


<b>Cabinet</b>	 <b>TOWER HAMLETS</b>
31 October 2018	
<b>Report of:</b> Zena Cooke Corporate Director, Resources	<b>Classification:</b> Unrestricted
<b>Local Council Tax Reduction Scheme 2019/2020</b>	

<b>Lead Member</b>	<b>Councillor Candida Ronald, Cabinet Member for Resources &amp; the Voluntary Sector</b>
<b>Originating Officer(s)</b>	Lee Fearon and Steve Hill – Benefits Services
<b>Wards affected</b>	All
<b>Key Decision?</b>	No
<b>Strategic Plan Priority / Outcome</b>	We continuously seek innovation and strive for excellence to embed a culture of sustainable improvement

### **Executive Summary**

The Council needs to consider whether to make changes to its Local Council Tax Reduction Scheme for 2019/2020.

This report seeks the views from the Mayor in Cabinet following public consultation to decide whether any proposed changes should be considered to the Council's existing Local Council Tax Reduction scheme for 2019/20.

### **Recommendations:**

The Mayor in Cabinet is recommended to:

1. Note the feedback from responses received to the full public consultation.
2. Agree the following changes to the current LCTRS scheme:
  - a. To apply a maximum weekly deduction of £4 for disabled non dependants from April 2019.
  - b. To retain the principle of applying the minimum income floor for self-employed residents including the use of minimum wage levels for self-employed residents aged under 25.
  - c. To provide an enhanced support package for self-employed residents and the application of S13A discounts to avoid hardship.
  - d. To increase the current four week backdating provision to 52 weeks from April 2019.
  - e. 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. Note that a report will be presented to Full Council for approval of the LCTRS scheme in January 2020.

## **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 1<sup>st</sup> 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.
- 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 1<sup>st</sup> April 2017.
- 1.7 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 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.

## **2. ALTERNATIVE OPTIONS**

- 2.1 The Council can consider making any changes to its LCTRS annually. 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.

## **DETAILS OF REPORT**

### **3.1 Local Council Tax Reduction (LCTRS) in the poverty context**

3.2 In recognition of the levels of poverty within the Borough and the detrimental effect of the national welfare reform programme on low income residents, the Council has essentially maintained an LCTRS broadly similar to the previous national Council Tax Benefit scheme from 2013. However, this has meant that the cost of doing so (between £2m and £4m per annum) has had to be funded by the Council.

3.3 Therefore the ongoing challenge to the Council is to ensure the scheme is both cost effective and remains fair to both residents who rely on it and Council Tax payers.

3.4 To provide context as to the level of the challenge, the borough's latest poverty profile illustrates that according to HMRC's children in low income families local measure, around 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).

3.5 In view of this the Council has previously decided to retain a scheme based on 100% Council Tax liability

3.6 Consequently 69% of households entitled to LCTRS receive a 100% reduction, so they pay no council tax. This equates to 19,030 households against a total LCTRS caseload of 27,697.

### **3.7 Our current Local Council Tax Reduction Scheme**

3.8 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)

3.9 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 questions asked and responses received are detailed below:

3.10 Disabled Non Dependant deductions

3.11 Non dependant deductions are applied based on non dependants 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.

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

3.13 89 responses were received

Should the council limit disabled non dependant deductions to £4 per week?	Percentage
Agree	55%
Disagree	26%
Don't know	19%

3.14 Self-employed claimants under 25 years

3.15 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.

3.16 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.

3.17 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.

3.18 89 responses were received

Should the minimum level of income for self-employed under 25's be adjusted to reflect minimum age rules?	Percentage
Agree	69%
Disagree	21%
Don't know	10%

3.19 Self-employed claimants – enhanced support package

3.20 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.

3.21 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.

3.22 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.

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

3.24 89 responses were received

Should the support for self-employed claimants be enhanced to increase earnings and income?	Percentage
Agree	54%
Disagree	34%
Don't know	12%

3.25 Backdating – increase in provision

3.26 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.

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

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

3.29 89 responses were received

Should the council increase its backdating provision up to 52 weeks?	Percentage
Agree	70%
Disagree	26%
Don't know	4%

3.30 Child allowances used in the assessment of Council Tax Reduction

3.31 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.

3.32 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.

3.33 89 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
Agree	65%
Disagree	20%
Don't know	15%

3.34 Summary of consultation feedback

3.35 The consultation commenced on Wednesday 5<sup>th</sup> September and ran until Wednesday 24<sup>th</sup> October.

3.36 All households in the borough were contacted either via email where email addresses were held or by post to encourage wide participation in the consultation.

3.37 The council's communication team advertised the consultation on the council's website, through tweets and Facebook posts and included it in the members' bulletins to encourage participation.

- 3.38 As the precepting authority the GLA have been consulted as have local Advice Agencies.
- 3.39 An analysis of the consultation responses shows that the majority of responders support the proposed changes and this is reflected in the recommendations in the report.

#### **4. EQUALITIES IMPLICATIONS**

- 4.1 Any changes to the Local Council Tax Reduction Scheme will require a full equality impact assessment and a full EQIA will be conducted if the Council decides to change its scheme.
- 4.2 There are client groups within the LCTRS who are fully protected e.g. pensioners.
- 4.3 A decision not to change the LCTRS would mean in effect that nobody has any more to pay, all classes of people would therefore be protected through the continuation of the means tested local scheme.
- 4.4 As part of any EQIA we will ensure that no individual or group will be adversely affected by any proposed 2019/2020 scheme changes.

#### **5. OTHER STATUTORY IMPLICATIONS**

- 5.1 Statutory implications are covered within the main body of the report.
- 5.2 The report acknowledges the financial pressures on the Council and proposes that the Council undertakes an options review for its 2019/2020 Local Council Tax Reduction scheme.

#### **6. COMMENTS OF THE CHIEF FINANCE OFFICER**

- 6.1 This paper seeks the Mayor in Cabinet's view on proposed changes to LCTRS for 2019-20 following the public consultation. The current scheme cost for 2018-19 is £25m. When the resources to meet the cost of council tax reductions schemes was transferred to councils a 10% topslice was applied which is estimated to have increased the net cost by between £2m and £4m.
- 6.2 The proposed recommendations in this report, if accepted by the Cabinet need to be financially modelled and evaluated on the latest available data to confirm the impact on the Councils MTFS and this analysis will be included in the overall MTFS report to Cabinet as well as being presented to Full Council for consideration and approval.

## **7. COMMENTS OF LEGAL SERVICES**

- 7.1 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.
- 7.2 The above legislation provides the Council with additional discretionary powers to enable it to reduce the council tax liability where statutory discounts, exemptions and reductions do not apply. These discretionary awards can be given to:
- i. Individual council taxpayers;
  - ii. Groups defined by a common circumstance;
  - iii. Council taxpayers within a defined area; or
  - iv. To all Council taxpayers within the Council's area
- 7.3 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.
- 7.4 Before revising or replacing its scheme, the Council must (in the following order):
- 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.
- 7.5 The report confirms that a consultation process commenced on the 5<sup>th</sup> September 2018 and expired on the 24<sup>th</sup> October 2018 and that the representations made as a result of that process will inform the ultimate decision.
- 7.6 The Council shall publish a draft scheme following the Cabinet decision.
- 7.7 When deciding whether or not to proceed with the proposals, 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.
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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

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

### **Appendices**

#### **Final LCTRS consultation responses**

(to be provided upon closure of the consultation)

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

- NONE

#### **Officer contact details for documents:**

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