

Council

Council Tax Support

Wards: All

Report Authorised by: Jackie Belton, Strategic Director, Corporate Resources

Portfolio: Councillor Andrew Wilson, Cabinet Member for Finance

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Report summary

Council Tax Support (CTS) replaced Council Tax Benefit (CTB) from April 2013. All councils were given the option of developing their own CTS scheme or taking on board a default scheme defined by DCLG (Department for Communities and Local Government), now MHCLG (Ministry of Housing Communities and Local Government). The council took the option of developing a local scheme in consultation with residents specifically engineered with the intention of ensuring vulnerable people were protected from changes to their help with Council Tax (CT) costs.

The original scheme was amended for 2018/19 to reduce costs but also ensure the drivers of fairness and sustainability upon which the scheme is founded are maintained. The revised scheme was to remain in place pending clarity from government on the completion of the migration of residents to Universal Credit (UC) and administrative funding for CTS moving forwards.

Our scheme offers protection to 13,469 households from any council tax liability as well as offering some degree of assistance to an additional 11,284 households. The cost of assisting 24,753 households with their council tax is £16.99m.

The council is legally required to make a scheme on an annual basis if it is to avoid taking on board the default scheme and for the 2019/20 scheme this must be made by 11 March 2019. Previously this date would have been 31 January 2019 however this has been pushed back as a result of recommendations made by the Ollerenshaw review.

This report recommends retaining the existing scheme for 2019/20.

Finance summary

Funding for CTS was rolled into the Settlement Funding Assessment (SFA) and the indicative allocation was £20.07m from 2013/14. However, as the grant has now been subsumed within core funding, it is subject to the same reductions as the rest of the SFA. The government has stated there has been no reduction in the allocation for CTS. However, as the amount is not

specified in the SFA and core funding to Lambeth has reduced between 2013/14 to 2018/19 this is not in fact correct.

Recommendations

- (1) To adopt an unamended Council Tax Support scheme for 2019/20 subject to annual uprating and adjustments for inflation, which are already catered for in the existing 2018/19 scheme.

1. Context

- 1.1 The council's Council Tax Support (CTS) scheme was developed with the intention of ensuring vulnerable residents are protected from changes to the help they receive with Council Tax (CT) costs. Those with more income would contribute more towards their CT costs and the scheme would operate within the financial envelope of the budget allocated by government. This intention was reflected in the revision to the scheme for 2018/19.
- 1.2 Pensioners continue to be protected as part of the national scheme.
- 1.3 One of the key features of the scheme protects vulnerable residents on low income from the universal reduction of 20% and therefore provides the possibility of 100% support. The protected groups are:
 - All disabled people
 - Carers
 - Families affected by the overall benefits cap
 - War widows and widowers
- 1.4 The council is required by law to maintain and manage a CTS scheme to help residents on lower incomes meet their CT costs. We chose to create our own scheme which gives us flexibility of how the scheme works, and what action is taken to pass on the government's saving either in part or in full. In January 2018 the council agreed a CTS scheme as laid out in 1.2 and 1.3 above through cabinet and full council. This report proposes continuing that scheme for 2019/20.
- 1.5 There are now 6,952 vulnerable working age households in Lambeth that we have fully protected via the CTS scheme from any form of council tax liability. There are a further 8,985 households receiving some degree of assistance from CTS in meeting their full obligation. In addition 8,816 residents of pension age are protected from any reduction in CTS support. This makes a total of 24,753 CTS claimants that the council helps with meeting their council tax at a cost of £16.99m.
- 1.6 This expenditure is a key part of the council's Welfare Safety Net which brings together resources such as Discretionary Housing Payment, Emergency Support Scheme, and budgeting support and advice to help hard pressed residents manage debt and ensure those most in need are helped as much as possible. The introduction of the

Discretionary CTS Hardship scheme adds to this safety net and helps to ensure that targeted financial support is maximised for those who need it most.

- 1.7 The year on year collection rates of CTS are shown in the table below, demonstrating that CTS collection is marginally lower than CTB collection rates. The relative stability of council tax collection for residents in receipt of either CTB/CTS indicates that there has not been a significant shift in behaviour. Households in receipt of financial assistance have maintained a collection rate of approximately 80%. This is also comparable to Southwark, and indeed most other London boroughs, as the impact on collection rates have been limited. In particular it is very positive that changes made to the scheme from April 2018 have not impacted collection with a forecast improvement of c1% expected.

	2018-2019 (CTS)*	2017-2018 (CTS)	2016-2017 (CTS)	2015-2016 (CTS)	2014-2015 (CTS)	2013-2014 (CTS)	2012-2013 (CTB)
Combined Collection Rate	96.51%	95.13%	95.4%	95.2%	95.00%	94.50%	94.70%
Non CTS/CTB accounts	97.39%	96.00%	96.15%	96.10%	96.00%	95.70%	95.50%
CTS/CTB accounts	79.34%	78.21%	80.45%	80.44%	79.93%	78.80%	81.20%

*In year collection rates are forecast based on Q2 2018/19 outturn.

2. Proposal and Reasons

- 2.1 It is recommended that the CTS scheme approved in 2018 should be re-adopted for 2019/20. This is because the current scheme still achieves its original objectives of protecting vulnerable residents. The changes to the scheme from April 2018 will allow us to continue to manage uplifts in scheme costs due to increasing council tax in 2019/20. This is because sufficient headroom was built in to the cost reduction to ensure the scheme could operate for at least two years without seeing a net increase in overall cost.
- 2.2 The CTS scheme is part of the overall financial resilience offer from the council and is also integral to the income and debt strategy. The CTS scheme has been reviewed in detail in the light of these strategies and it remains aligned to both. Ongoing review work will continue to link back to the Financial Resilience and Income and Debt strategies, and will be co-ordinated to ensure hard pressed residents receive the best and most complementary support possible.
- 2.3 Since 2015 the Income and Debt strategy has informed our approach to managing the collection of council tax debt and distinguishes between those who can't pay and those

who can. We have established that residents receiving CTS broadly fall in to the former category. Understanding this means that a different approach to collection and more importantly to enforcement is needed for CTS recipients. The process for CTS recipients uses soft reminders and final letters, text messaging, and free impartial debt and money management advice from our partners, Advising Communities.

- 2.4 We began using this revised approach in 2015/16 and saw summonses for CTS cases reduce from 8,933 to 2,176 as a result. Summonses for 2016/17 were 3,126. Similarly, reductions in enforcement agent (EA) action went from 3,244 CTS cases to zero. Enforcement Agents (bailiffs) were not used for any CTS recipients in 2015/16 and 2016/17. In September 2017 1002 cases were referred to enforcement agents for compliance but crucially not enforcement action . This means that although these residents received contact from our enforcement agents no CTS recipient received a knock on their door. As at the end of September 2018, 1,666 CTS cases were passed to the EA for collection with a debt value of £392k. The cases are exclusively residents who are neither paying nor engaging with the council with regard to their debt. This approach is another opportunity for them to begin dialogue with the council whereby we can begin to help them either make arrangements to pay or manage any debt issues they may have.
- 2.5 As a result we have helped hard pressed CTS recipients avoid a total of £2.95m in enforcement agent charges which has ensured this debt has not been added to the burden of households who may already find themselves in hardship. This in turn leaves the Council Tax team free to pursue those who can pay but won't and also reduces the need to write off debt that could be collected. In addition more than 575 referrals to the council tax team have been received from Advising Communities and both payment arrangements to clear arrears as well as attachment of benefits have increased significantly. To date we have received payments totalling £540k from customers who used independent debt advice provided by Advising Communities and written off uncollectable debt of £96k. Additionally through a one council approach we have been able to move credits on rent accounts for our tenants to their council tax accounts where they are in arrears reducing debt and helping residents manage their finances better.

3 Finance

- 3.1 The cost of the scheme falls into two discrete areas covering the scheme expenditure and scheme administration.
- 3.2 The cost of administration is linked to the costs associated with the processing of housing benefit. These costs are met by grants from MHCLG (formally DCLG) and DWP in addition to revenue top up from the general fund, which sits within cost centre D10521. The revenue top up is subject to savings requirement and will have provided £0.4m in savings over 2014/15 to 2018/19. The 2019/20 budget for benefits administration will be agreed through the budget setting process, where the level of grants will be taken into account.
- 3.3 The costs of the council tax support are met through funding incorporated into the Council's Settlement Funding Assessment (SFA). The original grant was £20.07m however this is now deemed to have reduced by some £7.72m to an assumed £12.35m in line with reductions in SFA. Conversely scheme costs have reduced from £19.04m to

£16.99m leaving the council to meet the gap of £5.67m. Changes to the scheme from April 2018 have helped manage the size of this gap which would otherwise have been £6.97m

- 3.4 Unlike the previous CTB arrangements, the cost of the scheme arises from the discounts the council awards to residents, which in turn reduces council tax income. At the point of transition from CTB to CTS the government made a one-off transfer of resources into the council's settlement funding assessment, with a reduction of 11%, which helped to deliver national government savings, yet transferred risk to local councils. Subsequent reductions in SFA means the council is subsidising not just the protected groups but all residents who are in receipt of CTS.

4 Legal and Democracy

- 4.1 The Local Government Finance Act 2012 provided for the introduction of local council tax reduction (CTS) schemes to replace council tax benefit from April 2013. The Council Tax Reduction Scheme (Prescribed Requirements) (England) Regulations 2012 contain the mandatory elements for any local scheme and detail the scheme that must be adopted for pensioners. The Council adopted its original CTS scheme in 2013 and its current scheme in 2018 both are considered lawful.
- 4.2 The Council is under a statutory duty to review its CTS scheme annually and must by 11 March 2019 adopt the scheme to take effect in 2019/20. The Council must also undertake consultation if it proposes to revise or replace its scheme.
- 4.3 This report recommends no change to the current CTS scheme other than the application of annual uprating which ensures cost of living increases in income from state benefits do not adversely affect CTS entitlement. Since such items are already catered for within the terms of the existing scheme, there are no changes to the terms of the scheme for 2019/20, therefore all that is required is that full Council agree the scheme for its continuing adoption from 1 April 2019 for the full 2019/20 council tax year.
- 4.4 Section 149 of the Equality Act 2010 sets out the new public sector equality duty replacing the previous duties in relation to race, sex and disability and extending the duty to all the protected characteristics i.e. race, sex, disability, age, sexual orientation, religion or belief, pregnancy or maternity, marriage or civil partnership and gender reassignment.
- 4.5 The public sector equality duty requires public authorities to have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation
 - Advance equality of opportunity and
 - Foster good relations between those who share a protected characteristic and those who do not.

- 4.6 Part of the duty to have “due regard” where there is disproportionate impact will be to take steps to mitigate the impact and the Council must demonstrate that this has been done, and/or justify the decision, on the basis that it is a proportionate means of achieving a legitimate aim. Accordingly, there is an expectation that a decision maker will explore other means which have less of a disproportionate impact.
- 4.7 The Equality Duty must be complied with before and at the time that a particular policy is under consideration or decision is taken – that is, in the development of policy options, and in making a final decision. A public body cannot satisfy the Equality Duty by justifying a decision after it has been taken.

5 Consultation and co-production

- 5.1 Consultation to set the scheme was undertaken in 2012/13 and again in 2017/18 to amend the scheme. As there are no proposed changes to the scheme for 2019/20 a repeat consultation is not required. Consultation is only warranted if the scheme is to be changed. The scheme may be amended in the future to take in to account UC migration, welfare reform, and also council budget requirements. This will require a consultation with residents, GLA, and other stakeholders at the appropriate time.

6 Risk management

- 6.1 The risks associated with this decision are deemed as minimal. We already know that the scheme does what it has been designed to do in terms of protecting our most vulnerable residents. Only a very significant increase in caseload is likely to cause pressure to the CTS budget. The addition of the discretionary fund alongside the broader Financial Resilience and Income and Debt strategies mean the council is well positioned to mitigate the risks posed by those who cannot pay. Work with the council’s revenue collection team continues to ensure collection of CT is maximised and that help and support is available for residents in receipt of CTS.
- 6.2 The risks that sit around the scheme as opposed the decision per se, appear limited although the DCLG / MHCLG guidance around CTS is open to interpretation and case law is limited. We believe our consultation and original scheme are robust as both were reviewed by CIPFA and Counsel for challenge with only positive response. We believe the same of our 2016/17 consultation and revised scheme. Additionally Lambeth has not received a negative decision via Valuation Tribunal.
- 6.3 The council will take the opportunity to continuously review the scheme where required to consider any technical amendments necessitated by emerging case law to ensure we mitigate against future risk.

7 Equalities impact assessment

- 7.1 A recent review of the initial equalities impact assessment identified that there has been little change to the demography of the CTS caseload and the initial findings still apply, in

that the abolition of council tax benefits impacts all working age, low income groups, similarly. This view has been reaffirmed through the equalities impact assessment for the changes made to the 2018/19 scheme. CTS changes have received robust challenge at the council's EIA panel both in development and at the point of decision.

8 Community safety

8.1 None.

9 Organisational implications

9.1 None.

10 Timetable for implementation

10.1

Action	By
Recommendation to retain current scheme to be considered agreed by full council	20.02.19
Software supplier notified of retention of current scheme	01.03.19
Publish 2019/20 CTS scheme	01.03.19

Audit trail				
Consultation				
Name/Position	Lambeth cluster/division or partner	Date Sent	Date Received	Comments in para:
Jackie Belton	Strategic Director; Corporate Resources	06/11/18	14/11/18	Throughout
Rachel Harrison, Finance	Group Manager-Strategic Finance	06/11/18	09/11/18	3.3, 3.4
Alison McKane, Legal Services	Corporate Resources:	06/11/18	12/11/18	Throughout
Wayne Chandai, Democratic Services	Corporate Resources:	04/12/18	18/12/18	Throughout
Cllr Andrew Wilson	Deputy Leader, Finance and Investment	12/11/18	28/11/18	Throughout

Report history

Original discussion with Cabinet Member	12/11/18
Report deadline	
Date final report sent	
Report no.	
Part II Exempt from Disclosure/confidential accompanying report?	No
Key decision report	Yes
Date first appeared on forward plan	n/a
Key decision reasons	Expenditure, income or savings in excess of £500,000 Meets community impact test
Background information	Report to Cabinet - 17 December 2012 Localisation of Council Tax Support including Equalities Impact Assessment http://modern.gov.lambeth.gov.uk/documents/s52850/06.1a%20CTS%20Cabinet%20Report%20Dec%2012%20-%20Final.pdf Report to Council - January 2018 Council Tax Support
Appendices	None.