

Mayor and Cabinet			
Report Title	Council Tax Reduction Scheme update and 2014/15		
Ward	All	Item No.	
Contributors	Executive Director for Customer Services		
Class	Open	Date	11 September 2013

1. Purpose & Executive Summary

- 1.1 The purpose of this report is to provide an update on the impact of the local Council Tax Reduction Scheme in 2013/14 and set out plans for 2014/15.
- 1.2 The Government replaced Council Tax Benefit with the local Council Tax Reduction Scheme on 1 April 2013. The Council agreed to pass on the government cut in grant of £3.28m to 24,648 working age claimants. Pensioners are protected. The Council also agreed a £100K fund for those facing exceptional hardship.
- 1.3 It is too early to determine the impact of the change on working age claimants. A review is planned later this year with a comprehensive review being carried out after one full year of the local scheme being in place.
- 1.4 Early indications are that more Council Tax Reduction Scheme recipients are paying the increased liability arising from the reduction in government funding than was expected. However, some are not paying so enforcement activity has started with additional steps added to the process and concessions being made to help those wanting to pay.
- 1.5 The report proposes that the Council keeps the local Council Tax Reduction Scheme the same for 2014/15 because it is too early to determine how the current scheme is working and changes to it would help certain groups but at a cost to others.

2. Recommendations

It is recommended that the Mayor:

- 2.1 Notes the impact of the scheme to date;
- 2.2 Agrees to consult Council Tax payers on a Council Tax Reduction Scheme which remains the same for 2014/15 as it is in 2013/14.

3. Policy Context

- 3.1 One of the primary functions of the Council is to promote the social, economic and environmental wellbeing of the borough and its people. In discharging this important public role the Council has a specific duty to safeguard the most vulnerable from harm; to regulate access to public services and to provide social protection for those that might otherwise be put at risk.
- 3.2 As Council funding is provided through public resources (grants from central Government; Business Rates and Council Tax) the local authority must also demonstrate both responsibility and accountability in the stewardship of public resources.
- 3.3 The overarching policy and decision making framework for the discharge of the Council's many functions and duties is Lewisham's Sustainable Community Strategy. The Strategy contains two overarching principles which are:
- reducing inequality – narrowing the gap in outcomes
 - delivering together efficiently, effectively and equitably – ensuring that all citizens have appropriate access to and choice of high quality local services
- 3.4 Also contained within this overarching policy framework are the Council's ten priorities. These priorities describe the specific contribution that the local authority will make to the delivery of the Sustainable Community Strategy. The Council priorities are as follows:
- Community leadership and empowerment
 - Young people achievement and involvement
 - Clean, green and liveable
 - Safety, security and visible presence
 - Strengthening the local economy
 - Decent homes for all
 - Protection of children
 - Caring for adults and older people
 - Active health citizens
 - Inspiring efficiency, effectiveness and equity

4. Background

- 4.1 On the 1 April 2013 the government replaced the national Council Tax Benefit (CTB) scheme with a local Council Tax Reduction Scheme (CTRS). At the same time the government cut the amount of grant the Council received for the new scheme by 10% which for Lewisham was £3.28m.
- 4.2 On the 23 January 2013, following a detailed consultation exercise in 2012, the Council agreed its local CTRS for 2013/14. The local scheme passes on the government cut in grant to all working age claimants and ends the entitlement to second adult rebate. However, in all other respects the scheme remains the same

as the old CTB scheme. Pensioners were protected from any changes and a hardship fund of £100K was agreed for some vulnerable persons in exceptional circumstances.

- 4.3 The CTRS was introduced on the 1 April 2013 and 24,648 working age claimants were asked to pay on average £2.92 per week extra Council Tax. Of the 24,648 there were 18,000 who previously did not have any Council Tax to pay. This report reviews the impact of the new scheme so far and proposes the local scheme for 2014/15.

5. Council Tax Reduction Scheme - impact

- 5.1 As the scheme has only been in place since 1 April 2013 it is too early to determine what the full impact has been on working age claimants. However, the following is known:

- The caseload has reduced by 1,198. This is mainly due to working age claimants whose entitlement under the CTB scheme was sufficiently low to be reduced to zero with the cut in government grant being passed on.
- There have been no appeals against Council Tax reduction scheme entitlement.
- There have been few requests for support from the hardship fund yet. This is expected to increase following the commencement of recovery action as we will be targeting those affected to ensure they are aware of the availability of this additional support.

6. Council Tax Collection

- 6.1 To help those working age claimants that are having to pay more because of the government cut in grant the Council did the following:

- Automatically introduced 12 monthly instalments instead of the normal 10.
- Offered weekly Direct Debit instalments.
- Introduced an additional reminder notice into the collection process before taking court action.

- 6.2 So far the Council has sent 23,140 reminders and final notices to those who have missed one or more instalments since April 2013. Some of those claimants have since either, made a payment arrangement or paid the missing instalments.

- 6.3 On the 23 July 2013 the Council sent 3,641 summonses to CTRS recipients who had not paid their instalments or made an arrangement to pay. At court on 9 August 2013 the magistrate granted liability orders and awarded costs for all the cases.

- 6.4 The Liability Order gives the Council the power to collect the outstanding Council Tax using bailiffs or attachment of earnings or benefits. Normally the Council would pass cases to the bailiff for collection. However, as most these cases are on a benefit the Council will apply to set up attachments to their benefit instead. The outstanding Council Tax will then be deducted direct from their benefit in weekly amounts by the Department for Work and Pensions. There may be some cases where this is not possible so the bailiff will be the only option. Where CTRS recipients have paid or agreed to pay by Direct Debit the court costs have been withdrawn.
- 6.5 At the end of July the Council had collected 32.54% of the 33.33% due year to date.
- 6.6 The Council will be carrying out a review of the impact of the introduction of CTRS in the autumn jointly with the London Boroughs of Lambeth and Southwark. A detailed review of the CTRS will take place after the scheme has been in place for one year.

7. Council Tax Reduction Scheme for 2014/15

- 7.1 The Council is required to agree its CTRS for 2014/15 before the 31 January 2014. When the Council was considering the scheme for 2013/14 it was suggested that the scheme should be more 'refined' for future years. This was because the 2013/14 CTRS mirrors the old CTB scheme except for the cut that was passed on proportionately to all cases and the removal of the second adult rebate.
- 7.2 The CTRS could be refined by adjusting the many parameters, premiums and disregards that already exist. For example, the current CTRS says the maximum savings a person can have are £16K. This maximum savings threshold could be reduced to a lower amount which would mean those with excess savings would receive no CTRS but leaving the remaining CTRS recipients receiving more.
- 7.3 To consider refining the CTRS for 2014/15 would require an in depth analysis of how the current arrangements are working. However, this in depth analysis is not possible for the following reasons:
- It is too early to judge how the current CTRS is working. A full year of operation is needed to understand the impact on customers and collection.
 - At this stage we have not identified any real sense of hardship as a result of passing on the cut. However, the full impact of welfare reforms is yet to take place.
 - It is too early to judge how other local authorities' more refined CTR schemes are working.
 - Any refinement to the CTRS will give certain groups of recipients more help at the cost of others.

- The current CTRS was based on CTB which had been continually refined since its introduction in 1993. It is unlikely that we could find a better balance unless there are specific groups in the borough that need extra help and it could be argued that this should be done at the cost of others.

7.4 For these reasons no change is proposed to the CTRS for 2014/15 (i.e. the Council will continue to pass on the government cut in grant in full to working age claimants).

7.5 Although no change is proposed for 2014/15 the Council is still required to carry out a consultation exercise to comply with specific requirements in the legislation. This is because to pass on the cut in full technical changes are required and the legislation counts these as an actual change to the scheme which requires consultation. The technical changes are the % used in the calculation to pass the cut on in full and the annual up rating to applicable amounts, income disregards and non-dependant deductions.

8. Financial Implications

8.1 The government cut the amount of grant the council received for the new scheme by 10%, which for Lewisham was £3.28m. As set out in paragraph 7.5, as at the end of July, the council had collected 32.54% of this. As only one-third of the debt was expected to be collected by the end of July, this means that 97.6% of the amount expected to be collected had been collected.

8.2 This collection performance is encouraging, and significantly above the 50% assumed for non-collection when the budget was set. Four months' collection performance is not yet enough data on which to base a change to this assumption, but it will be reviewed in setting the 2014/15 budget.

8.3 DCLG has not yet released enough information for officers to be able to advise in detail about how the CTRS will be funded in 2014/15. Assuming that the funding level remains similar to last year, then the option of the council paying the costs of the amounts due from residents currently liable to make payments would remain at around £3m. Given that the council needs to make additional savings of £15m for 2014/15, which it has not yet identified, it would not be prudent to fund these costs directly, as this would add to the savings requirement. This report therefore proposes consulting on a scheme similar to that which operated in 2014/15.

9. Legal Implications

9.1 Section 33 of the Welfare Reform Act 2012 abolished Council Tax Benefit. The Local Government Finance Act 2012 amends the Local Government Finance Act 1992 to make provision for council tax support through locally adopted Council Tax Reduction Schemes, ("CTRS").

- 9.2 Paragraph 5 of Schedule 1A sets out the obligations imposed on the Council in respect of revising and replacing a CTRS. Paragraph 5 provides “(1) For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme. (2) The authority must make any revision to its scheme, or any replacement scheme, no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect. (3) The Secretary of State may by order amend sub-paragraph (2) by substituting a different date. (4) If any revision to a scheme, or any replacement scheme, has the effect of reducing or removing a reduction to which any class of persons is entitled, the revision or replacement must include such transitional provision relating to that reduction or removal as the authority thinks fit. (5) Paragraph 3 applies to an authority when revising a scheme as it applies to an authority when making a scheme. (6) References in this Part to a scheme include a replacement scheme.”
- 9.3 If there is to be a revision to the scheme, or a replacement scheme, this must be made by 31 January in the financial year preceding that to which it is to have effect – therefore by 31 January 2014 for the financial year 2014 – 2015.
- 9.4 Paragraph 3 of Schedule 1 contains obligations in respect of consultation, and requires the authority, before making or revising a Scheme to, in the following order: “consult any major precepting authority which has power to issue a precept to it, publish a draft scheme in such manner as it thinks fit, and consult such other persons as it considers are likely to have an interest in the operation of the scheme”.
- 9.5 The consultation exercise undertaken last year (for 2013 /14) was relatively extensive in scope given the need to consult on the principles underlying the new CTRS. The extent of the consultation exercise that will be required this forthcoming year for 2014 /15, shall appropriately reflect the relevant extent of the revision that is proposed; namely, for 2014 /15 it concerns the anticipated revision to the percentage reduction in liability for that period.
- 9.6 The decision to maintain a CTRS subject to revisions to the percentage reduction would constitute the exercise of a function for the purposes of section 149 of the Equality Act 2010.
- 9.7 The Equality Act 2010 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 9.8 In summary, the Council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - advance equality of opportunity between people who share a protected characteristic and those who do not.

- foster good relations between people who share a protected characteristic and those who do not.
- 9.9 The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.
- 9.10 The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>
- 9.11 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:
1. The essential guide to the public sector equality duty
 2. Meeting the equality duty in policy and decision-making
 3. Engagement and the equality duty
 4. Equality objectives and the equality duty
 5. Equality information and the equality duty
- 9.12 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at: <http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>

10. Crime and Disorder Implications

- 10.1 There are no direct crime and disorder implications arising from this report.

11. Equalities Implications

- 11.1 A detailed Equalities Analysis Assessment was performed in 2012/13 for this year’s CTRS. As there is no evidence to date of particular groups being impacted

by the scheme and no changes are proposed to the scheme for 2014/15 no further assessment is required.

12. Environmental Implications

12.1 There are no environmental implications arising from this report.

13. Background Papers and Report Author

13.1 There are no background documents to this report.

13.2 If you require further information about this report, please contact Ralph Wilkinson, Head of Public Services, on 020 8314 6040.