

Cabinet	 TOWER HAMLETS
9 January 2018	
Report of: Neville Murton – Acting Corporate Director Resources	Classification: Unrestricted
Report of the Overview and Scrutiny Committee: Local Council Tax Reduction Scheme scrutiny challenge report	

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:

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