

Mayor and Cabinet			
Report Title	Council Tax Reduction Scheme 2017/18		
Ward	All	Item No.	
Contributors	Executive Director for Customer Services and Head of Public Services		
Class	Open	Date	7 December 2016

1. Purpose

- 1.1 To agree Lewisham's Council Tax Reduction Scheme (CTRS) for 2017/18.

2. Executive summary

- 2.1 On 1 April 2013 the Council implemented a local CTRS which passed on the government cut in grant of £3.28m in full to 24,648 working age households previously in receipt of Council Tax Benefit. Pensioners are protected from the changes under legislation maintaining their support at least in line with Council Tax Benefit levels.
- 2.2 At the end of the financial year 2015/16 the Council Tax collection percentage for customers in receipt of CTRS was 82.54% fractionally down on the previous financial year but substantially better than the original estimate of 50% when the scheme was introduced. Year to date collection for 2016/17 is 46.20%, 2.57% above the 96% profile for all Council Tax debt.
- 2.3 It is proposed that no changes are made to the CTRS for 2017/18 and that the Council continues to pass on the government cut in funding to working age claimants. Consultation was undertaken with local residents, stakeholders and preceptor during August and September 2016.
- 2.4 The consultation sought views on the proposal that the Council continues to pass on the shortfall in government funding in 2017/18 and the approach to take when calculating CTR awards for employed Universal Credit recipients.
- 2.5 The majority (65%) of those responding to the consultation agreed that the Council should continue to pass on the shortfall in government funding to deliver a CTRS for 2017/18.
- 2.6 Those who responded to the question of means-testing employed Universal Credit (UC) recipients, were also mostly in agreement (77%) with the proposed approach.

3. Recommendations

It is recommended that the Mayor agrees to:

- 3.1 Note the outcomes of the consultation set out in appendix 1.
- 3.2 Retain a local CTRS from 1 April 2017 that passes on any reduction in government funding, reflecting the Council's financial position following the announcement of the Autumn Statement and the provisional Local Government Financial Settlement (LGFS) in December.
- 3.3 Introduce a means-test for employed, working-age UC recipients to ensure consistency of CTR awards within the scheme.

- 3.4 Continue to deliver additional support to the most vulnerable residents through use of the existing provision within Section 13A(1)(c) of the 1992 Local Government Finance Act.

4. Policy context

- 4.1 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 role the Council has a specific duty to safeguard the most vulnerable from harm and to regulate access to public services and to provide social protection for those that might otherwise be put at risk.
- 4.2 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.
- 4.3 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; and
 - delivering together efficiently, effectively and equitably – ensuring that all citizens have appropriate access to and choice of high quality local services.
- 4.4 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.

5. Council Tax Reduction Scheme background

- 5.1 In 2013/14, the Government allocated a total of £25.8m for CTRS in Lewisham which was split between the Council of £19.9m and the GLA of £5.9m. The allocation was £3.28m less than the 2012/13 funding and the Council agreed to pass on this cut in Government funding to 24,648 working age claimants.
- 5.2 As a part of the local government finance settlement for 2014/15, the Government announced that the resources for the CTRS would be rolled into the Council's overall formula grant, commonly known as the Settlement Funding Assessment (SFA), from 2014/15 onwards. This means that it is no longer possible to establish individual authority allocations for CTRS. For 2014/15, it was assumed that the comparative shortfall would be at a similar level to the previous year. For 15/16, the budget available was reduced to reflect the SFA reduction for the Council for the previous year.
- 5.3 Consideration had been given to absorbing the cut in grant. The use of reserves was discounted as the majority of reserves are earmarked for other purposes with the remainder needed for any urgent one-off unavoidable expenditure. The alternative would have meant either making further savings from other services or raising Council Tax to all payers, the impact of which was likely to be in excess of the threshold set by the Secretary of State beyond which a binding Council Tax referendum would need to be held.
- 5.4 As in previous years, the scheme agreed for 2016/17 is based on the established Council Tax Benefit scheme which had been in use since 1993. However, there is one significant difference that enables the Council to continue to deliver a scheme that accounts for the cut in grant. This is that maximum awards of Council Tax

Reduction do not meet the full Council Tax liability for working age households, who are expected to contribute a minimum 3.00% towards their Council Tax for 2016/17.

- 5.5 When Lewisham's 2013/14 CTRS was drafted, there were 33,875 households receiving Council Tax Benefit of which 24,648 were working age and 9,227 were pensioners.
- 5.6 The 2016/17 caseload (households receiving an award of Council Tax Reduction) stands at 26,218. However, the breakdown between working age and elderly remains similar at 69% (18,217) and 31% (8,001) respectively when compared with the 72% and 28% in 2013/14.
- 5.7 Although there has been a reduction in the number of households receiving support and the value of support they receive, there has been a minimal impact on overall collection rates. The end of year collection rate for 2015/16 was 82.54% was slightly below the previous years, but the year to date collection for 2016/17 is 46.20%, 2.57% above the 96% profile for all Council Tax debt.
- 5.8 It should be noted that whilst the Council Tax collection rate gives an indication as to how well the CTRS has worked, it is not a totally reliable indicator as it comprises of 'won't payers' as well as 'can't payers'. So far this year 13,580 reminder letters have been sent to customers in receipt of CTR because of non-payment.
- 5.9 Unlike some other authorities the Council received no challenges to the scheme in the Courts or appeals about decisions to the Tribunal.
- 5.10 The Council worked with the voluntary sector in the creation of the CTRS and continues to work closely with them on specific cases and how we administer the scheme.

6. Council Tax collection

- 6.1 At the commencement of the CTRS many local authorities had low expectations about the level of Council Tax that would be collected from claimants in receipt of CTR and were concerned about the impact it would have on the Council's overall budget position. Accordingly, many authorities set low in-year collection targets for this group, some in the region of 50-60% of the amount due for the year.
- 6.2 Outturn collection results for the majority of London authorities have been better than expected with many far exceeding the initial predicted levels. Action to recover outstanding debt from CTRS recipients follows the same format as that of non CTRS residents, in line with the Local Government Finance Act 1992.
- 6.3 Lewisham's outturn collection results for 2015/16 for those households in receipt of CTR was 82.54%, having collected £5.8m of the £7m due for the year, a far better result than the 50% predicted at the commencement of the scheme. As at 30 September 2016 the Council has collected 46.20% against the profiled cumulative target of 43.63%, 2.57% above the profile and 8.27% above the same point in September 2015.

7. Universal Credit

- 7.1 In February 2016, Lewisham and Forest Hill jobcentres commenced delivering UC and since then there have been 1276 successful UC claims made in the borough. Of these, 512 claimants are in employment and the remainder are not employed.
- 7.2 Lewisham's 2016/17 CTRS treats all those in receipt of UC and of working-age, regardless of their employment status, as being entitled to the maximum Council Tax

Reduction without the need for a means-test – this means covering 97% of their Council Tax liability. Until UC those working have had their income means-tested to determine the amount of Council Tax Reduction that they receive. The CTRS needs to be amended to maintain a consistent approach where everyone of working age who has earnings - including those in receipt of UC – has their income means tested to determine the level of support with Council Tax payments.

- 7.3 If the CTRS is not amended, not only would the treatment of earned income for those not receiving UC compared to those who do be inequitable, it would also result in increased CTR expenditure as UC rollout continues in Lewisham. Whilst it is difficult to estimate the precise nature of the increase, estimates suggest it could be in the region of an additional £1.87m per year over the course of the UC rollout which is due to complete in 2021.
- 7.4 In view of the existing and future pressures on the Council's budget, it was agreed by Mayor and Cabinet that consultation should take place to explore an alternative calculation of the CTR award for those of working-age, receiving UC and who are in employment. Of those who responded to this element of the consultation, 77% agree with the proposed approach to align the calculation of CTR for claimants receiving UC and those who do not.
- 7.5 The proposed calculation would apply the same means test as the one already in place for those of working-age and in employment but not receiving UC. In this calculation, for every £1.00 of income received above an applicable amount representing the household circumstances, the claimant contributes £0.20 towards their Council Tax liability.

8 Hardship Scheme

- 8.1 In the first two years of the CTR scheme a fund of £100k was made available to households suffering financial hardship. In 2015/16, the Council replaced the separate cash-limited pot with the existing provision under Section 13A(1)(c) of the 1992 Local Government Finance Act 1992 which gives it the power to provide support to any households encountering exceptional financial hardship. To date, no applications have been made under Section 13A(1)(c) of the Local Government Finance Act but it is proposed that this provision will remain in place for the CTRS in 2017/18.

9. Consultation on the CTRS for 2017/18

- 9.1 A consultation exercise was undertaken between 26 August and 30 September 2016. Our approach was to engage with a sample of Council Tax payers as well as those currently in receipt of CTR. This provided all those with an interest in this matter an opportunity to share their feedback.
- 9.2 The consultation was intentionally proportionate in approach. The proposals for the 2017/18 scheme remain unchanged from the initial scheme that was introduced in 2013/14, for which a comprehensive consultation and Equalities Analysis Assessment were undertaken.
- 9.3 Responses to the consultation on the proposed CTRS for 2017/18 were promoted through the following methods:
 - A self-completion survey was publicised across the Council's website

- A hard copy format was made available upon request for those without access to the internet.
- A letter was sent out to 1,000 households inviting them to participate in the survey. This was done in proportion to whether people were in receipt of CTR - 25% to those in receipt of CTR and 75% to those not in receipt of CTR.
- Briefings were provided to Council Tax, Housing Benefits and Customer Service Centre staff to promote the survey during all relevant customer contacts.
- Paper surveys were available to customers visiting the Customer Service Centre at Laurence House during the period of the consultation.
- The consultation on the Council Tax Reduction Scheme was communicated promoted via the Council's website (26 August – 30 September 2016).

9.4 The principal focus of the survey sought to clarify:

- a) Whether or not the Council should maintain the current CTRS for 2017/18, where working age residents pay a contribution to their Council Tax bill to account for the cut in Government funding;
- b) Whether awards of CTR for employed, working-age Universal Credit recipients should be calculated using the means-tested method applied to other employed and working-age applicants.
- c) If respondents disagreed with either of the two proposals detailed above, what alternatives they thought the Council should use to deal with the shortfall in funding.

9.5 The headlines from the consultation were as follows:

- Around two thirds (65%) of all respondents agreed that the Council should maintain the current scheme where working age residents pay a contribution to their Council Tax bill to account for the cut in Government funding.
- Of respondents who answered the question about alternatives to maintaining the current CTRS, 58% proposed that all Council Tax bills were increased, 22% proposed that reserves were used to deal with the cut in government funding, 9% proposed that the Council spends less on other services and 11% proposed that something else is done.
- 77% of respondents agreed with the proposed approach to introduce a consistent approach in calculating CTR awards for employed, working-age claimants.

9.6 In conclusion, the majority of consultation respondents agreed with the proposals that the Council should maintain the current CTRS scheme for 2017/18 and introduce a means-test for employed, working-age recipients of UC.

9.7 A more detailed analysis of the consultation results can be found within appendix 1.

10. Implementation timetable

Date	Action
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7 December 2016	Mayor and Cabinet agree CTRS scheme for 2016/17
18 January 2017	Full council agree CTRS scheme for 2017/18
January 2017	CTRS scheme agreed as part of budget process and before 31 January 2016
February 2017	Council sets its budget
March 2017	Council Tax bills issued

11. Financial implications

- 11.1 The Council set aside £23.1m for the CTRS in 2016/7 and is currently projecting to spend £21.9m.
- 11.2 When setting the budget for 2017/18 and beyond, the Council will need to consider:
- Reductions in the council's budget resulting from the Autumn Statement and the provisional Local Government Financial Settlement (LGFS) in December;
 - The impact of changes on demand brought about by changes to welfare regulations;
 - The use of any surplus balance from 2016/17 that may be available.
 - The longer term impact arising from the CSR in December.

12. Legal implications

- 12.1 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"s).
- 12.2 Section 13A of the 1992 Act requires every local authority to adopt a CTRS. Paragraph 2 of s. 13A sets out the two principal factors which are determined by the CTRS; namely, "eligibility" and "reductions". A CTRS therefore defines the amount of council tax paid by residents of a local authority by reference to i) those persons who are defined as eligible for a reduction in council tax liability and ii) the extent of that reduction.
- 12.3 Paragraph 5 of Schedule 1A sets out the obligations imposed on the Council in respect of revising and replacing a CTRS. Para 5(1) "For each financial year, each billing authority must consider whether to revise its scheme or to replace it with another scheme. Para 5(2) provides that "The authority must make any revision to its scheme... no later than 31 January in the financial year preceding that for which the revision ...is to have effect."
- 12.4 Paragraph 3 of Schedule 1 contains obligations in respect of consultation. It applies to an authority when revising a scheme as it applies to an authority when making a scheme. (para. 5(5). Para. 3 requires the authority, before [revising a] scheme to, "...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.”.

12.5 The Supreme Court Judgement R –v- London Borough of Haringey (29.10.14) is “*on point*” with the subject of this Report and it makes it clear that whilst consultation needs always to be proportionate, “even when the subject of the requisite consultation is limited to the preferred option, fairness may nevertheless require passing reference to be made to arguable yet discarded alternative options.” (Lord Wilson Para. 28,)

12.6 By way of explanation, it is stated within the said judgment (at para. 41 by Lady Hale and Lord Clarke) that while there need not be “...a detailed discussion of the alternatives or of the reasons for their rejection. The consultation required in the present context is in respect of the draft scheme, not the rejected alternatives; and it is important, not least in the context of a public consultation exercise, that the consultation documents should be clear and understandable, and therefore should not be unduly complex or lengthy. Nevertheless, enough must be said about realistic alternatives, and the reasons for the local authority’s preferred choice, to enable the consultees to make an intelligent response in respect of the scheme on which their views are sought.”

12.7 The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

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.

12.8 It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed at 12.2 above.

12.9 The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

12.10 The Equality and Human Rights Commission has 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: <https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>

12.11 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

- [The essential guide to the public sector equality duty](#)
- [Meeting the equality duty in policy and decision-making](#)
- [Engagement and the equality duty: A guide for public authorities](#)
- [Objectives and the equality duty. A guide for public authorities](#)
- [Equality Information and the Equality Duty: A Guide for Public Authorities](#)

12.12 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:

<https://www.equalityhumanrights.com/en/advice-and-guidance/public-sector-equality-duty-guidance#h1>

13. Crime and disorder implications

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

14. Equalities implications

14.1 In the discharge of their functions, the Equality Act 2010 places a Duty on public bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation;
- foster good relations between those who share a protected characteristic and those who do not share that characteristic; and
- advance equality of opportunity between those who share a protected characteristic and those who do not share that characteristic.

14.2 The Council's obligations under the Equality Duty have been considered as part of the overall consultation analysis on the CTRS for 2017/18. More specifically, appendices 2 and 3 include analysis of respondent characteristics.

14.3 A detailed Equalities Analysis Assessment was performed in 2012/13 for the current 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 2017/18, no further assessment is required at present.

15. Environmental implications

15.1 There are no environmental implications arising from this report.

16. Background papers and report author

Mayor and Cabinet Report 13 July 2016: Council Tax Reduction Scheme – consultation proposal for 2017/18.

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

Appendix 1 - Consultation report on CTRS 2017/18

Introduction

1. The Council Tax Reduction Scheme (CTRS) consultation ran from 26th August 2016 to 30th September 2016. This report outlines the responses to this consultation survey.

Summary of results

2. In total there were 79 responses to the local CTRS questionnaire. Of these, 51 (65%) of all respondents agreed with the proposal that the Council should maintain the current CTR scheme for 2017/18, where working age residents pay a contribution to their Council Tax bill to account for the cut in Government funding.
3. The remaining 28 respondents did not agree and were asked to indicate which of the following four options they thought the council should use to deal with the shortfall instead: increase all Council Tax bills; use reserves to deal with the cut in government funding; spend less on other services; something else;
4. Further details regarding the survey responses and the consultation more broadly are presented below.

Overall survey responses

5. A breakdown of responses to the questions contained within the survey on the proposed CTRS for 2016/17 can be found below:

Q1) The Council's proposal is to continue to pass on the shortfall in government funding to all those of working age receiving council tax reduction. This will mean that everyone of working age will have to contribute towards their Council Tax. [Please tell us whether you agree with this approach by ticking one of the boxes below]

	Yes	No	No response	Total
%	65	35	1	100
Count	51	28	1	79

6. A total of 65 respondents (65%) agreed that the Council should maintain the current scheme. A total of 28 respondents (35%) disagreed, with one no response.

Q2) The Council is proposing to retain the same Council Tax Reduction calculation for those of working-age who receive Universal Credit and earnings. This will ensure that the calculation of Council Tax Reduction awards is consistent for all working-age households. Please tell us whether you agree with this approach by ticking one of the boxes below.

	Yes	No	No response	Total
%	77	22	1	100
Count	61	17	1	79

7. A total of 61 respondents (77%) agreed that the Council should maintain the current scheme for those of working-age who receive Universal Credit and earnings. A total of 17 respondents (22%) disagreed, with one no response.

Q3) [For those that answered No to Question 1] Please tell us which of the following alternatives you think the Council should use to deal with the shortfall in funding? [Please tick 1 box only]

	%	Count
Increase all Council Tax bills	58	46
Use reserves to deal with the cut in government funding	22	17
Spend less on other services	9	7
Something else	11	9
No Response	0	0
Total	100	79

8. Of those respondents that answered the question, 58% thought the Council should increase all Council Tax bills to deal with the shortfall in funding.

Appendix 2 - Demographic breakdown of survey respondents

The demographic breakdown of the 79 survey respondents is presented below:

Age	%	Count
Under 18	0	0
18-24	0	0
25-29	6	5
30-34	13	10
35-39	13	10
40-44	4	3
45-49	10	8
50-54	16	13
55-59	13	10
60-64	9	7
65+	13	10
Prefer not to say	6.8	5
No response	4	3

Total	100	79
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Gender	%	Count
Male	20	16
Female	62	49
Prefer not to say	13	10
No response	5	4
Total	100	79

Ethnic group	% Total	Count
White	59	47
Mixed / multiple ethnic groups	5	3
Asian / Asian British	1	1
Black / African / Caribbean / Black British	15	12
Any other ethnic group	2	2
Prefer not to say	11	9
No response	6	5
Total	100.0	74

Respondent type	%	Count
A resident in the borough of Lewisham	19	15
A Council Tax payer in the borough of Lewisham	56	44
A resident that currently receives Council Tax Reduction	3	2
A resident who has received Council Tax Reduction or Council Tax Benefit in the past	3	2
A person receiving state pension credit	0	0
A person receiving state pension	6	5
A full-time student	1	1
A full-time employee	3	2
A part-time employee	3	2
Self-employed	1	1
Unemployed	4	3
A lone parent	4	3
An unpaid carer for children or adults	1	1
A paid carer for children or adults	0	0
A representative of a charity based in Lewisham	0	0
A representative of a community group based in Lewisham	0	0
A landlord for properties in Lewisham	0	0
Other	0	0
No Response	1	1

(Note: respondents may have selected multiple options from the above list)