for calculation of council tax established under the Local Government Finance Act 1992 requires local authorities to agree their Council Tax Base and to notify it to the preceptors (the Greater London Authority (GLA)) by 31st January 2019.
- 1.2 If the tax base is not agreed and notified to the Preceptor by 31st January 2019, this may prejudice the calculation of Council Tax for 2019/20.

2. ALTERNATIVE OPTIONS

- 2.1 The recommendations contained within this report are made in line with the statutory requirements outlined in sections 1.1 and 1.2 of this report; therefore the Council is not presented with alternative options in setting its Council Tax Base.

3. DETAILS OF THE REPORT

- 3.1 The Council Tax legislation requires local authorities to agree their Council Tax Base and to notify it to the preceptors by the 31st January each year.
- 3.2 The tax base is central to the Council Tax system because it is the means by which the budget is translated into tax levels. For the next financial year, the tax base has been estimated at 98,396.
- 3.3 A simple way of looking at this is in financial terms, broadly, if 1.0% is added to the band D tax rate, this would raise £970k to the General Fund Budget.
- 3.4 The 2018/19 Council Tax Base was 95,095. The estimated 2019/20 figure represents an increase of 3,301 properties (band D equivalent).
- 3.5 The government's Core Spending Power calculation assumes that Council Tax will be increased by the Adults Social Care (ASC) precept up to a cumulative total of 6% to 2019/20 and by an inflationary amount equal to less than 3% in order to avoid a referendum for an 'excessive' Council tax increase.

The Council's 2018/19 Council tax rate was set at £986.14 which included an increase of 2% for the ASC precept only. A further increase of 1% for ASC precept is included in 2019/20 assumptions to ensure the full ASC precept provisions are utilised.

- 3.6 This report summarises the principles of the tax base calculation and sets out in appendix A the calculation for 2019/20.

CALCULATION OF THE TAX BASE

3.7 The tax base calculation must take account of:

- the number of properties in each council tax band (A to H), including estimated changes during the year (for Tower Hamlets this includes an estimated increase in property numbers due to the continuing regeneration of the borough);
- the number of discounts, taking account of estimated changes during the year; these include
 - Demolished dwellings and dwellings outside the area of the authority
 - Dwellings subject to a reduction for disability
 - 25% discounts where there is only one adult resident
 - 25% discounts where all but one adult resident is disregarded
 - 50% discounts where all adult residents are disregarded
- the estimated collection rate; the 2019/20 tax base has been calculated on the basis of previous performance at a collection rate of 97.50%.

4. EQUALITIES IMPLICATIONS

4.1 Calculation of the Council's tax base is an important step towards calculation of the basic amount of council tax. The calculation of council tax is a key element of the Council's budget, which will enable it to deliver on its Strategic Plan and, in turn, the Community Plan.

5. OTHER STATUTORY IMPLICATIONS

5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:

- Best Value Implications,
- Consultations,
- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.

5.2 This is a statutory calculation which ensures any best value implications are accounted for in terms of the Council's budget

5.3 If the tax base is not agreed, the Council will not be able to set a legal budget for 2019/20 and notify the preceptor by 31st January 2019. Consequently the Council may be open to legal challenge and also affect the budget setting arrangements for the GLA

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report incorporates the comments of the Chief Financial Officer

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council is required by section 33 of the Local Government Finance Act 1992 ("the Act") to calculate for each financial year the basic amount of its council tax. The basic amount of council tax must be calculated according to a prescribed formula that uses the amount which is calculated by the Council as its council tax base. The council tax base is in turn calculated by reference to a formula prescribed in the Local Authorities (Calculation of Council Tax Base) Regulations 2012 ("the Tax Base Regulations")
- 7.2 The Council is required to submit its council tax base to the GLA between 1 December and 31 January in the financial year preceding the financial year for which the calculation of council tax base is made. This is the effect of section 33(1) of the Act and regulation 8 of the Tax Base Regulations. If the Council does not submit its council tax base to the GLA, then the GLA is required to determine the calculation for itself, in the manner prescribed in the Tax Base Regulations.
- 7.3 The preparation, for submission to Council for consideration, of estimates of the amounts to be used for the purposes of calculating the basic amount of council tax is an executive function by virtue of regulations 4(9) – 4(11) of the Local Authorities (Functions and Responsibilities) (England) Regulations 2000.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix A – Calculation of Council Tax Base 2019/20

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- Local Government Act, 1972 Section 100D (As amended)

Officer contact details for documents:


Ruth Ebaretonbofa-Morah (Deputy Financial Planning Manager) - ext. 1698

Calculation of Council Tax Base Estimate 2019/20

Appendix A

2019-20		Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
1	Total Dwellings	4,045	26,049	39,521	28,760	21,552	10,182	4,270	697	135,075
2	Exempt Dwellings	3,153	1,166	1,049	793	987	484	177	11	7,820
3	Disabled Reduction	-	22	35	39	40	26	10	6	178
4	Account for Disabled Reduction	22	35	39	40	26	10	6	-	178
5	Total Chargeable Dwellings	913	24,895	38,476	27,968	20,551	9,681	4,089	680	127,255
6	25% Discounts	753	10,880	11,110	7,355	4,220	1,781	732	87	36,918
7	50% Discounts	-	9	22	14	17	4	8	9	83
8	10% Discounts	-	-	-	-	-	-	-	-	-
9	Total equivalent number of discounts	188	2,725	2,789	1,846	1,064	447	187	26	9,271
10	Net Chargeable Dwellings	725	22,171	35,687	26,123	19,488	9,234	3,902	654	117,984
11	Band Proportion	2/3	7/9	8/9	1	1 2/9	1 4/9	1 2/3	2	-
12	Number of band D equivalent properties	483	17,244	31,722	26,123	23,818	13,338	6,504	1,308	120,540
13	Council Tax Support Estimate									(19,621)
14	Revised Band D Equivalents									100,919
15	Estimated collection rate									97.50%
16	LBTH Taxbase 2019/20									98,396

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<p style="text-align: center;">Cabinet</p> <p style="text-align: center;">9 January 2018</p>	 <p style="text-align: center;">TOWER HAMLETS</p>
<p>Report of: Neville Murton – Acting Corporate Director Resources</p>	<p>Classification: Unrestricted</p>
<p>Report of the Overview and Scrutiny Committee: Local Council Tax Reduction Scheme scrutiny challenge report</p>	

Lead Member	Councillor Candida Ronald, Cabinet Member for Resources
Originating Officer(s)	Steve Hill – Head of Benefits Services Lee Fearon – Benefits Policy and Procedures Manager
Wards affected	All
Key Decision?	No
Strategic Plan Priority / Outcome	A borough that our residents are proud of and love to live in

Executive Summary

This report submits the report and recommendations of the scrutiny challenge session on the Local Council Tax Recovery Scheme by the Overview and Scrutiny Committee, together with the proposed action plan for implementation.

Recommendations:

The Mayor in Cabinet is recommended to:

1. Note the report as agreed by Overview and Scrutiny Committee in October 2018 (Appendix one).
2. Note officers' response to Overview and Scrutiny Committee's findings together with the proposed action plan for implementation (Appendix two and appendix three).
3. Consider the recommendations arising from the LCTRS scrutiny challenge session and agree recommendations 1,2,3,4,5 and 7.
4. Consider and not agree recommendation 6 arising from the LCTRS challenge session.

1. REASONS FOR THE DECISIONS

The council should consider changes to its Local Council Tax Reduction Scheme on an annual basis and agree whether changes should be made by 11th March prior to the financial year that the changes are to be introduced. The council may decide not to make any changes to its scheme. The changes apply to working age households only as pensioners are protected.

2. ALTERNATIVE OPTIONS

- 2.1 The Council can consider making any changes to its LCTRS annually from the start of the next financial year. Changes cannot be made in year.
- 2.2 Changes can only be made in relation to working age households as pensioners are protected. Any changes must be subject to a meaningful full public consultation as required by the Local Government Finance Act 1992 which stipulates that changes can only be enacted from the start of the subsequent financial year.
- 2.3 The council may decide not to make any changes to the scheme.

3. DETAILS OF THE REPORT

Background and context

- 3.1 The Local Council Tax Reduction Scheme (LCTRS) challenge session was chaired by Councillor Marc Francis in his role as Scrutiny Lead for Resources in order to examine the impact of proposed changes to the Council's LCTRS as highlighted in a report to Cabinet in July 2019. Cabinet agreed Option 4 of the report, and these proposed changes are currently being consulted on and are due to be presented to Cabinet at the end of October, prior to a formal decision being taken at Full Council in January 2019.
- 3.2 The Local Government Finance Act 2012 ended the national system of Council Tax Benefit (abolished in April 2013) and replaced it with a Local Council Tax Reduction Scheme. Under this legislation responsibility was passed to local authorities to administer and fund financial support around Council Tax. By law, for the entitlement of pensioners under Council Tax Benefit has had to remain in place, but local authorities have been given the power to determine a new local replacement scheme for working age residents.
- 3.3 Under Council Tax Benefit all awards were fully funded by central Government via an annual subsidy grant predicated on the total amount of benefit awarded. Subsidy for LCTRS awards has been frozen at the amount awarded for 2012/13 less 10% since April 2013, representing a national reduction of funding to Local Authorities of £500m. The funding provided by Central government is now included within the Revenue Support Grant and such the amount in respect of LCTR cannot be separately identified. Each financial year the Council is required to review and consider whether to revise its existing LCTRS.
- 3.4 The Challenge Session was held in August 2018. It was acknowledged that Tower Hamlets Council still has one of the most generous LCTRS in London. Nevertheless, Members of Overview and Scrutiny Committee were concerned

that the proposed changes do not go far enough to help all those adversely impacted by the changes.

3.5 The scrutiny challenge session was underpinned by five core questions:

- 1) Are the proposals in the Cabinet Report the best options for residents of Tower Hamlets?
- 2) What is the financial impact of these proposals on our vulnerable residents and what support can the council offer?
- 3) Are other London councils applying the Minimum Income Floor (MIF) and is this appropriate for self-employed residents?
- 4) How are self-employed residents supported through the impact of LCTRS and how is Section 13A being implemented to support these groups?
- 5) What support is in place to mitigate the need to instigate council tax debt recovery and support those through resolving debt issues and improving financial wellbeing?

3.8 The report with recommendations is attached as Appendix 1. There are seven recommendations arising from the review. It is useful to note that the report reflects the discussions from the challenge session and background research.

- **Recommendation 1:** Implement the proposed extension of backdating period to 52 weeks from 1st April 2019 and the application of Section 13A relief for those claimants currently hit by the existing four-week limit
- **Recommendation 2:** Urgently provide greater clarity on whether the two child limit allowance will result in larger families affected having to pay more in future, in time to form response to consultation and any final decision by councillors whether this change should be made to LBTH's Local Council Tax Reduction scheme (LCTRS).
- **Recommendation 3:** Waive or refund fees or charges for who have been financially disadvantaged by including the Disability Living Allowance and Personal Independence Payments in income assessments undertaken when residents applied for Section 13A discount
- **Recommendation 4:** Ensure those who might be directly impacted, for example, disabled non-dependents and self-employed claimants are written to inviting their views. Other stakeholders such as local advice agencies should also be directly engaged in the consultation process.
- **Recommendation 5:** Develop and publish on its website a clear policy statement for the use of Section 13A relief from Council Tax setting out some of the circumstances in which it will or will not be granted, and how individuals and their representatives can appeal these decisions.
- **Recommendation 6:** End the use of the Minimum Income Floor (MIF) in the calculation of entitlement for Council Tax Support from 1st April 2019 onwards and base assessments on actual income, not an assumed level of income aligned to the National Minimum Wage.

Recommendation 7: Undertake an assessment of whether the “ethical debt collection policy”, being promoted by Stepchange and the Money Advice Trust and implemented by the Hammersmith & Fulham, and Bristol, could be implemented in Tower Hamlets, and report back to Cabinet by 31st March 2019.

- 3.9 In response to the challenge session and the challenge session report recommendations, Officers have produced a briefing and a proposed action plan which is provided at appendix 2 of this report.
- 3.10 Cabinet considered a report on possible LCTR scheme changes in July and agreed that a full public consultation on the possible changes to the scheme be undertaken. The results of the full public consultation were reported back to Cabinet in October. The consultation received an excellent response rate, which were broadly in agreement to the proposed changes.
- 3.11 A report is due to go to Full Council on proposed changes to the LCTR scheme on 23rd January 2019.

4. EQUALITIES IMPLICATIONS

- 4.1 The Local Council Tax Reduction scheme was subject to a full equality analysis when the changes were introduced from April 2017.
- 4.2 The changes that are proposed to the existing scheme for April 2019 do not adversely impact service users.
- 4.3 The Full Council report on the proposed changes for the 2019/2020 scheme includes additional equalities information.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 One of the recommendations (Recommendation 6) raises a significant financial risk which should be considered under Best Value.
- 5.2 LCTR scheme costs since 2012/13
The table below shows the annual cost of the council’s LCTR scheme from 2012/13 which was the last year of the national Council Tax Benefit scheme. LCTRS came in from April 2014.

Year	LCTR Scheme cost	Notes
2012/13	£29.4 m	Last year of national CTB scheme
2013/14	£29.1m	First year of LCTRS
2014/15	£27.9m	
2015/16	£26.8m	
2016/17	£26.3m	
2017/18	£24.7m	
2018/19	£25.1m	Current estimated forecast

5.3 All proposed changes to the scheme have been subject to a full public consultation with every household in the borough contacted by post or via email and a high response rate has been received.

5.4 Best value - Self-employed Notional earnings (Minimum Income Floor)

From its introduction in April 2017, the Minimum Income Floor provision (MIF) means instead of actual earnings Council Tax Reduction is assessed on notional earnings equivalent to 35 hours at national minimum wage for residents who:

- have been self-employed for longer than 12 months and
- are earning below the notional earnings rate

The rationale for inclusion of notional earnings is as follows:

- align Local Council Tax Reduction assessment with Universal Credit. Full Universal Credit, (UC) has been introduced in Tower Hamlets and includes an equivalent minimum income floor applicable to self-employed earnings following 12 months self-employment.
- it provides the council with an opportunity to engage with self-employed residents earning less than the national minimum wage to ascertain what help or advice can be provided to help them develop their self-employed business and to increase their income or reduce costs.
- to partly offset the government's funding reductions to the LCTRS that were previously fully absorbed by the Council.

5.5 Cost of the self-employed MIF (notional earnings) scheme provision

Due to caseload churn and in year changes to claimant's circumstances the annual cost to the council arising from the self-employed notional earnings is extremely difficult to estimate.

The most accurate method of doing so is to compare the self-employed caseload and total annual LCTR awarded to self-employed residents at 31 March 2017 (immediately prior to the inclusion of notional earnings) and the caseload and annual LCTR subsequent to April 2017 as represented in the table below:

Date	Total LCTRS entitlement	Self-employed Claim totals
March 2017	£2,085,183.36	2,511
June 2017	£460,011.24	758
Estimated annual cost of excluding notional earnings	£1,625,172.12	

When considering the best affordable LCTR scheme it is worth noting that the scheme costs would increase by an estimated £1.6m were the self-employed MIF provisions to be excluded from the LCTR scheme.

- 5.6 An analysis of all self-employed cases that were affected by the introduction of notional earnings (MIF) from April 2017 has been undertaken. This shows that Council Tax collection rates for these self-employed cases is 96% with the Borough average of 97.5%.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 The Local Council Tax Reduction Scheme is anticipated to cost the Council £25.1m in 2018/19.
- 6.2 Although the report contains various recommendations it is only recommendation 6 that would significantly increase the costs on the Councils financial purse. As per para 5.5 the additional cost is estimated to be £1.6m.
- 6.3 The report highlights the estimated additional financial burden to the council associated with changes to the Minimum Income Floor (MIF), should the recommendation be implemented.

7. COMMENTS OF LEGAL SERVICES

- 7.1 This report complies with Article 6 of the constitution
- 7.2 This report also complies with the Local Government Act 2000 which details the Council's overall legal duties in respect of overview and scrutiny related duties.
- 7.3 The executive has also complied with its duties in respect of the Local Government Act 2000 by considering the recommendations detailed in this report made by Overview and Scrutiny Committee as the recommendations are reflected in the Executive Report relating to the implementation of the latest Council Tax Reduction Scheme.
- 7.4 Equalities issues have been considered as part of the report referred to in paragraph 7.3

Linked Reports, Appendices and Background Documents

Linked Report

- **Cabinet Report – 25th July 2018 – Local Council Tax Reduction Scheme**
<http://democracy.towerhamlets.gov.uk/documents/g8858/Public%20reports%20pack%2025th-Jul-2018%2017.30%20Cabinet.pdf?T=10>

- **Cabinet Report – 31st October 2018 – Local Council Tax Reduction Scheme 2019/20**
<http://democracy.towerhamlets.gov.uk/documents/g8860/Public%20reports%20pack%2031st-Oct-2018%2016.00%20Cabinet.pdf?T=10>
- **Report to Full Council – Local Council Tax Reduction Scheme 2019/2020**

Appendices

- **Appendix 1 – OSC Challenge session report**
- **Appendix 2 – Response to OSC Challenge session report**
- **Appendix 3 – Recommendations action plan**

Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012

- NONE

Officer contact details for documents:

Steve Hill – Head of Benefits Services (extension 7252)

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APPENDIX 1

LBTH Council Tax Reduction Scheme

Scrutiny Challenge Session Report



September 2018

Chair's Foreword

Ninety-seven years ago, thirty councillors from Poplar Borough Council were jailed for refusing to authorise the collection of rates for the London County Council and Metropolitan Police. They felt it was wrong that Poplar alone had to bear the burden of Poor Law Relief for the tens of thousands of local people who were out of work because of the post-war recession. Their stand ultimately forced the Coalition Government of the day to bring forward legislation equalising the value of the local rates, so that richer areas subsidised poorer ones.

To a greater or lesser degree that principle stood for the next ninety years. But in 2013, a new Coalition Government began to dismantle it. As well as dramatically cutting the Revenue Support Grant – subsidy from central Government – they “localised” the national system of Council Tax Benefit, along with a ten per cent cut in funding for local schemes. That change left local authorities facing an invidious choice between charging disabled and unemployed residents Council Tax or making further savings by cutting services.

In Tower Hamlets, councillors rightly chose to absorb the cut. In many other authorities, however, charges were introduced. Unemployed residents in those areas were forced to pay around £5 a week from their Job Seekers Allowance of £73 – a sum already regarded as too low to cover basic living costs like food, clothing and energy bills. Inevitably, hundreds of thousands of those being charged were unable to pay, and so ended up receiving a court summons. Many of those have had bailiffs sent to their door to recover the debt owed.

Faced with continuing cuts to Tower Hamlets' grant, the Mayor decided to review this authority's position in 2016. And in the autumn of that year, consultation began on the introduction of a 20 per cent Minimum Payment - £150-200 a year - for those previously exempt under our Council Tax Reduction Scheme. The public and political response was unsupportive and plans for a Minimum Payment were dropped. However, other changes were made, including a reduction in the capital limit, a reduction in the backdating period, changes to the Non Dependent Deduction charges and the introduction of the use of the Minimum Income Floor for self-employed claimants.

The last two of these were not properly described in the consultation which by law has to precede any changes to the scheme. (Indeed, they were not even fully described in the report that went to Full Council in January 2017 to approve the revised scheme.) The consequences of these changes have been very serious for hundreds of the Borough's poorest households. I have seen myself a family with two adult disabled sons suddenly hit with a bill of nearly £1,500 Council Tax. Bailiffs were sent to recover that money when they didn't pay it – adding another £400 to their debt. Self-employed claimants, like mini-cab drivers, saw their bills increase by £500 a year or more.

Those struggling to pay these new or increased bills have been invited to apply for relief under section 13A of the Local Government Finance Act 2012. However, they have been required to demonstrate financial hardship to be successful. They must give details of their family expenditure as well as their income – a 1930s-style means-test. Many were granted. But others were not. Many more simply refused to subject themselves to this indignity.

In July, the Mayor authorised a consultation on further changes to the Council Tax Reduction Scheme, including the extension of the backdating period to 52 weeks and the disregarding of Disability Living Allowance and Personal Independence Payments as income for the purposes of calculating Non Dependent Deductions. However, it proposes no change to the use of the Minimum Income Floor for self-employed claimants, so this authority would still assume they earn the equivalent of at least 35 hours a week at the National Minimum Wage. The consultation also proposes to use DWP's Two Child Limit.

This Scrutiny Challenge Session was held to examine the impact of the changes made in 2017/18 and the merits of the proposals in this consultation. Ten back bench members took part, and we were helped in this work by the expert advice of representatives from Island Advice Centre, the Legal Advice Centre (University House) and Toynbee Hall, as well as by the Lead Member for Finance, Cllr Ronald and officers from the Resources Directorate. I am grateful to everyone who gave their time and views. I hope this report and the recommendations we make will help inform this authority's final decision on the shape of our Council Tax Reduction Scheme from April 2019 onwards.

Councillor Marc Francis

Summary of Recommendations

- **Recommendation 1:** Implement the proposed extension of backdating period to 52 weeks from 1st April 2019 and the application of Section 13A relief for those claimants currently hit by the existing four-week limit
- **Recommendation 2:** Urgently provide greater clarity on whether the two child limit allowance will result in larger families affected having to pay more in future, in time to form response to consultation and any final decision by councillors whether this change should be made to LBTH's Local Council Tax Reduction scheme (LCTRS).
- **Recommendation 3:** Waive or refund fees or charges for who have been financially disadvantaged by including the Disability Living Allowance and Personal Independence Payments in income assessments undertaken when residents applied for Section 13A discount
- **Recommendation 4:** Ensure those who might be directly impacted, for example, disabled non-dependents and self-employed claimants are written to inviting their views. Other stakeholders such as local advice agencies should also be directly engaged in the consultation process.
- **Recommendation 5:** Develop and publish on its website a clear policy statement for the use of Section 13A relief from Council Tax setting out some of the circumstances in which it will or will not be granted, and how individuals and their representatives can appeal these decisions.
- **Recommendation 6:** End the use of the Minimum Income Floor (MIF) in the calculation of entitlement for Council Tax Support from 1st April 2019 onwards and base assessments on actual income, not an assumed level of income aligned to the National Minimum Wage.
- **Recommendation 7:** Undertake an assessment of whether the “ethical debt collection policy”, being promoted by Stepchange and the Money Advice Trust and implemented by the Hammersmith & Fulham, and Bristol, could be implemented in Tower Hamlets, and report back to Cabinet by 31st March 2019.

1. Introduction

- 1.1 The Local Government Finance Act 2012 ended the national system of Council Tax Benefit (abolished in April 2013) and replaced it with a Local Council Tax Reduction Scheme (LCTRS). Under this legislation responsibility was passed to local authorities to administer and fund financial support around Council Tax. By law, for the entitlement of pensioners under Council Tax Benefit has had to remain in place, but local authorities have been given the power to determine a new local replacement scheme for working age residents.
- 1.2 Under council tax benefit all awards were fully funded by central Government via an annual subsidy grant predicated on the total amount of benefit awarded. However, subsidy for LCTRS awards has been frozen at the amount awarded for 2012/13 less 10% since April 2013, representing a national reduction of funding to Local Authorities of nearly £500m.
- 1.3 Each financial year the Council is required to review and consider whether to revise its existing LCTRS.
- 1.4 Initially, LBTH's scheme retained 100% support for all working-age claimants as well as pensioners. However, in 2016, a consultation was undertaken which proposed to introduce a 20% Minimum Payment as well as other changes to the LCTRS. Ultimately, councillors decided against introducing a Minimum Payment. However, other changes were made to the scheme – some of which may have caused those residents significant financial hardship.
- 1.5 A cabinet report was put forward in July 2018 to seek views on proposed changes to its Local Council Tax Reduction Scheme for 2019-2020. Cabinet agreed Option 4 of the report which agreed public consultation on the proposed changes listed below, and for officers to bring a report, setting out feedback from the consultation, back to the October Cabinet prior to a formal decision being taken.
 - Proposed changes to the deductions applied in respect of disabled non dependants with a view to applying a maximum weekly deduction of £4 for disabled non dependants
 - Proposal to retain the principle of applying the MIF for self-employed residents together with an enhanced support package and the application of Section 13A discounts to avoid hardship
 - Proposal to increase the current four week backdating provision to 52 weeks and remove the child allowance for families with more than two children (disregarding income that is not received within LCTRS).
- 1.6 It was acknowledged that Tower Hamlets Council still has one of the most generous LCTRS in London. Nevertheless, Members of Overview

and Scrutiny Committee were concerned that the proposed changes do not go far enough to help all those adversely impacted by the changes in 2017/18.

1.7 Therefore a scrutiny challenge session on the proposed changes was held by Councillor Marc Francis, Overview and Scrutiny Committee Lead for Resources on 28th August 2018, to seek views from local advice agencies supporting low income households and allow fellow back bench Councillors to discuss the proposed changes and any implications it may have on residents given the fact that Tower Hamlets is one of the most deprived local authorities in England.

1.8 The scrutiny challenge session was underpinned by five core questions:

- 1) Are the proposals in the Cabinet Report the best options for residents of Tower Hamlets?
- 2) What is the financial impact of these proposals on our vulnerable residents and what support can the council offer?
- 3) Are other London councils applying the Minimum Income Floor (MIF) and is this appropriate for self-employed residents?
- 4) How are self-employed residents supported through the impact of LCTRS and how is Section 13A being implemented to support these groups?
- 5) What support is in place to mitigate the need to instigate council tax debt recovery and support those through resolving debt issues and improving financial wellbeing?

1.9 At the challenge session, Members heard from expert witnesses from three advice centres who spoke about their experiences in supporting residents in financial difficulties having to pay Council Tax.

- 1) Toynbee Hall Advice Centre – the charity reported that in the last two financial years, priority debt has risen. They also reported a rise in self-employed residents seeking help due to council tax debt.

They acknowledged Tower Hamlets commitment to maintain a Local Council tax Reduction Scheme under which maximum entitlement was based on 100% of council tax liability but their two main areas of concerns were related to the impact of the MIF for self-employed residents and the removal of child allowance for families with more than two children.

- 2) Island Advice Centre spoke about a case they had dealt with where a self-employed resident who had contacted them about being affected by the MIF, and whom they'd subsequently supported in gaining a Section 13A discount for 2017/18. In addition they raised a concern about effectiveness of using bailiffs in aiding debt recovery.

- 3) Legal Advice Centre raised a concern about using bailiffs when collecting council tax debts.
- 1.10 Members were invited to ask questions and express their concerns heard from residents and as such there are seven recommendations being put forward in the report to be considered by the Overview and Scrutiny Committee. The report and recommendations will be presented to Cabinet in October, as the Committee's contribution to the wider consultation on the proposals prior to a decision at January Full Council.
- 1.10 At the scrutiny challenge session, Members and representatives from the advice services welcomed the proposed extension of the backdating period to 52 weeks to increase the support available for many claimants by Universal Credit as a very positive step which should be implemented from 1st April 2019. In addition, Members also wanted to see Section 13A relief considered for those claimants currently hit by the existing four-week limit.
- 1.11 Members was unclear whether the proposed use of the Two Child limit in the allowance would result in larger families affected having to pay more in future. Officers were requested to provide greater clarity on that in time to inform the response to the consultation and any final decision by councillors whether this change should be made to LBTH's LCTR scheme (subsequently provided and included in paragraph 3.1.5(4)).
- 1.12 Members heard evidence of the adverse impact of the inclusion of Disability Living Allowance and Personal Independence Payment (PIP) in the income assessments for non-dependents, and as such, strongly support the proposal to change the LCTR scheme to apply the lowest deduction of £4.00 in respect of these non-dependants from April 2019. Currently the council has written to all households affected to confirm the expenditure incurred due to the non dependents disability and has applied a Section 13A discount to all those who responded. Members welcomed this move but recommended that all claimants who have been adversely affected by this charge should have that bill and any costs, including bailiff fees, waived and any monies paid should be refunded.

RECOMMENDATION 1: Implement the proposed extension of backdating period to 52 weeks from 1st April 2019 and the application of Section 13A relief for those claimants currently hit by the existing four-week limit.

RECOMMENDATION 2: Urgently provide greater clarity on whether the two child limit allowance will result in larger families affected having to pay more in future, in time to form response to consultation and any final decision by councillors whether this change should be made to LBTH's LCTR scheme.

RECOMMENDATION 3: Waive or refund fees or charges for who have been financially disadvantaged by including the Disability Living Allowance and Personal Independence Payments in income assessments undertaken when residents applied for Section 13A discount.

1.13 Members that attended the challenge session were:

Name	Ward
Cllr Marc Francis	Bow East Ward
Cllr Sufia Alam	Poplar Ward
Cllr Kahar Chowdhury	Lansbury Ward
Cllr Ehtasham Haque	Blackwall and Cubitt Town Ward
Cllr Tarik Khan	St Peter's Ward
Cllr James King	Limehouse Ward
Cllr Puru Miah	Mile End Ward
Cllr Gabriela Salva-Macallan	St Peter's Ward
Cllr Eve McQuillan	Bethnal Green Ward
Cllr Kyrsten Perry	Canary Wharf Ward
Cllr Candida Ronald	Blackwall and Cubitt Town Ward, Cabinet Member for Resources and the Voluntary Sector

1.14 The challenge session was supported by;

Susie Quinn & Vicky Allen	Strategy Policy and Performance Officers
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1.15 The panel received evidence from members of the Executive, a range of officers and experts including;

London Borough of Tower Hamlets:

Zena Cooke	Director of Resources
Steve Hill	Head of Benefits Services and Grants
Lee Fearon	Central Benefits Officer

Ellie Kershaw	Tackling Poverty Programme Manager
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1.16 External Speakers:

Sam Crosby	Toynbee Hall Advice Centre
Muzammel Hussen	Legal Advice Centre
Jo Ellis	Island Advice Centre

2. National and Regional Context

- 2.1 In April 2013, Council Tax Benefit (CTB) was replaced with Council Tax Support (CTS). CTB was not a benefit as such, but gave low income households a discount on the amount of council tax they had to pay, often to nothing.
- 2.2 The change marked a historic move from a nationally devised system to one of 326 different local schemes in England. Alongside this restructuring, the money provided by central government to fund CTS was cut by 10%. Each local authority is now responsible for devising its own scheme within the reduced budget. They are also responsible for any shortfall or surplus in the CTS budget.
- 2.3 Government ministers argue that the change from CTB to CTS is designed to:
- increase local authorities' financial autonomy;
 - give local authorities a greater financial stake in the economic future of their area;
 - Save £410 million in a year across England.
- 2.4 Apart from one major requirement – that pensioners receive the same amount as they did in 2011-12 – councils have near full autonomy to create and amend the new local schemes. They have been advised to devise schemes that encourage work and protect the vulnerable, but defining the vulnerable is at the discretion of each local authority.
- 2.5 The New Policy Institute, commissioned by the Joseph Rowntree Foundation has analysed changes to council tax support, and the findings are presented in 2.6-2.8 below¹:

2.6 How have councils changed the support available?

- 2.6.1 From April 2013, local authorities across England were given the power to devise their own systems of Council Tax Support (CTS) for working-age adults. It replaced the national system of the Council Tax Benefit (CTB) which ensured that the poorest households did not have to pay council tax.
- 2.6.2 In the first year of CTS the funding available from central government was 10% less than that available under the former system of CTB (which central government funded in full). This central government funding for CTS has now been combined with the general grant that local authorities receive and is subject to the same cuts.
- 2.6.3 Each year the local authority decides how CTS should work in their area. Now in its fifth year, 264 (of 326) councils require everyone to pay at least some council tax regardless of income, five more than last

¹ Council Tax Update 2017/18 – New Policy Institute

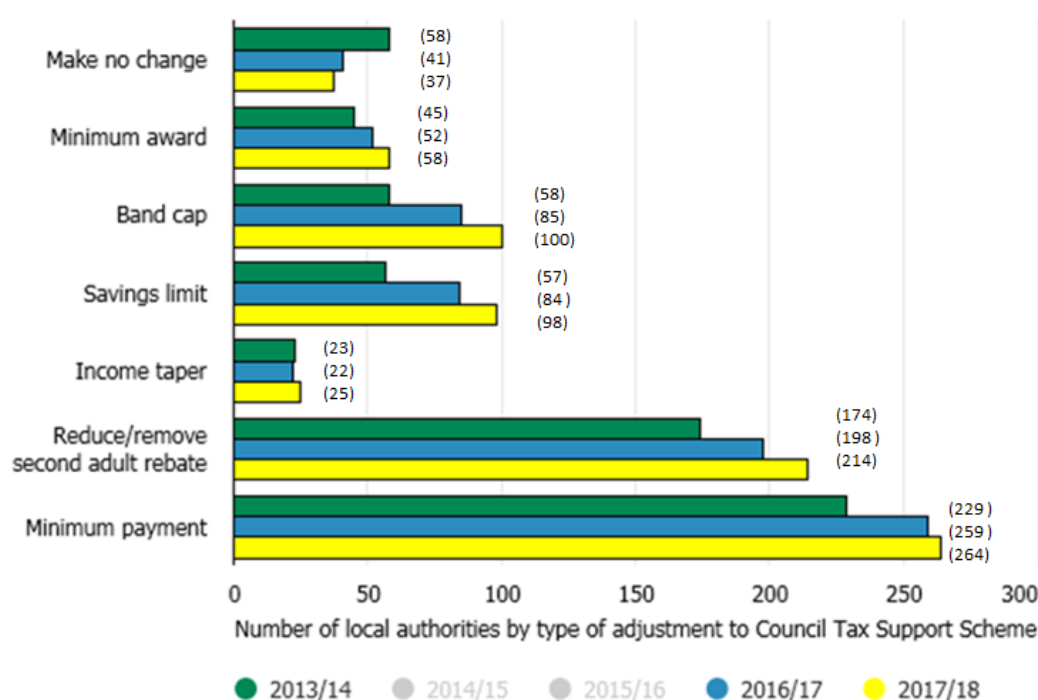
year and 30 more than in April 2013. This approach is akin to the minimum contribution required of all households regardless of their income under the Community Charge or “Poll Tax” in the early-1990s.

2.7 Changes over the past five years

2.7.1 From April 2017, only 37 councils (out of 326) are continuing to provide the levels of support available under the former Council Tax Benefit system, down from 58 in April 2013. Seventy four councils changed their schemes in April 2017, which is a slight increase compared to the 66 councils who changed their scheme in April 2016 and an increase from the 50 who changed their scheme in April 2015.

2.7.2 The most common change that local authorities have made from the former CTB system has been to introduce a “minimum payment” which requires everyone to pay at least some council tax regardless of income. From April 2017, 264 schemes include a minimum payment, up from 259 in April 2016, and 229 in April 2013. Along with a minimum payment, councils can make other changes to CTS.

2.7.3 The graph below shows the number of councils that have introduced a particular change. Some local authorities introduced more than one new measure (for example reducing the second adult rebate and introducing a band cap), so councils may be counted more than once.



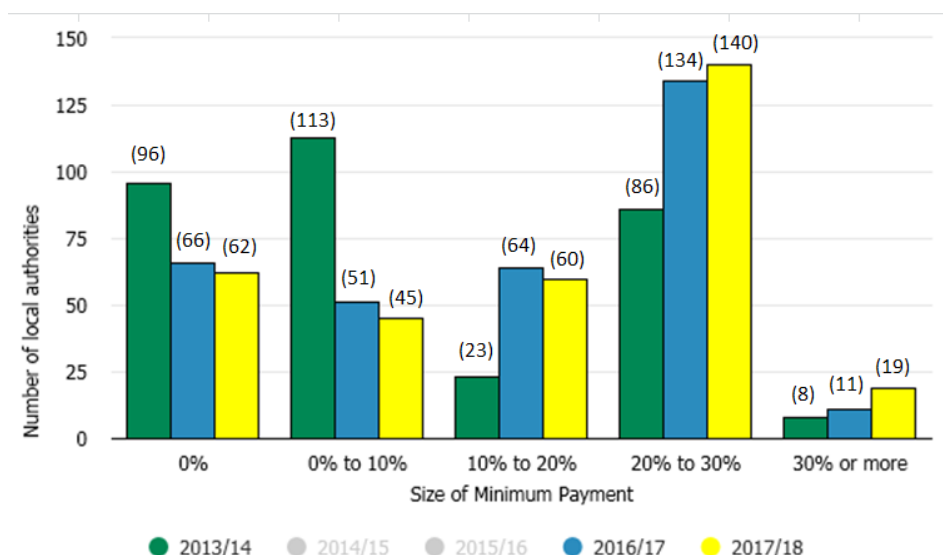
2.7.4 New Policy Institute analysis found that:

- 214 councils have reduced or removed the second adult rebate (the benefit homeowners not on a low income are entitled to if they share their home with someone on a low income), 16 more than the previous year, April 2016, and 40 more than April 2013.

- 100 councils have introduced a band cap which involves limiting the amount of benefit received in higher value properties to the amount provided to those in lower value properties, 15 more than the previous year and 41 than in April 2013. The most common band cap applied is D.
- 98 councils have lowered the maximum savings limit (the savings limit over which one is no longer eligible for Council Tax Benefit), 14 more than the previous year and 41 more than in April 2013. Most reduced the threshold to £6,000.
- 58 councils have introduced a minimum CTS entitlement, 13 more than in April 2013. A minimum CTS entitlement of £5 per week would mean that claimants entitled to less than this would receive nothing.
- 25 councils increased the income taper (the amount by which support is withdrawn as income increases) from the CTB rate of 20p per £1.19 councils increased the taper whilst 3 have lowered it

2.8 The range of minimum payments

- 2.8.1 Analysis undertaken by the New Policy Institute indicates that the most common change that local authorities made from the former CTB system was to introduce a “minimum payment” which requires all households to pay at least some council tax regardless of income.
- 2.8.2 From April 2014, 245 schemes included a minimum payment, 16 more than in April 2013. From April 2015, this number increased to 250, from April 2016 it reached 259 and from April 2017 it has reached 264.
- 2.8.3 A minimum payment can be administered in a range of ways. Most local authorities with a minimum payment require all residents to pay a proportion of their council tax, and they are only entitled to council tax support for the remaining share. For example, a resident must pay 20% of their council tax liability but can apply for council tax support to help pay for the remaining 80%.
- 2.8.4 The size of this minimum payment varies by area; in 50 councils it is less than 10% of council tax liability and 140 councils it is from 20% up to 29%. Whilst for 19 councils it is 30% or more.



2.8.5 The graph above shows the number of councils by the level of minimum payment. It shows that:

- There has been a steady decline in the number of councils with smaller minimum payments levels (of 10% or less); from 113 in April 2013 to 45 in April 2017.
- The number of councils with a minimum payment of between 10% and 20% has fallen slightly to 60 in April 2017, four fewer than last year but up from 23 in April 2013.
- 20% to 30% is the most common minimum payment, with 140 councils choosing this level in April 2017, six more than the previous year and up from 86 in April 2013.
- The largest increase in April 2017 was among councils setting a minimum payment at 30% or above. Currently, 19 councils had a minimum payment of 30% or over, up from 11 the previous year and 8 in April 2013.
- In London, however, while the picture is equally mixed, there is a tendency for more generous schemes.

3. Tower Hamlets Council Tax Support Scheme

3.1 Minimum Council Tax payments across London

3.1.1 In changing the scheme in 2017, the council ensured that residents on the lowest incomes continue to receive 100% rebate of their council tax liability. Tower Hamlets is one of only eight London councils who have retained 100% support within their LCTRS since April 2013 and in doing so the Council continues to offer one of the most generous schemes in London. In 2017/18 19,321 residents received 100% rebate (based on a caseload of 27,890).

3.1.2 The table below sets out the latest information available for 2018/19 LCTR schemes regarding minimum council tax contributions, residents who receive full LCTRS were expected to pay as a percentage of their council tax liability in each of 33 London boroughs.

Local Authority	Minimum Council Tax Payment (%)
Camden	0%
City of London	0%
Hammersmith & Fulham	0%
Kensington & Chelsea	0%
Kingston Upon Thames	0%
Merton	0%
Tower Hamlets	0%
Westminster	0%
Hounslow	8.5%
Islington	8.5%
Croydon	15%
Greenwich	15%
Hackney	17%
Havering	15%
Lambeth	15%
Richmond Upon Thames	15%
Southwark	15%
Sutton	18%
Haringey	20%
Bexley	20%
Brent	20%
Newham	20%
Redbridge	20%
Waltham Forest	24%
Bromley	25%
Ealing	25%
Enfield	27%
Harrow	30%
Wandsworth	30%
Lewisham	33%

Note²– Richmond has just begun consulting on dropping its charges and reinstating 100% support for all claimants. Haringey is currently consulting on reinstating 100% support for families with children (as well as disabled people who are already exempt from its Minimum Payment.)

- 3.1.3 Members at the scrutiny challenge session were pleased to support the intention to retain up to 100 per cent support under the council's LCTR scheme, which means this authority, continues to have one of the most generous schemes in London.

² Data obtained by FOI request by Chair of Grants Scrutiny sub-committee

3.2 Current Council Tax Reduction Scheme

3.2.1 From April 2013 to March 2017 Tower Hamlets Council maintained a scheme for working age residents broadly similar to CTB. However, as the funding available from the Government has reduced every year it was decided to change the scheme from April 2017.

3.2.2 The council wanted to ensure its financially vulnerable residents were protected and as such the new scheme retains many of the features of the previous scheme:

- It is based on 100% of council tax liability;
- Entitlement is assessed on the applicant's income and circumstances;
- Deductions are applied for non-dependants (adults other than the applicant/partner who live in the household).

3.2.3 Following a full public consultation in October 2016, the following changes were made to the scheme in April 2017:

- The maximum amount of capital/savings allowed is £6,000.
- The amount of non-dependant deduction is based on the non-dependants total income;
- A minimum earnings floor equal to 35 hours at the national minimum wage is applied to applicants of residents who have been self-employed for over 1 year.
- Entitlement can be backdated for up to 1 month
- Entitlement will only normally be awarded during a period the resident is abroad if the absence is not expected to exceed 4 weeks.

3.2.4 The council now needs to consider whether to make changes to the current scheme which if agreed will need to be implemented before January 2019. As in 2017, these changes are subjected to full public consultation which is planned to take place in September and October 2018.

3.2.5 This consultation will focus on 4 main questions

1. Limit the maximum non-dependant deduction applied in respect of any person who gets disability benefits i.e. Disability Living Allowance, Personal Independent Payments, Attendance Allowance or Employment and Support Allowance to £4.00 per week.
2. Adjust the assumed level of minimum income for Self Employed claimants to reflect their age. Currently the council assumes an equivalent of 35 hours per week at the National Minimum Wage,

(£7.83 per hour, £274.05 per week) in the assessment of Council Tax Reduction for residents who have been self-employed for more than one year and who state they earn less than this amount. The Council wants to link this more closely with minimum wage rules and instead of applying a blanket 35 hours at £7.83 per hour the hourly rate will be based on the claimant's age as follows:

Age	Hourly Earnings	Weekly Earning (Based on 35 hours per week)
25 and over	£7.83	£274.05
21-24	£7.38	£258.30
18-20	£5.90	£206.50
Under 18	£4.20	£174.00

3. Allow entitlement to be backdated for up to 52 weeks.
4. Change the Child Allowances included in the local scheme to reflect those used in the assessment of Child Tax Credit and Universal Credit and Housing Benefit. The Child Allowance included in the assessment of LCTRS in effect discounts the amount awarded for each child in a residents Child Tax Credit or Universal Credit award. The effect of this change ensures that the child allowance discount in the assessment of LCTRS aligns with the amount of Child Allowance paid in Universal Credit or Child Tax Credit.

3.2.6 Following the Councils Code of Practice and legal advice, this process will last a total of 7 weeks starting from 3rd September 2018. It will be a much narrower consultation as compared to the consultation that took place in 2016 and will be co-ordinated by the Communications team. A report on outcomes is to be presented to the October 2018 Cabinet meeting.

3.2.7 Members who attended the scrutiny challenge session were aware of concerns raised about the 2016 consultation and argued that this consultation process must reach a wider audience and target hard to reach people. They wanted an assurance that groups directly affected for example, disabled non-dependents, self-employed single mothers and those that have health concerns who are least likely to be able to reach the MIF threshold of 35 hours should be invited to take part in the consultation. Members also gave feedback that the letter used in the 2016 consultation process was not well written and had links that could not be accessed. This was noted by officers and letters have been amended and written in plain English.

RECOMMENDATION 4: Ensure those who might be directly impacted, for example, disabled non-dependents and self-employed single mothers and those who have health concerns, are written to inviting their views. Other stakeholders such as local advice agencies

should also be directly engaged in the consultation process.

3.3 Council Tax Reduction Scheme in the poverty context

- 3.3.1 Tower Hamlets latest poverty profile illustrates that according to HM Revenue and Customs (HMRC) it is the 10th most deprived local authority in England, in terms of its average deprivation score. However, while deprivation remains widespread in Tower Hamlets, the borough now contains fewer of the most highly deprived areas in England than before.
- 3.3.2 Tower Hamlets also has the highest rate of child poverty in the county and according to the *HMRC's children in low income families local measure*³ 18,875 children in Tower Hamlets were living below the national poverty line in 2015; this represents 31% of the children in the Borough, the highest rate in Great Britain. However, HMRC poverty rates take no account of the housing costs families pay, so understate poverty levels. Indeed 35,900 children in Tower Hamlets live in families that rely on Housing Benefit to pay their rent; this represents 58% of children, the highest rate in Great Britain (2016).
- 3.3.3 Poverty rates vary considerably by ethnic group. National estimates suggest that the Bangladeshi population has the highest rate of poverty across all groups, more than twice as high as the rate for the White population (50 vs. 19 per cent, UK). Other ethnic groups with high poverty rates include those from Pakistani, Black and Other BME groups (40-46 per cent). These national trends are also evident in Tower Hamlets with Bangladeshi residents being far more likely than other groups to live in low income households. In 2011, research for the Council found that 78 per cent of Bangladeshi residents lived in households receiving CTB, compared with 33 per cent of other (non-Bangladeshi) residents.
- 3.3.4 In view of this and other poverty measures, the council has previously decided it would be unfair to follow the lead of many other councils which have moved away from a scheme based on 100% council tax liability as this would mean that most households will have to make a minimum payment towards council tax regardless of their income and circumstances. Instead, Tower Hamlets LCTRS retains 100% provision, which means the lowest income households qualify for a full reduction under the scheme and do not have to pay any council tax.
- 3.3.5 Consequently currently, 69% of households entitled to LCTRS receive a 100% reduction, equating to 19,030 households against a total LCTRS caseload of 27,697.

³ <https://www.gov.uk/government/statistics/personal-tax-credits-children-in-low-income-families-local-measure-2015-snapshot-as-at-31-august-2015>

3.4 Section 13A of The Local Government Finance Act 1992 - Discretionary Council Tax reduction

- 3.4.1 The LCTRS scheme references discretionary provision available under Section 13A of The Local Government Finance Act 1992, to discount council tax liability where there is evidence of hardship.
- 3.4.2 Every council taxpayer is entitled to make an application for a discretionary council tax reduction. This discretionary reduction will only be granted to council taxpayers in exceptional circumstances and will normally be for a short term period (12months). An application for a further award can be made and there will be a review of the application and what actions have been taken since the last award.
- 3.4.3 Since April 2017, Section 13A has been used to help those experiencing hardship caused by the LCTRS changes. To date, 498 council tax payers have been supported, costing a total of £210,000.

	Self-Employed MIF		Disabled Non-Dep	
2017/18	78	£56.1k	194	£33.6k
2018/19	66	£32.3k	160	£32.3k

- 3.4.4 Members heard from representatives from advice centres in the borough about their experiences of dealing the Council's LCTRS. Island Advice Centre spoke about a case they had dealt with where the client was affected by the MIF. Through their intervention, they had been able to support their client to apply for a Section 13A discount which was successfully awarded. Advisers said that it is common that residents generally delay seeking advice about issues relating to paying Council Tax and other priority bills. In addition the Advisers said that the majority of affected residents were not aware of Section 13A, and had they known, they may have been more likely to seek support earlier. Members and Advisers at the session felt communicating this support more widely would make the process of seeking support less stressful. Advisers reported that some residents who had received support in the last year had become ineligible when re-applying in the second year, and they felt that the process of awarding by the Council was opaque. They pointed out that other councils have published their processes and guidance when applying under Section 13A on their websites and felt that Officers should look into this as a way of promoting this support to residents in a more open and transparent way.

RECOMMENDATION 5: Develop and publish on its website a clear policy statement for the use of Section 13A relief from Council Tax setting out some of the circumstances in which it will or will not be granted, and how individuals and their representatives can appeal

these decisions.

3.5 Minimum Income Floor (MIF) and Self Employed Residents

- 3.5.1 A MIF equivalent to 35 hours at National Living Wage is applied to claimants who have been self-employed for 12 months or more and have declared earnings below the MIF level.

Officers argued that a benefit of using the MIF for self-employed people allows the Council to support and encourage resident to increase their earnings and reduce the risk of a significant loss of benefit when they migrate to Universal Credit as it will negatively affect the level of both the Housing Cost element, (formerly Housing Benefit) and Living Cost element, (formerly Tax Credits).

- 3.5.2 The MIF was applied from 1 April 2017 for claimants who had completed 12 months self-employment at this date and from the date on which 12 months self-employment is completed for claimants who had worked less than one year at 1 April 2017. This mirrors the assessment criteria applied in Universal Credit (UC) which is currently being implemented in Tower Hamlets.

- 3.5.3 The table below shows the number of self-employed residents in receipt of LCTRS in relation to the introduction of the MIF over the last two financial years. In March 2017 the numbers reflect self-employed residents prior to the introduction of the MIF and April 2017 shows the numbers after the introduction of the MIF. Thereafter the decrease is due to a combination of both caseload churn and the length of self-employment extending beyond the 12 month threshold triggering the MIF. In July 2018 there are an additional 49 residents in receipt of LCTRS who are now in receipt of Universal Credit.

Pre-MIF	Post-MIF		
March 2017	April 2017	March 2018	July 2018
2,544	834	586	523

Table 1: self-employed and the introduction of the minimum income floor

- 3.5.4 Since April 2017 the Council has used Section 13A of The Local Government Finance Act 1992 – Discretionary Council Tax reduction in respect of self-employed residents affected by the MIF and families with disabled non dependants.
- 3.5.5 Support for self-employed residents affected by the Minimum Income Floor (MIF)

Members heard from Officers about the processes they had put in place to offer support and help for self-employed residents affected by the MIF.

Stage One - once initial contact with the Benefits Team has been made, officers will contact the resident requesting the following information:

- Completion of a personal financial statement
- Latest bank statements
- Latest self-employed accounts
- Contact details

The Benefits Team will then contact the Council Tax Team to arrange any recovery action to be suspended pending resident response.

Stage Two - In cases where the resident does not respond the following the process is in place:

- If the Benefits Service does not hear from the resident within two weeks a reminder is issued. The reminder advises that unless a response is received within two weeks it will be assumed he/she does not wish to take up the offer of help and advice.
- However, if no response has been received within the two week period, the resident is written to a second time. This letter advises that as a response has not been received it is assumed he/she does not want to pursue the offer of help but if they remain interested they should contact the service within 7 days.
- Finally, if the resident does not contact the service within 7 days a third letter is sent explaining that as he/she has not responded within 7 days we assume he/she does not wish to take up of the help on offer and is liable to pay the council tax as indicated on the latest demand issued. Council Tax team is advised to resume recovery action.

Stage Three - In cases where the resident provides the information requested the following support is provided:

- The resident is contacted to arrange a date, time and venue for interview.
- At the interview the Benefits Service will try to establish if any help or advice can be provided in respect of budgeting and ways in which to improve their business. This includes signposting to other services as required.
- Following the interview the Benefits Service will consider whether to apply a discretionary reduction in council tax for a temporary period in accordance with Section 13A of the Local Government Finance Act 1992 and the service will write to notify the resident of the outcome. The resident is advised to make contact should they disagree with the outcome.
- If a reduction is awarded the council tax team are notified of the amount and a revised council tax demand is issued to the resident following application of the reduction.
- The reduction is reviewed as the reduction period is due to expire and the resident is contacted to see whether their

circumstances have improved, or whether the reduction needs to continue.

- 3.5.6 Members heard that whilst there were 2,544 self-employed residents who were originally affected by the MIF, only 217 (8.5%) had initially contacted the council to apply for Section 13A support. Of those 217, just over half (112) responded and attended interviews set up to establish the support required. This represents 4.5% of the residents affected. Although the council's Benefit Service has attempted to contact the remaining 105 residents on at least three occasions, they have failed to respond. Further engagement is on-going to maximise the opportunity for self-employed respondents to seek support.
- 3.6.7 To date 75 self-employed residents affected by the MIF have been awarded a Section 13A discount.
- 3.5.8 At the session, Members reported feedback from some residents in Tower Hamlets who had felt it was difficult to access MIF relief and to take steps aimed at increasing their earnings. They felt it might be unrealistic to expect some residents, especially those with health problems or who are lone parents, to achieve this.
- 3.5.9 In addition Members were concerned that the Council was requesting personal financial information statements when assessing need. They felt that this could be seen by residents as being intrusive and stop people applying or re-attending the second interview. It is also not a legal requirement but council policy and requested if this could be reviewed.
- 3.5.10 Members were concerned that the result of using the MIF in the calculation of entitlement for council tax support was that approximately 2,000 households had seen significantly higher council tax bills than they would have expected had the MIF not been applied.
- 3.5.11 Officers outlined the rationale for using personal financial information when calculating CTR. This approach is taken as part of the council's duty to safeguard tax payer money, ascertain whether there is evidence of hardship, prepare residents for what will happen should they be placed onto Universal Credit, and ensure that the discretionary power to apply a Section 13A discount is applied fairly and consistently. In addition, DWP has recently requested that the council's Benefit Service should undertake a full evidence check on the earnings declared by self-employed residents for Housing Benefit purposes.
- 3.5.12 Whilst Members understood the advantage of identifying those self-employed claimants who would be hit by the switch to Universal Credit, they were not persuaded it is necessary to reduce their entitlement to Council Tax Support in order to help them increase their hours/earnings. Members also noted this is not being done by other local authorities. Consequently Members felt the level of Council Tax

Reduction should be based on their actual income, not an assumed level of income aligned to the National Minimum Wage.

RECOMMENDATION 6: End the use of MIF in the calculation of entitlement for Council Tax Support from 1st April 2019 onwards and base on residents actual income, rather than an assumed level of income aligned to the National Minimum Wage

3.6 Local Council Tax Reduction Scheme - Costs

3.6.1 Nationally, it is reported that in the fifth year of local LCTRS, 2million families have been adversely affected by the change from Council Tax Benefit (CTB). On average these families will have had to pay £191 additional Council Tax in 2017/18 in comparison to what they would have paid under CTB. The most common financial impact of CTS changes on claimants in 2017/18 was an additional £150 to £200 per year to pay in council tax than they would have under CTS. The number of CTS claimants paying £200 or more has increased to 825,000.

3.6.2 In Tower Hamlets, the cost of the current LCTRS scheme for 2017-2018 was approximately £24.7m with £17.3m supporting working age households and £7.4m supporting pensioner households.

3.6.2 With regard to council tax income collection for self-employed residents, the collection rate was 95.9%, compared to the borough average collection rate of 97.5%. This analysis is based on all self-employed cases in receipt of LCTRS prior to the scheme change in April 2017 (2,500 cases).

3.7 Local Council Tax Reduction Scheme – Arrears and Debt Recovery

3.7.1 As reported in 3.6.2 above, council tax collection rate in Tower Hamlets was 97.5% in 2016/17, comparable with the average collection rate in London according to benchmarking collected by London Councils.

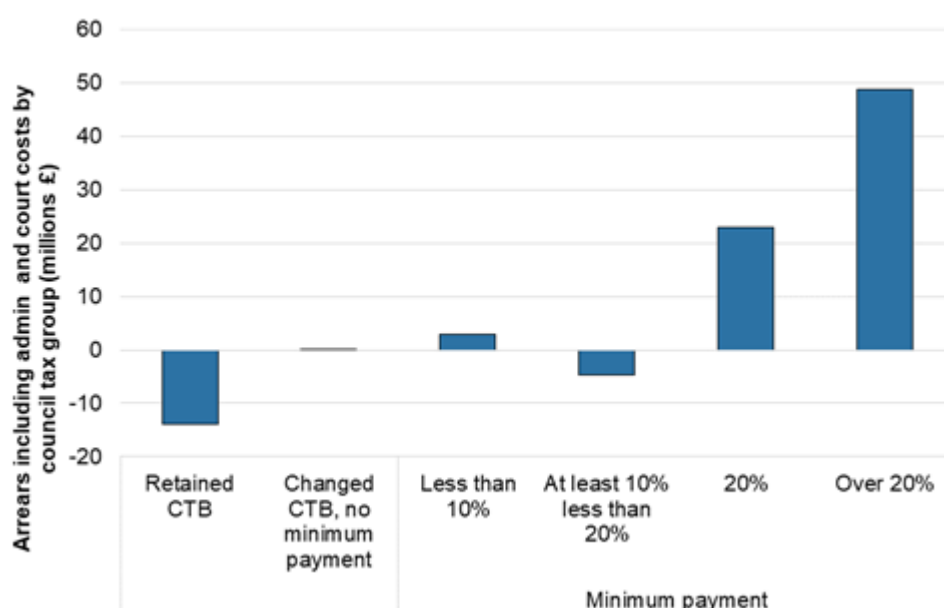
3.7.2 Council tax arrears arise when a resident falls behind with their council tax payments. The way that missed payments are pursued varies from council to council. In March 2018, Tower Hamlets Council signed up to the Citizens Advice and Local Government Association council tax protocol⁴ national initiative. The protocol offers practical steps aimed at preventing people from getting into arrears and advises on procedures for ensuring that enforcement agents act within the law and their guidelines when collection becomes necessary. It also sets out a best

4

https://www.towerhamlets.gov.uk/News_events/News/2018/March_2018/Mayor_Biggs_backs_Citizens_Advice_guidelines_to_stop_residents_getting_into_Council_Tax_arrears.aspx

practice standard for how collection processes can work well, with more early intervention to assist people struggling with payments, helping prevent further charges, alleviating stress and reducing both collection costs and demand on local public services.

- 3.7.3 National statistics show that in 2016-17, local authorities would have collected £26.8bn in council tax if everyone liable for council tax paid in full. Within this context, a small percentage point increase in uncollected tax represents a large sum. The graph below shows the level of arrears in, and takes into account the change in the council tax bases between the years to calculate the additional amounts of uncollected taxes in 2016-17 compared with 2012-13 the last year of CTB.^[2]



- 3.7.4 At the challenge session, Officers briefly outlined the steps that the council takes when residents have failed to pay their council tax, for whatever reason. Officers stressed their commitment to supporting residents who were unable to pay because of lack of funds, at the pre-recovery of arrears stage and at the debt recovery stage. Officers explained the steps made to engage with residents in Council Tax debt.

Pre-recovery of arrears

- 3.7.5 The legal protocol for pre-court recovery is shown below. In Tower Hamlets this protocol is adhered to with additional steps in terms of timing and discretionary reinstatement of instalments.

- 1) *Demand instalment becomes due* – a reminder issued – if not paid, a summons is issued. In Tower Hamlets, on live accounts, a

^[2] Council Tax Update 2017/18 – New Policy Institute <https://www.npi.org.uk/publications/council-tax/key-changes-council-tax-support-201718/>

summons is issued where residents are behind by two instalments, i.e. the reminder was not paid and the following monthly instalment

- 2) *A Reminder is Paid* - on further default a "2nd Reminder" is issued - if the 2nd Reminder is not paid, summons is issued where 2 instalments are behind, i.e. the reminder was not paid and the following monthly instalment)
- 3) *2nd Reminder Paid* – on further default – 'Cancellation/Final Notice' issued ending instalments & tax to year end due. At this stage residents have the opportunity to pay the overdue instalment and set a direct debit and instalments are reinstated. If the account is not rectified, paid or the direct debit set a summons is issued, the following month.

Debt recovery

3.7.8 Legally, it is only on the granting of a Liability Order that the Council can take further enforcement steps. This may include the use of Enforcement Agents and attachments to benefits along with other powers detailed on our web site. An attachment of benefits is where after a Liability Order is granted in favour of the council by the Magistrate; the council can request the Department for Social Security / Department for Works and Pensions to make deductions from the following benefits: Jobseeker's Allowance (JSA); Income Support (IS); Employment Support Allowance (ESA); Pension Credit Guaranteed Credit (PCGC) and for some of the benefits which have been replaced by Universal Credit (UC). The attachment of benefit can only happen if the person whose name appears on the Council Tax bill is in receipt of one of the above benefits. However, attachments will only be made by the DWP where a prior attachment is not in place for another debt, be it water rates, benefit overpayment or a prior Council Tax order. The Department for Work and Pensions will pay the deduction over to the council on a monthly basis until the debt is cleared. The rate for council tax deductions is currently £3.70 per week.

3.7.9 The Council's enforcement team take the following addition steps to benefit our residents that are not required by regulation.

- 1) Issuing at least one SMS/email reminder, before issuing the first postal reminder - to prompt engagement.
- 2) E-reminders are sent approximately 9-12 days after an instalment is overdue and after a further seven days paper reminders are issued.
- 3) With the summons and all post court enforcement notices debt advisory service information is included to sign post residents to both national and local partner advice agencies, such as the Citizens Advice Bureau, Toynbee Hall and Island Advice. We also pre-warn on costs of enforcement action and encourage residents to engagement with us.
- 4) Issuing a 'Warning Notice' not required by regulation advising of the powers held under a liability order – prior to use of post court enforcement action. This is done to prompt engagement and to

encourage contact and to agree payment. This notification clearly warns of costs of enforcement officer action.

- 5) A check is made, on cases with the council tax reduction in payment within the debt year prior to passing cases to an agent and attachments made where appropriate. Where attachments are not made, a letter is issued to advise why and encouraging the resident to call us and agree a payment plan. Again enforcement action costs are detailed. SMS/emails are issued again to prompt engagement.
- 6) Where discretionary payment plans are agreed once a Liability Order application is made, if payment is late the Council issue a further reminder and then a cancellation notice, to allow payment to be made and prevent further enforcement. Attachments are made where appropriate on default and failed plans are checked before passing to an Enforcement Agent.

3.7.10 The table below illustrates cycle of recovery reminders and number of reminders sent so far this financial year. Email and SMS reminders are only issued if the council holds this information.

Instalment Due Date	E-reminder date	Number of e-reminders issued (email and SMS)	Legal reminder date (letter)	Number issued	Summons date	Liability Order Hearing date
01/04/2018	09/04/2018	2,385 + 6,954 = 9,339	16/04/2018	9,634	08/05/2018	31/05/2018
01/05/2018	09/05/2018	1,052 + 3,478 = 4,530	16/05/2018	3,120	12/06/2018	05/07/2018
01/06/2018	08/06/2018	838 + 3,189 = 4,027	15/06/2018	6,817	10/07/2018	02/08/2018
01/07/2018	09/07/2018	868 + 2,817 = 3,685	16/07/2018	5,192	14/08/2018	06/09/2018
01/08/2018	09/08/2018	745 + 2,583 = 3,328	16/08/2018	3,981	11/09/2018	04/10/2018

Please note the above figures relate to Reminder 1, Reminder 2 and Cancellation Notices only.

3.7.11 The council's arrears procedures for are as available via the council website:

https://www.towerhamlets.gov.uk/ign/council_and_democracy/council_tax/What_happens_if_I_dont_pay.a.spx

3.7.12 At all stages in the arrears and recovery process, residents are encouraged to contact the Council and agree a payment plan, being prompted to do so more than once and advised of the consequences of not doing so. On the whole agents are only instructed where attachments are not appropriate or cannot be made and where a resident has not contacted the Council, despite messages or notices being issued, to agree a payment plan or have subsequently failed to pay an agreed plan. Officers regularly assist residents with payment, sign post residents to organisations such as the Citizens Advice Bureau and put the enforcement process on hold to allow those agencies to work with the residents and the council to agree an affordable payment plan.

3.7.13 Nevertheless, Members were concerned that the application of debt recovery costs incurred by residents was causing increased financial

hardship on residents who were already struggling to pay. They were also concerned that the use of bailiffs to recover outstanding sums, including from council tax support claimants may not always be happening “as a last resort”.

- 3.7.14 Councillor Marc Francis spoke about the Ethical Debt Collections Policy which aims to see the end of using bailiffs for council tax debt. Advocates argue the main benefit is avoiding increased hardship for residents and greater expense for the council, especially where there are unintentional consequences such as paying Council Tax at the expense of another priority bill such as rent, as this can lead to eviction.

RECOMMENDATION 7: The Mayor should undertake an assessment of the “ethical debt collection policy”, being promoted by the Stepchange debt charity and the Money Advice Service and implemented by the Hammersmith & Fulham and Bristol and report back to Cabinet by 31st March 2019 whether it will be implemented by LBTH.

Glossary

Attachments	Attachment of benefits order: Money can be taken from benefit (for example Income Support, Job Seeker's Allowance, Employment Support Allowance or Pension Credit) and passed to the council.
Council Tax Protocol	A revised collection of council tax arrears good practice protocol agreed by Citizens Advice, June 2017 and Local Government Association, June 2017 https://www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Council%20Tax/Citizens%20Advice%20Council%20Tax%20Protocol%202017.pdf
CTR LCTRS	Council Tax Reduction / Local Council Tax Reduction Scheme. A scheme which can help you to pay your council tax if you have a low income. If you are entitled to a CTR, your council tax bill is reduced.
CTS CTB	Council Tax Scheme formerly known as Council Tax Benefit.
DLA	Disability Living Allowance - money for people who have extra care needs or mobility needs (difficulty getting around) as a result of a disability.
MIF	Minimum Income Floor. For Universal Credit purposes, if a person is in gainful self-employment in an assessment period, and their earned income (i.e. their gross profits along with any employed earnings) in that assessment period amounts to less than their individual earnings threshold (the minimum income floor, MIF), they are treated as having earned income equal to the MIF. The MIF only applies to claimants who are placed in the all-work related requirements group (or who would be disregarding the operation of the MIF). Those who are in the no work related activity group, the work focused interview group or the work preparation group are not be subject to the MIF. The amount of the MIF is, very broadly, equivalent to the national minimum wage for each hour that the claimant is expected to work. For most people that will be 35 hours a week.
PIP	Personal Independence Payment - a benefit that helps with the extra costs of a long-term health condition or disability for people aged 16 to 64. It's gradually replacing Disability Living Allowance (DLA).
Section 13A	Section 13A of the Local Government Finance Act 1992 provides the council with a discretionary power to discount the amount of council tax that is payable to us on a case by case basis or to specify a specific class where several council tax payers may fall into a group due to similar circumstances.

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Appendix 2

LBTH Local Council Tax Reduction Scheme

Response to Scrutiny Challenge Session Report



November 2018

Response to the LCTRS Scrutiny challenge session recommendations

Recommendation 1: Implement the proposed extension of backdating period to 52 weeks from 1st April 2019 and the application of Section 13A relief for those claimants currently hit by the existing four-week limit

The intention is to support this recommendation subject to the outcome of the full public consultation.

The rationale for this is that entitlement to CTR normally commences from the start of the week following the date of claim. The council's current LCTRS contains provision to backdate entitlement for up to one month prior to the date of claim if the council feels that reasons for the delay in claiming is reasonable

However, in our experience the introduction of Universal Credit in Tower Hamlets has caused confusion in respect of what residents need to do to claim CTR and there is a risk that more residents will delay claiming which may result in them having to pay more council tax than they can reasonably afford.

Extending the backing period from one month to 52 weeks should help decrease this risk and ensure residents are not financially penalised if they delay claiming CTR.

The public consultation result was that 63.7% of respondents agreed to this proposal with 30% disagreeing.

Recommendation 2: Urgently provide greater clarity on whether the two child limit allowance will result in larger families affected having to pay more in future, in time to form response to consultation and any final decision by councillors whether this change should be made to LBTH's Local Council Tax Reduction scheme (LCTRS).

The intention is to include an income disregard in the assessment of CTR which is equal to the amount of child allowance included in the resident's Child Tax Credit or Universal Credit award.

This will align our LCTRS scheme with Housing Benefit (HB) and the LCTR provision for pensioners.

To further illustrate both the rationale for the inclusion of the two child limit and its effect on the 218 families who may be affected, it is necessary to explain that the amount of Child Tax Credit/Universal Credit a family receives is made up of an allowance for the parents and an allowance for each child. However, the child allowance is not paid for a third or subsequent child born after 3 April 2017.

The Child Premiums included in HB and LCTRS are essentially designed as an income disregard to offset the amount of Child Allowance included in the family's CTC/UC award. Consequently the HB and pensioner CTR schemes were amended from April 2017 to align with CTC/UC to the effect that a third or subsequent child born after 3 April does not attract a Child Premium. The rationale for this is that the

amount disregarded in the assessment of HB/Pensioner CTR is equal to the amount of Child Allowance the family receives.

The council did not amend its LCTRS from April 2017, this means that for families affected, the child disregard applied is greater than the amount of Child Allowance they actually get.

This will not affect families who get IS/JSA/ESA as they are “passported” to full CTR. However families who do not qualify for full CTR (usually those who are working; will get less CTR), this is due to the failure to align the Child Premium applied with the Child Allowance awarded in CTC/UC from April 2017.

The proposal for the scheme change is:

It is rational in that the amount of Child Allowance received is disregarded in the assessment of CTR

It aligns working age Local Council Tax Reduction with Housing Benefit, Universal Credit, Child Tax Credit and pensioner Council Tax Reduction.

If this change is approved:

(i) applying the change to third or successive children born after April 2019 only (and not April 2017), will protect the 218 households that would otherwise be affected were the change applied from April 2017. The 218 families with a third or subsequent child born after 3 April 2017 would have otherwise seen a reduction of between £1.10 and £13.38 per week in their LCTRS entitlement with the average loss approximately £9.66 per week; however, the proposal to apply the change from April 2019 protects these households and ensures they will not lose current entitlement.

(ii) any households having a third child after April 2019 will not incur any reduction to LCTRS as their Child Tax Credit would not change and they would not qualify for a Child Allowance in respect of the third child. Similarly Housing Benefit would remain the same as a Child Premium would not be included in their needs allowance in respect of the third child and there is no Child Allowance paid for this child.

(iii) this would reflect the public consultation results which show 55% agree with the proposed two child allowance restriction change, while 23% disagreed.

(iv) any exceptional financial needs arising from the implementation of this and indeed any of the proposed scheme changes will be met by the support available under S13A.

Recommendation 3: Waive or refund fees or charges for who have been financially disadvantaged by including the Disability Living Allowance and Personal Independence Payments in income assessments undertaken when residents applied for Section 13A discount

This refers to provision included in the current LCTRS whereby the level of non dependant deduction is predicated on the non dependant's total income including any disability benefits they may get.

This change proposed is to limit the level of deduction to £4.00 per week, (the lowest deduction that can be applied under the scheme) for any non dependant who is in receipt of a disability benefit. The intention is to mitigate the financial impact of deductions applied in respect of disabled non dependants.

It should also be noted that the council's Benefit Service has attempted to contact all households affected. Those households that responded have received a S13A discount, the effect of which was to offset any deduction applied in respect of disabled non deps above £4.00 per week.

However, it should be acknowledged that there may have been fees and charges applied for reasons that are not exclusively related to the level of deductions applied in respect of disabled non dependants and as such any refund or waiver will be considered in line with the council's corporate revenues collection policies.

Recommendation 4: Ensure those who might be directly impacted, for example, disabled non-dependants and self-employed claimants are written to inviting their views. Other stakeholders such as local advice agencies should also be directly engaged in the consultation process.

To help ensure the consultation is meaningful opinion was canvassed from a broad range of residents. To achieve this, the council has contacted all households with a council tax liability to invite them to take part in the consultation. The response rate from this consultation was high with 3,860 responses.

Recommendation 5: Develop and publish on its website a clear policy statement for the use of Section 13A relief from Council Tax setting out some of the circumstances in which it will or will not be granted, and how individuals and their representatives can appeal these decisions.

S13A provision incorporates a wide discretion to discount council tax liability and is not confined to residents who are detrimentally affected by changes to the council's LCTRS.

As such the council's LCTRS policy sets out holistic considerations for the application of discretion which can be adapted to set out specific considerations in respect of residents who are detrimentally affected by the changes to LCTRS. It is intended to adapt the policy to set the provision in respect of self-employed residents affected by notional earnings and publish the policy accordingly.

Recommendation 6: End the use of the Minimum Income Floor (MIF) in the calculation of entitlement for Council Tax Support from 1st April 2019 onwards and base assessments on actual income, not an assumed level of income aligned to the National Minimum Wage

The rationale for the inclusion of the Minimum Income Floor in respect of residents who have been self-employed for more than one year is well documented.

However, it should be noted that were this recommendation adopted this would mean the cost of the scheme increasing by an estimated £1.6m per year. This figure could increase as it will be subject to caseload churn and in year changes to claimant's circumstances; the annual cost to the council arising from the self-employed notional earnings is extremely difficult to estimate.

The most accurate method of doing so is to compare the self-employed caseload and total annual LCTR awarded to self-employed residents at 31 March 2017 (immediately prior to the inclusion of notional earnings) and the caseload and annual LCTR subsequent to April 2017 as represented in the table below:

Date	Total LCTRS entitlement	Self-employed Claim totals
March 2017	£2,085,183.36	2,511
June 2017	£460,011.24	758
Estimated annual cost of excluding notional earnings	£1,625,172.12	

The council must consider the best affordable LCTR scheme.

In considering this recommendation it should be noted that:

An analysis of all self-employed cases that were affected by the introduction of notional earnings (MIF) from April 2017 has been undertaken. This shows that Council Tax collection rates for these self-employed cases is 96% with the Borough average of 97.5%.

Support for self-employed cases provided by the council ensures that households who demonstrate they experience financial difficulties as a consequence of notional earnings (MIF) being applied, qualify for S13A discounts.

The aim of using notional earnings for self-employed households is to prepare our self-employed residents and to work with them to avoid the substantial negative financial impacts of Universal Credit. To demonstrate this, three actual case studies are provided below (the weekly Benefit losses in the three UC cases that follow are £104.71, £84.18 and £118.08 respectively).

Universal Credit self-employed real life case examples demonstrating the weekly loss in entitlement

Case Study 1

Couple with 2 children.

Net SE Earnings £168.29 per week

Pre UC

Legacy Benefits (Weekly)

Child Tax Credit £117.50

Working Tax Credit £61.13

Housing Benefit £311.40

Total £490.03.

Effect of MIF in UC

Monthly UC £1669.72

Convert to weekly £385.32.

So: Total Weekly Legacy Benefits £490.03, less

Weekly UC £385.32

Weekly loss in Benefits £104.71

Case Study 2

Single person.

Net SE Earnings £114.63 per week

Pre UC

Legacy Benefits (Weekly)

Working Tax Credit £52.22

Housing Benefit £57.58

Total £109.80.

Effect of MIF in UC

Monthly UC £111.00

Convert to weekly £25.62.

So: Total Weekly Legacy Benefits £109.80 less

Weekly UC £25.62

Weekly loss in Benefits £84.18

Case Study 3

Couple with 2 children.

Net SE Earnings £121.01 per week

Pre UC

Legacy Benefits (Weekly)

Child Tax Credit	£117.50
Working Tax Credit	£91.95
Housing Benefit	<u>£114.52</u>
Total	£323.97
Effect of MIF in UC	.
Monthly UC	£892.17
Convert to weekly	£205.89.
So: Total Weekly Legacy Benefits	£323.97, less
Weekly UC	<u>£205.89</u>
Weekly loss in Benefits	£118.08

In summary, in LCTRS we mirror provision included in Universal Credit which is currently being rolled-out in Tower Hamlets and those self-employed residents affected risk losing a substantial amounts of their weekly benefit entitlement when they migrate to Universal Credit unless they take steps to increase their earnings. This is because under Universal Credit the MIF will be used to assess the amount they will get in respect of both living costs and housing costs.

Mindful of this, the support afforded to residents who contact the council due to impact of the MIF on their CTR entitlement is proposed to be enhanced and includes a referral to the Workpath Enterprise Team who will assess the residents specific employment needs and refer them to one of their partner organisations who are equipped to provide specialist business support.

This process will be monitored and an initial S13A discount will also be considered to allow the resident time to access the business support provision. Any further application of the S13A discount will be predicated on the level of financial hardship experienced and the progress and engagement with the business support process.

Recommendation 7: Undertake an assessment of whether the “ethical debt collection policy”, being promoted by Stepchange and the Money Advice Trust and implemented by the Hammersmith & Fulham, and Bristol, could be implemented in Tower Hamlets, and report back to Cabinet by 31st March 2019.

The council has adopted the Citizens Advice Bureau ethical debt collection provision.

Other Comments on the report

Para 1.9. It is worth noting that of the three specific issues raised by the Advice Agencies, two were in respect of bailiffs and so were not directly related to LCTRS and the other concerned a resident affected by the MIF who, the Advice Agency confirmed had successfully accessed a S13A discount.

The representative from Island Advice specifically mentioned that colleagues representing clients outside of the borough were impressed with the pragmatism of the relationship between the council and advice practitioners in Tower Hamlets.

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Action	Responsibility	Date
<p>➤ Recommendation 1: Implement the proposed extension of backdating period to 52 weeks from 1st April 2019 and the application of Section 13A relief for those claimants currently hit by the existing four-week limit</p>		
Comment from service:		
All scheme changes need to be agreed by full council.		
Following full council approval we will:		
1.Redraft the scheme and obtain Legal approval	Steve Hill/Lee Fearon	January 2019
2. Liaise with our ICT provider to include changes	Steve Hill/Lee Fearon	January/February 2019
3. Publish the new LCTRS scheme	Steve Hill/Lee Fearon	March 2019

Action	Responsibility	Date
<p>➤ Recommendation 2: Urgently provide greater clarity on whether the two child limit allowance will result in larger families affected having to pay more in future, in time to form response to consultation and any final decision by councillors whether this change should be made to LBTH's Local Council Tax Reduction scheme (LCTRS).</p>		
<p>Comments: This information is supplied below: (i) the financial impact of the two child limit from April 2019 might have resulted in approximately 218 families with a third or subsequent child born after 3 April 2017 losing between £1.10 and £13.38 per week with the average loss approximately £9.66 per week, however the proposal is to apply the change from April 2019 which would protect these households and would mean they continue to receive LCTRS at the current levels. (ii) any households having a third child after April 2019 would not incur any loss as their Child Tax Credit would not change and they would not qualify for a Child Allowance in respect of the third child. Similarly Housing Benefit would remain the same as a Child Premium would not be included in their needs allowance in respect of the third child and there is no Child Allowance paid for this child. (iii) this would reflect the public consultation results which show 55% agreed with the proposed two child allowance restriction change, while 23% disagreed.</p>		
All scheme changes need to be agreed by full council.		
Following full council approval we will:		
1.Redraft the scheme and obtain Legal approval	Steve Hill/Lee Fearon	January 2019
2. Liaise with our ICT provider to include changes	Steve Hill/Lee Fearon	January/February 2019
3. Publish the new LCTRS scheme	Steve Hill/Lee Fearon	March 2019

Action	Responsibility	Date
<p>➤ Recommendation 3: Waive or refund fees or charges for who have been financially disadvantaged by including the Disability Living Allowance and Personal Independence Payments in income assessments undertaken when residents applied for Section 13A discount</p>		
<p>Comment from service:</p> <p>The information is supplied below: The council's Benefit Service has attempted to contact all households affected. Those households that responded have received a S13A discount, the effect of which was to offset any deduction applied in respect of disabled non deps above £4.00 per week.</p> <p>However, it should be acknowledged that there may have been fees and charges applied for reasons that are not exclusively related to the level of deductions applied in respect of disabled non dependants and as such any refund or waiver will be considered in line with the council's corporate revenues collection policies.</p>		


Action	Responsibility	Date
<p>➤ Recommendation 4: Ensure those who might be directly impacted, for example, disabled non-dependents and self-employed claimants are written to inviting their views. Other stakeholders such as local advice agencies should also be directly engaged in the consultation process.</p>		
<p>Comment from service:</p> <p>The information is supplied below:</p> <p>All LBTH households were contacted and invited to participate in the consultation which received a high response rate with 3,860 responses.</p>		
All scheme changes need to be agreed by full council.		
Following full council approval we will:		
1.Redraft the scheme and obtain Legal approval	Steve Hill/Lee Fearon	January 2019
2. Liaise with our ICT provider to include changes	Steve Hill/Lee Fearon	January/February 2019
3. Publish the new LCTRS scheme	Steve Hill/Lee Fearon	March 2019

Action	Responsibility	Date
<p>➤ Recommendation 5: Develop and publish on its website a clear policy statement for the use of Section 13A relief from Council Tax setting out some of the circumstances in which it will or will not be granted, and how individuals and their representatives can appeal these decisions.</p>		
<p>Comments from service:</p> <p>S13A provision incorporates a wide discretion to discount council tax liability and is not confined to residents who are detrimentally affected by changes to the council's LCTRS.</p> <p>As such the council's LCTRS policy sets out holistic considerations for the application of discretion which can be adapted to set out specific considerations in respect of residents who are detrimentally affected by the changes to LCTRS. It is intended to adapt the policy to set the provision in respect of self-employed residents affected by notional earnings and publish the policy accordingly.</p>		
While ensuring discretion is not fettered, review and adapt the S13A published advice to include information on provision for self-employed residents who are affected by notional income.	Steve Hill/Lee Fearon/Roger Jones	February 2019
All scheme changes need to be agreed by full council.		
Following full council approval we will:		
1.Redraft the scheme and obtain Legal approval	Steve Hill/Lee Fearon	January 2019
2. Liaise with our ICT provider to include changes	Steve Hill/Lee Fearon	January/February 2019
3. Publish the new LCTRS scheme	Steve Hill/Lee Fearon	March 2019

Action	Responsibility	Date
<p>➤ Recommendation 6: End the use of the Minimum Income Floor (MIF) in the calculation of entitlement for Council Tax Support from 1st April 2019 onwards and base assessments on actual income, not an assumed level of income aligned to the National Minimum Wage.</p>		
<p>Comments from service:</p> <p>This recommendation, if accepted would cost the council an estimated £1.6m per year.</p> <p>It should also be noted that:</p> <ul style="list-style-type: none"> ○ An analysis of all self-employed cases that were affected by the introduction of notional earnings (MIF) from April 2017 has been undertaken. This shows that Council Tax collection rates for these self-employed cases is 96% with the Borough average of 97.5%. ○ Support for self-employed cases provided by the council ensures that any affected households who demonstrate they experience financial difficulties as a consequence of notional earnings (MIF) being applied, qualify for S13A discounts. ○ The aim of using notional earnings for self-employed households is to prepare our self-employed residents and to work with them to avoid the substantial negative financial impacts of Universal Credit. Three actual case studies are provided within the report that accompanies this action plan. 		
All scheme changes need to be agreed by full council.		
Following full council approval we will:		
1.Redraft the scheme and obtain Legal approval	Steve Hill/Lee Fearon	January 2019
2. Liaise with our ICT provider to include changes	Steve Hill/Lee Fearon	January/February 2019
3. Publish the new LCTRS scheme	Steve Hill/Lee Fearon	March 2019

Action	Responsibility	Date
<p>➤ Recommendation 7: Undertake an assessment of whether the “ethical debt collection policy”, being promoted by Stepchange and the Money Advice Trust and implemented by the Hammersmith & Fulham, and Bristol, could be implemented in Tower Hamlets, and report back to Cabinet by 31st March 2019.</p>		
<p>Comments from service:</p> <p>The information is supplied below:</p> <p>The Council Tax Recovery process is set out on the Council website:</p> <p>https://www.towerhamlets.gov.uk/lgnl/council_and_democracy/council_tax/What_happens_if_I_dont_pay.aspx.</p> <p>The council has signed up to the Citizens Advice Bureau’s protocol relating to income collection and debt recovery</p>		

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<p style="text-align: center;">Cabinet Cover Sheet</p> <p style="text-align: center;">9 January 2019</p>	 <p style="text-align: center;">TOWER HAMLETS</p>
<p>Report of: Neville Murton; Acting Corporate Director, Resources</p>	<p>Classification: Unrestricted</p>
<p>Local Council Tax Reduction Scheme 2019-2020</p>	

Lead Member	Councillor Candida Ronald, Cabinet Member for Resources and the Voluntary Sector
Originating Officer(s)	Steve Hill, Head of Benefit Services Lee Fearon, Benefits Policy and Procedures Manager
Wards affected	All wards
Key Decision?	No – Council Decision
Forward Plan Notice Published	11 December 2018
Reason for Key Decision	N/A
Strategic Plan Priority / Outcome	Priority 1 - People are aspirational, independent and have equal access to opportunities

Executive Summary


The attached report seeks approval for changes to the existing Local Council Tax Reduction Scheme. Should the Mayor in Cabinet agree any changes these will be forwarded to Council for final approval.

Recommendations:

The Mayor in Cabinet is recommended to:

1. To consider the feedback from the consultation on the Local Council Tax Reduction Scheme.
2. To consider the options to revise the current scheme.
3. To agree the amended Local Council Tax Reduction Scheme be recommended to Council for consideration.

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<p>Non-Executive Report of the:</p> <p>Council</p> <p>23rd January 2019</p>	
<p>Report of: Neville Murton – Acting Corporate Director Resources</p>	<p>Classification: Unrestricted</p>
<p>Local Council Tax Reduction Scheme 2019-2020</p>	

Originating Officer(s)	Steve Hill – Head of Benefits Services Lee Fearon – Benefits Policy and Procedures Manager
Wards affected	All wards

Executive Summary

This report seeks full council approval for changes to the existing Local Council Tax Reduction scheme.

Since the abolition of the national Council Tax Benefit scheme, Tower Hamlets has maintained a Local Council Tax Reduction scheme which protects those on the lowest incomes in the Borough by provision of a 100% Council Tax rebate.

The Mayor in Cabinet received reports on 25th July and 31st October 2018 seeking views on proposed changes to the Local Council Tax Reduction scheme for 2019/20 together with results of the full public consultation on those changes and the recommendations for change.

For each financial year, the council is required by law to consider whether to revise its scheme or replace it with a different scheme. Any revision or replacement must be made by 11th March, prior to the new financial year.

Recommendations:

The council is recommended to change the Local Council Tax Reduction scheme for 2019/2020 and:

1. Agree the recommendation to limit the maximum disabled non dependant deduction to £4 per week.
2. Agree the recommendation to adjust the minimum level of income for self-employed under 25's to reflect age rules.
3. Agree the recommendation to enhance the support available to increase earnings and income for self-employed claimants.
4. Agree the recommendation to increase backdating provision for the scheme from 4 weeks to 52 weeks.

5. Agree the recommendation to use the same child allowances in the Local Council Tax Reduction scheme assessments as those used in Child Tax Credit, Universal Credit, Housing Benefit and the Local Council Tax Reduction assessments for pensioners and to apply this in respect of third or successive children born after April 2019.
6. To note the equalities impact assessment arising from the recommended changes to the scheme as set out in section 4 of this report.

1. REASONS FOR THE DECISIONS

1.1 Background

- 1.2 Each year the Council needs to consider whether to make changes to its local Council Tax Reduction scheme (LCTRS).
- 1.3 The national scheme, Council Tax Benefit, was abolished with effect from 1st April 2013. A national scheme for pensioners identical to Council Tax Benefit has remained in place since 2013 and Local Authorities assumed responsibility for the design and administration of a local replacement scheme for working age residents.
- 1.4 Under Council Tax Benefit all awards were fully funded by central Government via an annual subsidy grant predicated on the total amount of benefit awarded. However, subsidy for LCTRS awards has been frozen at the amount awarded for 2012/13 less 10% since April 2013, representing a national reduction of funding to Local Authorities of £500m. The funding provided by Central government is now included within the Revenue Support Grant and such the amount in respect of CTR cannot be separately identified.
- 1.5 The Council continued to operate a LCTRS for working age residents which was broadly based on Council Tax Benefit from April 2013 to March 2017. Although this protected residents, the reduction in Government Subsidy meant there was a cost to the Council estimated at between £2m and £4m per annum.
- 1.6 Due to increasing financial pressures and the need to respond to the introduction of Universal Credit, the Council decided to change its LCTRS with effect from 1st April 2017.
- 1.7 In changing the scheme in 2017, the Council ensured that residents on the lowest incomes retained 100% rebate of their Council Tax liability. Tower Hamlets remains one of only a handful of London councils who have retained this provision within their LCTRS since April 2013 and in doing so the Council has and continues to offer one of the most generous schemes in London.
- 1.8 The cost of the council's Local Council Tax Reduction scheme for 2017/18 was £24.7m; the current cost estimate for the scheme for the current financial year 2018/19 is £25.1m.

2. ALTERNATIVE OPTIONS

- 2.1 The Council can consider making any changes to its LCTRS annually from the start of the next financial year. Changes cannot be made in year.
- 2.2 Changes can only be made in relation to working age households as pensioners are protected. Any changes must be subject to a meaningful full public consultation as required by the Local Government Finance Act 1992 which stipulates that changes can only be enacted from the start of the subsequent financial year.
- 2.3 The council can decide not to make any changes to the current scheme.

3. DETAILS OF THE REPORT

3.1 Tower Hamlets current Local Council Tax Reduction Scheme

- 3.2 The Council's current LCTRS has been operating since April 2017 and is based primarily on the assessment criteria used for Council Tax Benefit. Consequently:
- Maximum entitlement is based on 100% of Council Tax liability
 - Entitlement is based on the claimant's and partner's joint income and capital
 - Income is compared to set allowances identical to those used in the assessment of Housing Benefit
 - If total income is at or below the set allowances, maximum CTR is awarded less any non-dependant deductions
 - If total income is above the set allowances, 20% of the excess is subtracted from Council Tax liability and the remainder is awarded as CTR less any non-dependant deductions. Consequently the amount of Council Tax the resident is required to pay is the lower of either 20% of their income above the applicable allowances or the full Council Tax liability
 - Deductions from CTR are made in respect of non-dependants (adults other than the claimant and partner who live in the household)
 - The LCTRS caseload as at 31st October 2018 was 27,934 made up of 7,950 pensioners and 19,984 working age households.
- 3.3 Cabinet considered a report on possible LCTRS scheme changes in July and agreed that a full public consultation on the possible changes to the scheme be undertaken. The results of the full public consultation were reported back to Cabinet in October. The results are attached at appendix 1 of this report. The consultation received an excellent response rate, which were broadly in agreement to the proposed changes.
- 3.4 Appendix 2 of this report provides an analysis of Local Authority LCTR schemes in London. It shows the minimum Council Tax payments due from households after full LCTR is awarded (Figures shown are for 2017/18). For information, the appendix also captures councils who have advised that they

currently apply the minimum income floor and two child allowance restrictions in the assessment of LCTRS.

- 3.5 Limiting Disabled Non Dependant deductions to £4.00 per week
- 3.6 Non dependant deductions are applied based on non dependant's income. An unintended consequence of the scheme has been that some disabled non dependants attract a non dependant deduction higher than £4 per week, which is the lowest non dependant deduction. A change is therefore proposed to apply a maximum £4 deduction to disabled non dependants, regardless of their income.
- 3.7 If this change is agreed the financial impact will be cost neutral to the council as currently these households can qualify for S13A discount which effectively reduces the deduction to £4.00 per week; this in acknowledgement of any deduction higher than £4.00 was an unintended consequence of the scheme and the small numbers affected.
- 3.8 Adjusting notional income levels for self-employed claimants under 25 years
- 3.9 Notional earnings equivalent to 35 hours at National Living Wage is applied to claimants who have been self-employed for 12 months or more and have declared earnings below the notional income level. This has the advantage of enabling the Council to support and encourage residents to increase their earnings and reduce the risk of a significant loss of benefits entitlement when they migrate to Universal Credit.
- 3.10 The notional income provision was applied from 1 April 2017 for claimants who had completed 12 months self-employment at this date and from the date on which 12 months self-employment is completed for claimants who had worked less than 1 year at 1st April 2017.
- 3.11 This proposed change seeks to adjust the minimum level of income for under 25's to reflect associated national minimum age rules.
- 3.12 There are very few cases affected by this proposed change and consequently if this change is agreed the financial impact will be negligible/cost neutral to the council.
- 3.13 Enhancing support available for Self-employed claimants
- 3.14 This proposed change will ensure that the Benefits Service will work with the Enterprise Team established within "Workpath" to set up an enhanced referral process for self-employed residents affected by the MIF. Those residents referred will be able to access specialist employment support and advice provided by one of the Enterprise Teams partner organisations.
- 3.15 Following a referral from the Council's Benefits Service the Enterprise Team will initially contact the resident to establish their requirements to enable them

to tailor the support provided to the resident's individual needs and increase self-employed earnings and income.

- 3.16 A S13A discount is likely to be initially applied to help where financial assistance is considered appropriate and the referral process is undertaken. This will be reviewed periodically as progress is assessed.
- 3.17 If this change is agreed, the financial impact to the council is an administration cost which will be covered by existing resources.
- 3.18 Backdating – increase in provision from one month to 52 weeks
- 3.19 An award of Council Tax Reduction (CTR) will usually start from the week following receipt of an application and there is currently provision to backdate an award for one month if there are valid reasons for the delay in applying. However, the introduction of Universal Credit appears to have caused some confusion and the council is experiencing increasing incidents of residents who delay claiming CTR for longer than one month; consequently residents are having to pay more council tax than they can reasonably be expected to afford.
- 3.20 This change proposes increasing backdating provision from one month to 52 weeks to help to address this and ensure residents receive LCTRS they are entitled to.
- 3.21 If this change is agreed it is likely to increase the cost of the scheme, however the increase is difficult to quantify as it is entirely dependant on the number of claims made where backdating will apply. Where backdating is appropriate the increased cost to the council will be offset by the cost of recovering monies which would otherwise be unlikely or extremely difficult to recover given the claimants financial circumstances.
- 3.22 Two Child allowance restriction in the assessment of Council Tax Reduction
- 3.23 Currently the Local Council Tax Reduction scheme assessment process is not aligned with Child Tax Credit, Universal Credit, Housing Benefit and the pensioner Local Council Tax Reduction rules in respect of child allowances. Consequently to bring the LCTR scheme into line a change is proposed whereby the same two child allowance restrictions are used in the assessment of LCTR for our working age residents.
- 3.24 This proposed change is complex and appendix 3 provides a case study example to demonstrate the assessment process.
- 3.25 The number of current households that could be affected is estimated at approximately 218 losing between £1.10 and £13.38 per week with the average loss of £9.66. The cost is approximately £110k. However, given the intention of this proposal is to realign the working age LCTRS assessment process with pensioner LCTRS, Child Tax Credit, Universal Credit and Housing Benefit; these households would be protected by applying the

change to third or successive children born after April 2019 (and not April 2017). Consequently to ensure these households are protected the proposal is to introduce this change from April 2019.

- 3.26 It is not possible to quantify or forecast the number of households who will have a third child from April 2019 onwards, however the effect of the change will be that households with a third or successive child born from April 2019 will not see any change to their current LCTRS entitlement on the birth of an additional child. The case example at appendix 3 demonstrates this.
- 3.27 If this proposed change to the scheme is agreed and is applied to households who have a third or successive child from April 2019, as existing cases will be protected and new cases from April 2019 will continue to receive the same LCTRS as they receive currently, the change will be cost neutral to the scheme.
- 3.28 It is important to note that any exceptional financial needs arising from the implementation of this and any of the proposed scheme changes will be met by the support available under S13A.

4. EQUALITIES IMPLICATIONS

- 4.1 The Local Council Tax reduction scheme was subject to a full equality analysis when the changes were introduced from April 2017.
- 4.2 The changes that are proposed to the existing scheme contained within this report do not adversely impact service users.
- 4.3 The change proposed that reduces non dependant deductions for disabled non dependants to the minimum £4 weekly deduction will have a positive impact on disabled residents who were previously subject to a higher deduction due to their income levels.
- 4.4 Adjusting the minimum income levels to reflect the levels set for under 25's will have a positive impact on younger self-employed residents.
- 4.5 Enhancing the support provided to self-employed residents to maximise their income and earnings from self-employment will have a neutral impact on target groups. This support will be available to all households.
- 4.6 Increasing the backdating provision from one month to 52 weeks will have a neutral impact on target groups and will apply to any household that can demonstrate good reason for failing to make their claim earlier.
- 4.7 The proposals to align the Local Council Tax Reduction assessment process for working age households with more than two children with the assessment process used for Child Tax Credit, Universal Credit, Housing Benefit and the pensioner Local Council Tax Reduction, could impact on approximately 218 households. An analysis of these cases has been undertaken. It should be

noted that diversity monitoring information has only been provided by residents on 59% of all LCTRS claims.

- 4.8 The number of current households affected by the two child restriction assessment is proportionately very low, estimated at 218 from a caseload of 27,934 of which 19,984 are working age.
- 4.9 Analysis of the 218 households shows that 54% of households are from Asian/Bangladeshi background however it should be noted that 39% have not supplied any diversity information. This would suggest that while mitigated by the small number of cases affected, this change may adversely impact on Asian/Bangladesh households. However, the proposal is to introduce and apply this change to households with a third or successive child born after April 2019 and if accepted, these households will have their LCTRS entitlement protected. The council will monitor the impact of this change and any exceptional financial needs arising from the implementation of this change will be met by S13A support.

5. OTHER STATUTORY IMPLICATIONS

- 5.1 This report acknowledges the financial pressures on the council and the need to set the best affordable Local Council Tax Reduction scheme.

LCTR scheme costs since 2012/13

The table below shows the annual cost of the council's LCTR scheme from 2012/13 which was the last year of the national Council Tax Benefit scheme. LCTRS came in from April 2014.

Year	LCTR Scheme cost	Notes
2012/13	£29.4 m	Last year of national CTB scheme
2013/14	£29.1m	First year of LCTRS
2014/15	£27.9m	
2015/16	£26.8m	
2016/17	£26.3m	
2017/18	£24.7m	
2018/19	£25.1m	Current forecast

- 5.2 The proposed changes to the scheme have been subject to a full public consultation with every household in the borough contacted by post or via email and a high response rate has been received.

5.3 Best value - Self-employed Notional earnings (Minimum Income Floor)

From its introduction in April 2017, the Minimum Income Floor provision (MIF) means instead of actual earnings Council Tax Reduction is assessed on notional earnings equivalent to 35 hours at national minimum wage for residents who:

- have been self-employed for longer than 12 months and
- are earning below the notional earnings rate

The rationale for inclusion of notional earnings is as follows:

- align Local Council Tax Reduction assessment with Universal Credit. Full Universal Credit, (UC) has been introduced in Tower Hamlets and includes an equivalent minimum income floor applicable to self-employed earnings following 12 months self-employment.
- it provides the council with an opportunity to engage with self-employed residents earning less than the national minimum wage to ascertain what help or advice can be provided to help them develop their self-employed business and to increase their income or reduce costs.
- to partly offset the government's funding reductions to the LCTRS that were previously fully absorbed by the Council.

5.4 Cost of the self-employed MIF (notional earnings) scheme provision

Due to caseload churn and in year changes to claimant's circumstances the annual cost to the council arising from the self-employed notional earnings is extremely difficult to estimate.

The most accurate method of doing so is to compare the self-employed caseload and total annual LCTR awarded to self-employed residents at 31 March 2017 (immediately prior to the inclusion of notional earnings) and the caseload and annual LCTR subsequent to April 2017 as represented in the table below:

Date	Total LCTRS entitlement	Self-employed Claim totals
March 2017	£2,085,183.36	2,511
June 2017	£460,011.24	758
Estimated annual cost of excluding notional earnings	£1,625,172.12	

When considering the best affordable LCTR scheme it is worth noting that the scheme costs would increase by an estimated £1.6m were the self-employed MIF provisions to be excluded from the LCTR scheme.

- 5.5 An analysis of all self-employed cases that were affected by the introduction of notional earnings (MIF) from April 2017 has been undertaken. This shows that Council Tax collection rates for these self-employed cases is 96% with the Borough average of 97.5%.
- 5.6 The main risk to the scheme is to ensure the Council has an agreed scheme for LCTRS approved by full Council before 11th March 2019 and that it is in place by the beginning of the financial year 2019/2020; that the scheme is written and approved by Legal and any changes to the LCTRS Benefits ICT system are delivered.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 Following comprehensive consultation this report sets out the proposed changes to the current Local Council Tax Reduction Scheme (LCTRS), while acknowledging current financial pressures on the Council and the need to put in place an affordable LCTRS.
- 6.2 With the on streaming of Universal Credit the current forecasted cost of the LCTRS in 2018/19 is estimated at £25.1m, as per para1.8.
- 6.3 The limiting of the maximum disabled non dependant deduction, as set out in para 3.7, is not likely not to increase the financial burden on the Council's General Fund budget.
- 6.4 While introducing adjustments to the minimum level of income for the self-employed under 25's to reflect age rules is anticipated to have a negligible impact on scheme costs due to the small number of under 25 self-employed cases; the report does acknowledge that the notional earnings for self-employed claimants (minimum income floor) would cost an estimated £1.6m in the event that the council were to decide to end the use of notional earnings for self-employed.
- 6.5 Enhancing support for self-employed claimants will require the Council to work in collaboration with other agencies, to in essence provide a tailor made service supporting the individual residents needs and increase self-employed earnings and income. The administration cost that the council will incur to achieve these better outcomes will be absorbed by existing financial resources.
- 6.6 The backdating increase in provision from one month to 52 weeks increases the resident's potential to maximise LCTRS entitlement. The impact of this change is set out between para 3.19 - 3.21 potentially this will increase the need for the Councils bad debt provision to be increased as the Council seeks to recover funds from claimants that are in challenging financial circumstances.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council has the legal obligation to publish a scheme detailing the availability of Council Tax reduction should it so wish to make available a reduction.
- 7.2 The Council has the legal power to make the proposed amendments to the previously published scheme
- 7.3 The Council has the legal duty to consult with its residents before introducing or amending a published scheme. This has occurred.

- 7.4 The amendments proposed in this paper could have an appreciable effect on persons who have a protected characteristic for the purposes of the Equality Act 2010. However, the Council has taken appropriate steps to consider what the effects might be and to take such considerations into account whilst this decision is at a formative stage.
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Linked Reports, Appendices and Background Documents

Linked Reports

- **Cabinet Report – 25th July 2018 – Local Council Tax Reduction Scheme**
<http://democracy.towerhamlets.gov.uk/documents/g8858/Public%20reports%20pack%2025th-Jul-2018%2017.30%20Cabinet.pdf?T=10>
- **Cabinet Report – 31st October 2018 – Local Council Tax Reduction Scheme 2019/20**
<http://democracy.towerhamlets.gov.uk/documents/g8860/Public%20reports%20pack%2031st-Oct-2018%2016.00%20Cabinet.pdf?T=10>
- **LBTH Council Tax Reduction Scheme: A Scrutiny Challenge Report**

Appendices

- Appendix 1 - LCTRS consultation responses 2018
- Appendix 2 – London Boroughs LCTRS 2017/18 – minimum Council Tax payment
- Appendix 3 - Two child allowance restriction assessment in LCTRS

Local Government Act, 1972 Section 100D (As amended)

List of “Background Papers” used in the preparation of this report

None

Officer contact details for documents:

Steve Hill – Head of Benefits Services

Appendix 1 – LCTRS consultation responses 2018

The consultation closed on 24th October 2018.

Disabled Non Dependant deductions

Non dependant deductions are applied based on non dependant's income. An unintended consequence of the scheme has been that some disabled non dependants attract a non dependant deduction higher than £4 per week, which is the lowest non dependant deduction. A change is therefore under consideration to apply a maximum £4 deduction to disabled non dependants, regardless of their income.

The consultation asked do you agree that the council should limit the maximum deduction to £4 for disabled non dependants.

3,860 responses were received

Should the council limit disabled non dependant deductions to £4 per week?	Percentage	Number
Agree	55.36%	2,137
Disagree	26.27%	1,014
Don't know	18.37%	709

Self-employed claimants under 25 years

A minimum income floor (MIF) equivalent to 35 hours at National Living Wage is applied to claimants who have been self-employed for 12 months or more and have declared earnings below the MIF level. A benefit of using the MIF for self-employed people allows the Council to support and encourage residents to increase their earnings and reduce the risk of a significant loss of benefits entitlement when they migrate to Universal Credit.

The MIF was applied from 1 April 2017 for claimants who had completed 12 months self-employment at this date and from the date on which 12 months self-employment is completed for claimants who had worked less than 1 year at 1st April 2017.

The consultation asked do you agree the minimum level of income for under 25's who are self-employed should be adjusted to reflect minimum age rules.

3,860 responses were received

Should the minimum level of income for self-employed under 25's be adjusted to reflect minimum age rules?	Percentage	Number
Agree	69.04%	2,665
Disagree	22.64%	874
Don't know	8.32%	321

Self-employed claimants – enhanced support package

Tower Hamlets Benefits Service is currently working with the Enterprise Team established within Workpath to set up an enhanced referral process for self-employed residents affected by the MIF. Those residents referred will be able to access specialist employment support and advice provided by one of the Enterprise Teams partner organisations.

The Enterprise team will initially contact resident to establish their requirements to enable them to tailor the support provided to the resident's individual needs.

A S13A discount is likely to be initially applied to help avoid hardship whilst the referral process is undertaken and will be reviewed periodically as progress is assessed.

The consultation asked do you agree that support for self-employed claimants should be enhanced to increase their earnings and income.

3,860 responses were received

Should the support for self-employed claimants be enhanced to increase earnings and income?	Percentage	Number
Agree	54.95%	2,121
Disagree	32.15%	1,241
Don't know	12.90%	498

Backdating – increase in provision

An award of CTR will usually start from the week following receipt of an application and there is currently provision to backdate an award for one month if there are valid reasons for the delay in applying. However, the introduction of Universal Credit appears to have caused some confusion and we are experiencing increasing incidents of residents who delay claiming CTR for longer than 1 month, consequently residents are having to pay more council tax than they can reasonably be expected to afford.

Increasing backdating provision from one month to 52 weeks should help to avoid this.

The consultation asked do you agree that entitlement to claim should be increased to up to 52 weeks.

3,860 responses were received

Should the council increase its backdating provision up to 52 weeks?	Percentage	Number
Agree	63.78%	2,462
Disagree	30.08%	1,161
Don't know	6.14%	237

Child allowances used in the assessment of Council Tax Reduction

Currently the Local Council Tax Reduction scheme assessment process is not aligned with Child Tax Credit, Universal Credit and Housing Benefit in respect of child allowances. Consequently to bring the LCTR scheme into line a change is proposed whereby the same child allowances are used in the assessment of Council Tax Reduction.

The consultation asked do you agree that the council should change child allowances in the assessment of Local Council Tax Reduction to reflect those used in the assessment of Child Tax Credit, Universal Credit and Housing Benefit.

3,860 responses were received

Should the council use the same child allowances in LCTRS as that used in Child Tax Credit, Universal Credit and Housing Benefit?	Percentage	Number
Agree	54.72%	2,112
Disagree	22.95%	886
Don't know	22.33%	862

LCTRS Public consultation written submissions and public comments

As part of the consultation written responses were received from the Greater London Authority (GLA) as a precepting authority, and also from our local advice agency Toynbee Hall.

The full responses are available as background papers for this report.

We also received 762 free text comments from the public which will also be summarised as background papers.

GLA written submission - summary

The GLA advise that in principle they support the proposed changes outlined in the consultation and their submission is broadly favourable. They acknowledge that the process should be more flexible in recognising individuals' differing circumstances and in particular will provide support to self-employed workers under 25 and those with disabilities, health difficulties and hardship.

The GLA note the backdating proposal to increase provision to 52 weeks appears sensible.

The GLA note that under the two child restriction proposal, some families may lose some entitlement to LCTR in comparison with the current scheme.

The Council acknowledges that some families affected by this change will get less LCTR; previously they will have benefited from the Council's decision not to align the Child Premium with their Child Allowance from April 2017. The change will also align LCTRS with Housing Benefit, the national CTR provision for pension age residents, Universal Credit and Child Tax Credit. If any families experience hardship as a result of the change, they will be offered S13A support.

The GLA make a broad comment about delaying managed migration of Universal Credit, but the council's proposals are predicated on the fact that full service UC was introduced in most of Tower Hamlets from March 2017 and DWP have given no indication that they intend to halt this process.

Toynbee Hall – written submission - summary

Toynbee raised two concerns:

Self-employed Minimum Income Floor (MIF) – Toynbee wanted to clarify whether S13A would be applied for hardship regardless of take up of employment support. The Council intend(s) to formalise and publish guidelines for the use of S13A provision for this group of claimants. Reference is also made to ensuring it is not council policy to advise self-employed residents to register as unemployed, which is noted.

Two Child Restriction – Toynbee Hall have presented this as “Removing Family Allowance” which is not accurate. The Child Allowance included in Child Tax Credit and Universal Credit has been removed in respect of any third or subsequent child born on or after 4 April 2017. Consequently the Child Premium included in the assessment of Housing Benefit and Council Tax Reduction for pension age residents; which effectively disregards the Child Allowance they get was removed for these children from April 2017. The purpose of this was to align the income disregarded with the level of Child Allowance awarded.

However, as Tower Hamlets LCTRS currently includes a Child Premium for any third or subsequent child, it is in effect including a disregard for income the resident no longer gets, and consequently the disregard is applied to other income such as earnings which is not what was intended when the scheme was designed.

Therefore the rationale for removing the Child Premium for the third and subsequent child is to ensure the disregard applied in the assessment of CTR aligns with the amount of Child Allowance the resident actually gets.

The council is aware that CPAG have commenced a legal challenge against the Government's two child restriction and the intention is to draft the new scheme to ensure that the disregard applied in LCTRS aligns with the Child Allowance included in Child Tax Credit and Universal Credit. This will ensure that the council's LCTRS will conform with the outcome of the legal challenge.

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Appendix 2 - London Boroughs LCTRS - Minimum Council Tax Payment

The table below sets out the latest information available for **2017/18** LCTR schemes and details the minimum council tax contribution after LCTRS is applied for households on the lowest income in each of 33 London boroughs.

The table also shows LA's who apply the self-employed Minimum Income Floor and the two child allowance in the LCTRS assessment for working age households.

Local Authority	Lowest income households minimum Council Tax Payment after LCTRS %	Self-employed MIF for working age households	Two child allowance for working age LCTRS assessments
Tower Hamlets	0%	YES	
Camden	0%		
City of London	0%		
Hammersmith & Fulham	0%		
Hounslow	0%		
Kensington & Chelsea	0%		YES
Kingston Upon Thames	0%		YES
Merton	0%		
Westminster	0%		
Islington	8.5%	YES	YES
Croydon	15%		
Greenwich	15%		YES
Hackney	15%		
Havering	15%		
Lambeth	15%		
Richmond Upon Thames	15%		YES
Southwark	15%		YES
Sutton	17.5%	YES	
Haringey	19.8%		
Barnet	20%		
Bexley	20%		YES
Brent	20%		
Newham	20%		YES
Redbridge	20%		
Waltham Forest	24%	YES	YES
Barking & Dagenham	25%		
Bromley	25%		YES
Ealing	25%	YES	
Hillingdon	25%		YES
Enfield	26.5%		YES
Harrow	30%		
Wandsworth	30%		
Lewisham	33%		YES

Tower Hamlets is one of only 9 London boroughs offering a 100% rebate through its Local Council Tax Reduction Scheme (LCTRS) to its lowest income households.

This means that Tower Hamlets residents who qualify for the maximum council tax reduction through LCTRS do not have to pay any council tax.

Appendix 3 – Two child allowance restriction assessment in LCTRS

Two Child Allowance restriction

The effect of the two child restriction is probably best described by first explaining that most the benefits assessment process involves comparison an applicant's income with national amounts prescribed by DWP to reflect a household needs (for ease of reference we will refer to these as a "needs allowance").

The needs allowance includes amounts for the claimant/partner and an amount for each dependant child known as a "Child Premium". **It is relevant to note the level of Child Premium(s) is approximately the same as the amount of Child Allowance included in Child Tax Credit or Universal Credit payments and as such the Child Premium applied in Housing Benefit and Council Tax Reduction effectively acts as a disregard to the amount of Child Allowance included in the applicant's CTC/UC award**

However, the Government withdrew the Child Allowance included in Child Tax Credit and Universal Credit for any third or subsequent child born on or after 4 April 2017 and consequently the Child Premium was removed for these children in the assessment of both Housing Benefit and pensioner LCTR.

Applicants whose income is equal to or below their needs allowance will get full Housing Benefit and LCTR (less any non-dependant deductions). This includes recipients of Income Support/Job Seekers Allowance and Employment Support Allowance because these benefits are assessed using the same needs allowances as Housing Benefit and LCTR; consequently an award of IS/JSA/ESA "passports" the recipient to full Housing Benefit /LCTR.

Where an applicant's income is above their needs allowance a taper is applied to the excess and this is deducted from full entitlement.

The taper is:

- 65% for Housing Benefit
- 20% for Council Tax Reduction

Case example

Couple with 2 children, weekly rent is £200 weekly council tax is £20.00.

Net earnings after Tax/NI and disregards	£200.00 per week
Working Tax Credit	£50.00 per week
Child Tax Credit	<u>£100.00 per week</u>
Total weekly income	£350.00

Needs Allowance	
Couple	£114.85
Family Premium	£17.45
Child Premium	<u>£133.80</u>
(£66.90 for each child x 2)	
Total	£266.10

Total income	£350.00 less
Needs Allowance	<u>£266.10</u>
Excess Income	£83.90

Housing Benefit

Rent £200.00 per week

65% of excess income (£83.90) for Housing Benefit = £54.54

£200.00 rent less £54.54

= £145.46 Housing Benefit entitlement

LCTR

Council Tax £20.00 per week

20% of excess income (£83.90) for LCTR = £16.78

£20.00 less £16.78

= £3.22 LCTR entitlement

If the same couple had a third child born on or after 4 April 2017 their Child Tax Credit would not change as they would not qualify for a Child Allowance in respect of the third child. Similarly Housing Benefit would remain the same as a Child Premium would not be included in their needs allowance in respect of the third child; which appears logical because there is no Child Allowance paid for this child.

However, due to the fact that we did not apply the two child allowance restriction to our working age LCTRS, the assessment of CTR for affected families is more generous than for Housing Benefit because we are continuing to apply a Child Premium even though they do not get any Child Allowance for this child. Consequently the Child Allowance for the third child is instead offset from their other income as follows:

**The same couple but now with a third child born after 4 April 2017.
Weekly rent is £200 weekly council tax is £20.00.**

Net earnings after Tax/NI and disregards	£200.00 per week
Working Tax Credit	£50.00 per week
Child Tax Credit	<u>£100.00 per week</u>
Total weekly income	£350.00

Needs Allowance (CTR) - Child premium included for third child.	
Couple	£114.85
Family Premium	£17.45
Child Premium (£66.90 x 3 children)	<u>£200.70</u>
Total	£333.00

Total income	£350.00 less
Needs Allowance	<u>£333.00</u>
Excess Income	£17.00 (20% = £3.40).

LCTR (current scheme)

Council Tax £20.00 per week
 20% of excess income = £3.40
 £20.00 less £3.40
 = **£16.60 LCTR** entitlement.

However, if we changed LCTRS to apply the 2 Child Restriction from April 2019, the effect would be as follows (essentially although they have three children they would be restricted to two for the purposes of calculating LCTR):

Needs Allowance (CTR) - Child premium excluded for third child.	
Couple	£114.85
Family Premium	£17.45
Child Premium (£66.90 for 2 children - restricted)	<u>£133.80</u>
Total	£266.10

Total income	£350.00 less
Needs Allowance	<u>£266.10</u>
Excess Income	£83.90 (20% = £16.78).

LCTR (with two child allowance restriction)

Council Tax £20.00 per week
 20% of excess income = £16.78
 £20.00 less £16.78
 = **£3.22 LCTR** entitlement.

So, currently this resident is entitled to £13.38 CTR per week more than he/she would have got had we applied the two child allowance restriction for working age LCTRS cases from April 2017. This is due to the fact that our LCTRS continued to apply the Child Premium in respect of the third child from April 2017 to 31 March 2019 even though these families would not have had the Child allowance for the child included in their CTC or UC payments.

The effect of this is that the Child Premium which would normally apply as a disregard to the Child allowance in the assessment of CTR is instead disregarded against the residents other income thus increasing their CTR entitlement.

As CTR awards are not subsidised by the Government this effectively means that the council are using local funds to partially offset the effects of the Government's decision to withdraw financial support for the third child in CTC/UC.

However, the negative impact on families who have a third or subsequent child between April 2017 and April 2019 would be avoided if we only applied the 2 child restriction in respect of a families where a third or subsequent child is born from April 2019.

It is worth noting that:

1. The two child allowance restriction is applied within all pensioner LCTRS cases.
2. If we were to apply the two child allowance restriction in LCTRS only those residents with income above their needs allowance would be affected. Those on passported benefits (IS/JSA/ESA) would not be affected.
3. According to our records this would affect approximately 218 residents.