

<p style="text-align: center;">Non-Executive Report of the:</p> <p style="text-align: center;">Overview and Scrutiny Committee</p>	 <p style="text-align: center;">TOWER HAMLETS</p>
<p>Report of: Zena Cooke, Corporate Director Resources</p>	<p>Classification: Unrestricted</p>
<p style="text-align: center;">LBTH Council Tax Reduction Scheme: A Scrutiny Challenge Report</p>	

REASONS FOR URGENCY

The report was not published five clear days in advance of the meeting. Therefore, before this report can be considered at this meeting, the Chair of the Committee would need to be satisfied that it is necessary to consider the scrutiny challenge report in response to the Council Tax Reduction Scheme consultation without that consideration being delayed to a later meeting. As this report is timed to coincide with the report on changes to the local council tax reduction scheme consultation that will be considered at Cabinet on 31st October, 2018, the Committee may take the view that it is important that this report does not go to Cabinet without member oversight.

Executive Summary

1.1 This report provides the report and recommendations of the Scrutiny Challenge Session report on the issue of the London Borough of Tower Hamlets Council Tax Reduction Scheme.

Recommendations:

The Overview and Scrutiny Committee is recommended to:

1. Agree the report and the recommendations; and
2. Authorise the Divisional Director of Strategy, Policy and Partnership to amend the draft report before submission to Cabinet, after consultation with the Chair of the Overview and Scrutiny Committee.

1. REASONS FOR THE DECISIONS

1.1 This report highlights the proposed changes to the Council's council tax reduction scheme (CTRS) and outlines the findings and recommendations from the Scrutiny Challenge session on the CTRS in time to feed into the formal consultation process.

2. ALTERNATIVE OPTIONS

2.1 The committee may decide to not to agree the recommendations. This is not recommended as the report outlines work undertaken by Councillors and

officers to identify areas of improvement.

3. DETAILS OF 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. 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?
- 3.6 Members that attended the challenge session were:

Name	Title	Organisation
Cllr Marc Francis	Scrutiny Lead for Resources, Councillor, Overview and Scrutiny Vice Chair, and Councillor	LBTH

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

- 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	LBTH
Steve Hill	Head of Benefits Services and Grants	LBTH
Lee Fearon	Central Benefits Officer	LBTH
Ellie Kershaw	Tackling Poverty Programme Manager	LBTH
Sam Crosby	Adviser	Toynbee Hall Advice Centre
Muzammel Hussen	Adviser	Legal Advice Centre
Jo Ellis	Adviser	Island Advice Centre

- 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.

4. EQUALITIES IMPLICATIONS

- 4.1 HM Revenues and Customs latest poverty profile shows that Tower Hamlets is the 10th most deprived local authority in England in terms of its average deprivation score with 18,875¹ children living in poverty. Census figures found that 78 percent of Bangladeshi residents lived in households receiving council tax benefit, compared with 33 percent of other (non-Bangladeshi) residents. Members at the Challenge Session felt that the proposed changes in relation to the Minimum Income Floor may disproportionately affect some of our most vulnerable residents – for example disabled non-dependents and self-employed claimants. Taking steps to mitigate against residents on lower incomes being disproportionately impacted by the changes to the CTRS is therefore at the heart of the review and a focus for recommendations.

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,

¹ <https://www.gov.uk/government/statistics/personal-tax-credits-children-in-low-income-families-local-measure-2015-snapshot-as-at-31-august-2015>

- Crime Reduction,
- Safeguarding.

5.2 No specific statutory implications.

6. COMMENTS OF THE CHIEF FINANCE OFFICER

- 6.1 This report and attachments summarises the work undertaken and recommendations of the Overview and Scrutiny committee following their review of the Local Council Tax Reduction Scheme (LCTRS). It included a review of changes consulted on during 2018 with a proposed implementation from April 2019.
- 6.2 Consultation has taken place on a number of options and the results of that consultation together with the outcome of the scrutiny review will be reported to Cabinet on the 31st October 2018.
- 6.3 The cost of the current scheme in 2018-19 is £25m. The financial benefit of implementing the various proposals will need to be made clear so that Cabinet and the Council are fully aware of the financial implications from a decision to vary the operation of the LCTRS.
- 6.4 Changes to the LCTRS scheme must be approved by Full Council before the end of January proceeding the year of implementation.

7. COMMENTS OF LEGAL SERVICES

- 7.1 The Council is required by section 9F of the Local Government Act 2000 to have an Overview and Scrutiny Committee and to have executive arrangements that ensure the committee has specified powers. Consistent with this obligation, Article 6 of the Council's Constitution provides that the Overview and Scrutiny Committee may consider any matter affecting the area or its inhabitants and may make reports and recommendations to the Full Council or the Executive in connection with the discharge of any functions.
- 7.2 The Council has a Local Council Tax Reduction Scheme (LCTRS) in accordance with powers contained in section 13A of and Schedule 1A of the Local Government Finance Act 1992. For each financial year, the Council must consider whether to revise its scheme or to replace it with another scheme. Any revision to its scheme, or any replacement scheme, must be made no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 7.3 The Council must comply with the following steps when revising its scheme:
- a. consult any major precepting authority which has power to issue a precept to it;
 - b. publish a draft scheme in such manner as it thinks fit; and
 - c. consult such other persons as it considers are likely to have an interest in the operation of the scheme.
- 7.4 It is consistent with the Council's constitution and legal duties for the Executive to give due consideration to the recommendations of the Overview and Scrutiny

Committee. When deciding whether or not to follow these recommendations, the Council must have due regard to the need to eliminate unlawful conduct under the Equality Act 2010, the need to advance equality of opportunity and the need to foster good relations between persons who share a protected characteristic and those who don't (the public sector equality duty). A proportionate level of equality analysis must be undertaken prior to the ultimate decision being taken in order to enable the Council to adequately discharge its equality duty.

Linked Reports, Appendices and Background Documents

Linked Report

- NONE

Appendices

- Appendix 1: Council Tax Reduction Scheme Scrutiny Challenge Report

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

List of "Background Papers" used in the preparation of this report

- NONE