


<b>Cabinet</b>	 <b>TOWER HAMLETS</b>
5 January 2016	
<b>Report of:</b> Zena Cooke Corporate Director Resources	<b>Classification:</b> Unrestricted
<b>Local Council Tax Reduction Scheme 2016/17</b>	

<b>Lead Member</b>	<b>Councillor David Edgar, Cabinet Member for Resources</b>
<b>Originating Officer(s)</b>	Steve Hill, Head of Benefits Services
<b>Wards affected</b>	All wards
<b>Key Decision?</b>	Yes
<b>Community Plan Theme</b>	<b>A Prosperous Community</b>

### **Executive Summary**

This report advises that Full Council approval for the continuation of the current Local Council Tax Reduction Scheme (LCTRS) for a further year 2016/17 is to be sought.

### **Recommendations:**

The Mayor in Cabinet is recommended to

1. Recommend to Full Council that it approves the continuation of the current Local Council Tax Reduction Scheme for 2016/17 which will retain the same level of support to all working age Council Tax payers on a low income.
2. Recommend to Full Council that it agrees that the extension of the scheme is for one year only, to be reviewed alongside the impact of the Government's proposed welfare reform changes and an options review for the future of LCTRS during 2016.

### **1. REASONS FOR THE DECISIONS**

- 1.1 To seek approval for the continuation of the current Local Council Tax Reduction Scheme for a further year into 2016/17.

## **2. ALTERNATIVE OPTIONS**

2.1 None.

## **3. DETAILS OF REPORT**

- 3.1 In April 2013 the Government replaced the national Council Tax Benefit scheme with the Local Council Tax Replacement Scheme (LCTRS). At the same time the Government reduced its associated funding contribution by 10% nationally to Local Authorities.
- 3.2 Councils have discretion to design their own LCTRS within certain constraints. Pensioners who account for 27% of LCTRS recipients in Tower Hamlets are protected but changes can be considered for claimants of working age should the Council wish to make any changes to the scheme and /or the level of support provided.
- 3.3 Funding made available to support the LCTRS schemes now forms part of the Council's formula funding arrangements and consequently while figures were published by the Government in respect of the first LCTRS year 2013/14, from 2014/15 there has been no visibility over the level of funding for LCTRS since that point.
- 3.4 The current LCTRS in Tower Hamlets mirrors the previous national Council Tax Benefit scheme. The scheme has an internal appeals process that precedes the national appeals process. It fully disregards war pensions and ensures Benefit is assessed based on claimants' income and circumstances, allowing a maximum entitlement of 100% of Council Tax liability.
- 3.5 Since its inception, the LCTRS in Tower Hamlets has always been fully funded by the Council. The fact that LCTRS is fully funded means that Council Tax charges are not passed on to working age households on a low income.
- 3.6 Funding the LCTRS for 2015/16 is currently met in full by the Council's MTFP (Medium Term Financial Plan) however, given the pressures on Council budgets going forward together with an opportunity to learn from other Councils that have revised their schemes, the Council is committed to undertaking an options review for the future of the LCTRS. Any changes would be subject to extensive public consultation.
- 3.7 There are currently 33,346 LCTRS recipients of whom 73% (24,318 households) are of working age and 27% (9,028 households) are pensioners. Of all 109,448 households in Tower Hamlets (that could apply), 30% receive help through the LCTRS.
- 3.8 The total LCTRS expenditure for 2014/15 was £28m. This would suggest a £2.1m cost to the Council based on the Government's 10% funding reduction introduced in 2013 with the advent of LCTRS (after GLA costs are taken into account), however, as mentioned earlier in this report, there is no longer any

visibility of funding arrangements due to changes in the Government's funding methodology; as a rough guide, based on the number of LCTRS claimants and Government funding reductions for 2015/16, the LCTRS scheme would have cost £20.3m, with a reduced grant of £15.3m and a net cost of around £4.7m.

- 3.9 The Council is asked to agree to the extension of the current Local Council Tax Reduction Scheme for 2016/17, while the full impacts of the Government's proposed welfare reform changes are assessed and for an LCTRS options review to be undertaken during 2016/17.

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

- 4.1 The comments of the Chief Financial Officer have been incorporated within this report.

#### **5. LEGAL COMMENTS**

- 5.1 Before 1<sup>st</sup> April 2013 assistance with Council Tax was paid in the form of a nationally administered benefit called Council Tax Benefit. This was abolished from April 2013 as the Local Government Finance Act 2012 amended the Local Government Finance Act 1992 ("**the 1992 Act**") by introducing a requirement for a localised council tax reduction scheme (LCTRS). Specifically, section 13A of the 1992 Act required each billing authority in England to make a scheme (a LCTRS) specifying the reductions which are to apply to council tax payable in respect of dwellings situated in its area by: (a) persons whom the authority considers to be in financial need; or (b) persons in classes consisting of persons whom the authority considers to be, in general, in financial need. Further schedule 1A to the 1992 Act provides for matters that are to be included in a LCTRS, namely-

- The scheme must state the classes of person who are entitled to a reduction. This may be determined by reference to the income of any person liable to pay council tax, the capital of any such person or both income and capital. It may be determined by reference to the number of such a person's dependants and whether or not the person has applied for a reduction.
- The scheme must specify the reduction to which a person in a given class is entitled to and different reductions may apply to different classes. The reduction may be in the form of a percentage discount, a discount of an amount specified or calculated under the scheme, an amount of council tax or the whole of council tax.
- The scheme must specify the procedure by which a person may apply for a reduction and how a person may appeal a decision in respect of reduction of council tax.
- The scheme must contain other matters specified in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 as amended

- 5.2 For each financial year, the Council is required to consider whether to revise its scheme or to replace it with a different scheme. Any revision or replacement must be made by 31<sup>st</sup> January in the financial year preceding that for which the scheme is to take effect.
- 5.3 The Council did not put in place a LCTRS by 31<sup>st</sup> January 2013 for it to come into effect on 1<sup>st</sup> April 2013 and therefore the Government's default scheme applied as set out in the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012. This default LCTRS applied until 31<sup>st</sup> March 2014.
- 5.4 On 27<sup>th</sup> November 2013 the Council agreed a LCTRS for 2014/15. This LCTRS continued for 2015/16.
- 5.5 The Council must publish its LCTRS. It must also keep the LCTRS under review and decide each financial year whether to revise or replace the scheme. 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. The report indicates that consultation is on-going.
- 5.6 In this case however the Council is not revising or replacing its existing LCTRS but is asking for the existing LCTRS to continue. Therefore, no consultation needs to be undertaken.
- 5.7 Pursuant to powers given in the 1992 Act, the Secretary of State has made the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, which set out detailed matters that must be contained in council tax reduction schemes. The LCTRS has been prepared in accordance with these requirements.
- 5.8 Section 67 of the 1992 Act specifies functions of an authority that shall be discharged only by the authority. The specified functions include making or revising a council tax reduction scheme under section 13A(2) of the 1992 Act. This means that full Council has ultimate responsibility for making and revising the council tax reduction scheme.
- 5.9 The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This is referred to as the Council's best value duty. Best Value considerations will require to be assessed and which have been considered in section 7 of the report.

- 5.10 When making decisions, 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 do not (the public sector equality duty). A proportionate level of equality analysis is required to discharge the duty when considering the LCTRS and which have been considered in section 6 of the report.

## **6. ONE TOWER HAMLETS CONSIDERATIONS**

- 6.1 The vision and priorities expressed in the Tower Hamlets Community plan are to increase opportunity, prosperity and mobility in Tower Hamlets. Welfare reform, of which Council Tax Reduction is one element, could have a significant impact for each of these priorities for residents.
- 6.2 The proposed Local Council Tax Reduction scheme for 2016/17 does not deviate from the current local scheme, which in turn reflects the DCLG default LCTRS scheme.
- 6.3 There are client groups within the scheme who are fully protected e.g. pensioners, while others e.g. those of working age, could be liable to reduced Benefit payments were the council minded to review the scheme and pass on a charge.
- 6.4 A decision not to change the LCTRS scheme means in effect that nobody has to pay any more towards their Council Tax than they do currently; all classes of people are therefore protected through the continuation of the means tested local scheme.
- 6.5 The proposed LCTRS will maintain the status quo meaning no individual or group will be adversely impacted by the 2016/17 scheme.

## **7. BEST VALUE (BV) IMPLICATIONS**

- 7.1 The report acknowledges the financial pressures on the Council and proposes that the Council undertakes an options review for the future of the local Council Tax Reduction scheme, learning from experience of other Councils who have revised their schemes and exploring alternative options.
- 7.2 Any proposals that may arise in terms of options for change in the future would be subject to full public consultation.

## **8. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT**

- 8.1 None.

**9. RISK MANAGEMENT IMPLICATIONS**

9.1 The principle risk to the Council is to ensure it has an agreed and workable scheme in place for 2016/17. This report is the first stage in that process.

**10. CRIME AND DISORDER REDUCTION IMPLICATIONS**

10.1 None.

**11. SAFEGUARDING IMPLICATIONS**

11.1 None.

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**Linked Reports, Appendices and Background Documents**

**Linked Report**

- None.

**Appendices**

- None.

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

- None.

**Officer contact details for documents:**

N/A