



Report for:	Full Council on 17/1/2013	Item Number:	
-------------	---------------------------	--------------	--

Title:	Final approval of Haringey Council Tax Reduction Scheme
--------	---

Report Authorised by:	Julie Parker Director of Corporate Resources <i>J. Parker 9/1/13</i>
-----------------------	--

Lead Officer:	Paul Ellicott Head of Revenues, Benefits and Customer Services
---------------	---

Ward(s) affected: All	Report for Key Decision
-----------------------	-------------------------

1. Describe the issue under consideration

- 1.1 Council Tax Benefit will be abolished and local authorities will be developing their own systems for rebating Council Tax. The Government is transferring the support for Council Tax to local authorities from 2013-14 and have stated that they will reduce funding by 10%. However, the level of support for pensioners must be maintained so this increases the reduction to 12.7%. Furthermore the funding is based on the assumption that claimant numbers will reduce, however, trends for Haringey show that there has been an increase in claimant numbers over the last three years and therefore this will further increase the funding gap if this trend continues.
- 1.2 This report follows the *Council Tax Benefit (CTB) Scheme – Options for Consideration and Final Approval* Key Decision report agreed by Cabinet on the 10th July 2012, including the incorporation of the provision in relation to Council Tax Exemptions and Discounts that can be applied to mitigate the financial loss to the Council.
- 1.3 This report sets out recommendations for Haringey's new Council Tax Reduction Scheme (CTRS) taking into consideration the assessment of options and the outcomes of consultation and an Equalities Impact Assessment (EqIA). It contains the Council Tax Reduction Scheme which the Council is required to produce under the provisions of section 13A(1)(a) and Schedule 1A of the Local Government Finance Act 1992.



- 1.4 The new scheme must be approved by 31st January 2013 and the purpose of this report is to seek Council's agreement to implement the recommended CTRS, as stated in Section 3 of this report, commencing on the 1st April 2013.
- 1.5 The report also sets out recommendations to Haringey's Council Tax Exemptions and Discounts following publication of the Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 and the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012.

2. **Portfolio Holder Introduction: Councillor Goldberg**
- 2.1 The abolition of Council Tax Benefit as outlined in the Welfare Reform Act is just one plank of the Coalition's radical and wide ranging attack on social security and welfare benefits in the UK. These will have a significant impact on over 1 in 3 households in Haringey, hitting the finances of thousands of low paid local families, both unemployed and in work.
- 2.2 The Government has stated that the cut in funding for council tax support constitutes just 10%, but this is based on the incorrect assumption that the number of claimants is falling. In fact, Haringey has seen an 11% increase in claimant numbers over the last three years. They have also protected pensioners from the cut, but not provided councils with the extra financial means to do so, making the overall funding gap nearer 17%. Our decision to protect recipients of disability related benefits means the total shortfall totals some 19.8% for remaining working aged recipients.
- 2.3 The Government has removed the cost of the benefit from the Annually Managed Expenditure [AME] (the account which pays for all welfare expenditure and is able to respond to increases in demand) and moved a top-sliced sum into the Departmental Expenditure Limit [DEL]. In plain terms, this means the government has put an effective cap on the money available for those that need support paying Council Tax, divorcing it from need and changing demand.
- 2.4 This means the Government has also made the money vulnerable to re-allocation to different government spending priorities in the future. It appears that as of 2014-15, local authorities will not be able to judge within its overall allocation of central government funds, what proportion is designed to fund the replacement Council Tax Reduction scheme.
- 2.5 Government claims that the reduction in funding can be absorbed by getting tougher on benefit fraud are plainly disingenuous. Their own figures reveal benefit fraud levels stand at around 0.7%. Furthermore the idea that we can reduce the bill by getting more people into work ignores the fact that many claimants are in fact already working – in addition to the current difficulty unemployed people are having finding work, with around 20 claimants per vacancy in parts of Haringey.
- 2.6 The impact of the Government's policy is to de facto bring back the contributory principle that everybody of working age should pay some form of local taxation,



irrespective of their situation and ability to pay. It was this principle that underpinned the introduction of the poll tax in 1989 - a 'flagship policy' of Margaret Thatcher's 1987 government.

- 2.7 It is a reality, especially in the current climate that when the government removes any level of resource for any specific purpose, it is simply not sustainable or possible for the Council to magic money to pick up a tab to cover this funding gap. This is especially the case when the funding gap is as large as £4m as it is in this case, and when it is likely to grow.
- 2.8 It goes without saying that the actions of the Government with regards to the abolition of Council Tax Benefit are extremely misguided, both in practice and principle. It is important to note that this new tax on the lowest paid households will hit them on the same day as many will be impacted by the overall benefits cap and further cuts to tax credits and other benefits.

3. Recommendations

It is recommended to Council that:

- 3.1 Having taken into account the outcome of the consultation as detailed in **Appendix A** and the attached Equalities Impact Assessment at **Appendix B**, the Council Tax Reduction Scheme as set out at **Appendix E** be agreed and adopted;
- 3.2 Accordingly, the principles of the Council Tax Reduction Scheme, as summarised in Section 6 of the report, be adopted in respect of all working age claimants. This means an overall reduction of Council Tax support of **19.8%**.
- 3.3 The Scheme remain in perpetuity with parameters uprated as per the Scheme rules, unless a decision is taken by Council to replace or alter the Scheme at annual review;
- 3.4 Further to the agreement at Cabinet on 10th July 2012, the following adjustments to Council Technical changes be agreed:-
- a) Reduction of discount on Class D empty properties undergoing major repair (previously known as Exemption Class A) to 50% for one year and 0% discount thereafter. This was previously agreed at a flat 0% discount;
 - b) Payment of an Empty Homes Premium on properties that have been empty and unfurnished for more than two years of 50%. Unoccupied annexes and properties belonging to a member of the armed forces currently absent as a result of this are excluded from this premium;
 - c) One-off 100% discount for the first calendar month for Class C properties (Empty properties) and 0% discount thereafter. Occupation periods of less than six weeks will be disregarded in administering this discount;



- 3.5 Authority to be given to the Director of Corporate Resources and Head of Revenues, Benefits & Customer Services to take all appropriate steps to implement and administer the Scheme.
- 3.6 Authority to be given to the Head of Legal Services to make all necessary amendments to the Constitution to reflect the Council's new functions in relation to council tax reduction schemes.

4. Options Considered

4.1 Default Scheme

- 4.1.1 The Default Scheme published by Government in September 2012 will be enforced on Local Authorities who have not adopted a scheme by 31st January 2013.
- 4.1.2 The key characteristic of the Default Scheme is that it follows the existing Council Tax Benefit scheme, and as such it does not provide for the 10% funding cut. Adopting the default scheme would mean that the Council would have a shortfall of £3.846m (net of GLA) and is not in a financial position to absorb this without further cuts to services.

4.2 Other Options

There are a number of different Council Tax Benefit rules that can affect the amount of support a person may receive. The majority of them affect different groups of people some of who fall under the Equalities Act as protected groups. To gain an understanding of how the funding gap could be covered, various options have been considered looking at the key principles of the scheme and the financial impacts.

4.3 Options that were considered:

- Option A** Reduce payments to all working age claimants by an equal flat proportion
- Option B** Reduce savings and investment allowance
- Option C** Remove entitlement if less than a £1 per week is awarded
- Option D** Review backdating period
- Option E** Protect other vulnerable groups
- Option F** Protect band A-C properties
- Option G** Protect claimants on 100% CTB
- Option H** Protect claimants who are working but on low income
- Option I** Stagger the implementation of the scheme

Further detail for each option is shown within Appendix C

4.4 Options taken forward to Consultation



Based on the options above and the impact on claimants and cost reductions achievable, the following proposals were taken forward for consultation as the preferred option for the Scheme. The options that were not taken forward were considered disproportionately impacting on the majority of claimants and would not cover the shortfall in the funding gap.

Ref	Option	Description
A	Reduce payments for all working age claimants by an equal flat proportion	Every household of working age would have to pay something towards their Council Tax bill with the reduction in funding spread equally across all working age claimants.
B	Reduce savings and investments allowed to £10,000	This means that claimants who have savings and investments over £10,000 would no longer be entitled to any support towards their Council Tax bill.
C	Remove entitlement if less than £1.00 per week is awarded.	This means that claimants who are entitled to less than £1.00 per week would no longer be entitled to any support towards their Council Tax bill
D	Amend the maximum backdating period	New requests for support or changes to existing claims would need to be notified to the Council as soon as possible in order to benefit from any backdating.

4.5 Department for Communities and Local Government Transitional Grant Scheme

- 4.5.1 On the 18th October 2012 the DCLG issued details of an additional £100m they were making available to support local authorities to develop a CTRS that fits within specific criteria as set out by Government. The announcement was made after the consultation had begun, similar to many other local authorities.
- 4.5.2 Local authorities would have to apply for the transition grant before 15th February 2013 and, if all the qualifying criteria were met, the grant would be paid in March 2013. The additional grant would initially be available for one year only. The Haringey share of the £100m would be £706,021 (Council share excluding GLA £182,848).
- 4.5.3 In order to qualify for the transition grant the Council would have to limit the amount of the cut passed on to claimants to 8.5%. The cost of limiting the amount passed on is only partially covered by the Transition Grant which means there will be a cost to the Council if it decides to apply for the Grant.
- 4.5.4 With proposals for reduction of 19.8% for Haringey, this would mean that the additional loss in funding over the 8.5% would have to be found from outside the Scheme,



potentially through cuts to services. Taking into account the grant this shortfall would be £1.489m for Haringey Council (net of GLA).

5.0 Background Information

- 5.1 On 17th February 2011 the Government published its Welfare Reform Bill, setting out some of the most significant proposed changes to the welfare system in decades. The bill was passed by parliament on 8th March 2012 and became the Welfare Reform Act 2012. The Act contains the provision to replace six working age benefits including Housing Benefit with the new Universal Credit.
- 5.2 A key change in the Act is the Government's proposal to abolish the national Council Tax Benefit (CTB) system and replace it with the implementation of a Local Council Tax Reduction Scheme from 1st April 2013. Section 13A(2) of the Local Government Finance Act 1992, as amended by section 9 of the Local Government Finance Act 2012, requires each local authority to produce its own scheme to reduce the council tax liability of persons it considers to be in financial need. The Scheme needs to reflect the Government's key principles of protecting pensioners, incentivising work and paying due regard to the impact of the local Scheme on vulnerable groups.
- 5.3 As the Government has decided that those of pension credit age will be protected and continue to receive the same level of support, only working age people currently in receipt of CTB will be subject to the changes introduced by the Council's local Scheme. Pensioners will move on to the new Council Tax Reduction Scheme; however they will receive the same amount of support they would have received under the existing CTB regulations and this is unfunded.
- 5.4 CTB is currently a means tested benefit that is administered by local authorities on behalf of the Department for Work and Pensions. Claimants in receipt of means tested out-of-work benefits generally receive full assistance; eligible claimants who work or have other income are likely to get partial relief and around 60% of all pensioners are entitled to CTB, although not all who are entitled actually claim. The amount of CTB awarded reduces the Council Tax bill for each financial year.
- 5.5 The Government's new model for Council Tax support is based on the assumption that claimant numbers will reduce. However, trends for Haringey show that there has been an increase in claimant numbers over the last three years. As the scheme changes from a 'benefit' to a 'reduction' this may have the effect of attracting residents who have not claimed before. Because the Government is protecting pensioners from any changes, there is varying liability between Councils depending on the number of pensioners living in the area.
- 5.6 The new Scheme will come into effect 1st April 2013. Failure to implement a scheme will result in the imposition of the 'Default Scheme' proposed by Government, a scheme which replicates the current CTB system and therefore would see Haringey absorbing the shortfall.



5.7 As part of the preparation for the introduction of the Scheme, Haringey was required to consult with our precepting Authority – the Greater London Authority (GLA). The GLA's response to the consultation is attached within the Consultation report and confirms that Haringey needs to pay due regard to the key principles as set out by Central Government.

5.8 It is a prescribed requirement of the regulations that the Scheme set out the procedure by which a person can apply for a discretionary reduction to their Council Tax under Section 13A(1)(c). The power, giving authorities discretion to reduce Council Tax existed previously, and as such the Council will review its policy as part of the cyclical process for setting of the Council Tax in February 2013.

6.0 The Scheme – The Key Components

6.1 In accordance with section 13A(2) and Schedule 1A of the Local Government Finance Act 1992, the Council is required to design its own Council Tax Reduction Scheme to reduce the council tax liability of working age persons it considers to be in financial need. The Council's Scheme must also include certain requirements prescribed by regulations. In the event that the Council fails to implement a scheme by 31st January 2013 a Default Scheme will take effect. This Default Scheme is set out in the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012.

6.2 The key feature of the Government's Default Scheme is that it is based upon the current Council Tax Benefit regime for working age people. It incorporates the requirements prescribed by regulations but it does not take into account the reduced level of funding for council tax support.

6.3 Prescribed Requirements

Schedule 1A of the Local Government Finance Act 1992 provides certain requirements for schemes as follows:

- A scheme must state the classes of person who are entitled to a reduction, by reference to income or capital of the liable person or other household members, the number of non-dependants and whether the person has made an application;
- A scheme must set out the reduction that each class of persons are entitled to and different reductions can apply for different classes;
- A reduction can be a percentage discount, a set discounted amount, a set maximum amount of council tax liability or the whole amount of council tax (therefore reducing liability to nil);
- A scheme must specify the application and appeal procedure for a reduction under it;
- A scheme must specify the application procedure for a discretionary reduction under section 13A(1)(c);
- A scheme must include any requirements prescribed by regulations.

6.4 The Government has issued the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012, prescribing a number of requirements affecting



both working age and pension credit age claimants which must be incorporated into all local authority schemes.

6.5 The regulations require that pensioners are a class of person who, by law, must be included within a scheme and who must continue to receive the same level of support as they do currently under CTB rules. The regulations prescribe persons who must be excluded from a scheme including those who are subject to immigration control. In relation to all applicants the regulations set out procedural requirements for applications and appeals; extended reductions for movers into the authority's area; requirements as to information and evidence to be provided; the amendments and withdrawal of applications and the duty to notify change of circumstances.

6.6 Proposed Scheme

6.6.1 In order to minimise the impact on working age claimants, and keep changes to the system to a minimum, the Council Tax Reduction Scheme has been based on the Default Scheme with some locally amended provisions to pass on the reduction in funding. The full Scheme is set out at Appendix E.

6.6.2 In designing the Scheme, the Council has taken into account a range of issues including the Government's "Statement of Intent" issued in May 2012, the Local Government Finance Act 2012, regulations and guidance issued by the Government relating to vulnerable people and work incentives; as well as the outcomes of the consultation exercise and an equalities impact assessment, together with the reduction in funding for the Scheme and the impact on collection rates for council tax.

6.6.3 The Scheme will be kept under review during 2013/14 and going forward. Each year Full Council must consider whether to revise the Scheme or replace it with another scheme. Any proposed changes to the Scheme will be consulted on as provided for in Schedule 1A of the Local Government Act 1992. In the event that no changes are proposed, the Scheme will continue to apply as agreed for future years. Annual up rates will be applied as required within the administration of the Scheme.

6.6.4 Set out below are the rules that are to be changed in the local Council Tax Reduction Scheme.

6.6.5 Class of Persons

It is proposed that eligibility under the new Scheme is defined by the terms of the Default Scheme, which mirrors the existing Council Tax Benefit rules. The principals and methods set out in the Default Scheme Regulations will be used to determine council tax support, except that the maximum amount of capital that a working age claimant may hold in capital savings before becoming ineligible for council tax support will be set at £10,000.

6.6.6 Class of Reduction

It is proposed that council tax support be calculated as a means tested discount, defined by the terms of the Default Scheme Regulations and which mirrors the existing Council Tax Benefit scheme except as identified below:

- Payments are reduced to all working age claimants by 19.8% with the exception of those persons in receipt of the following:
 - Attendance Allowance (including Constant AA)



- *Disability Living Allowance (including Care/Mobility components)
- Severe Disablement Allowance (including Exceptionally SDA)
- Long Term Rate Incapacity Benefit
- Mobility Allowance/Supplement
- Working Tax Credits – Disability element

** DLA to be replaced by Personal Independence Payment (PIP) from April 2013*

- Where entitlement to council tax support is less than £1 per week it will no longer be granted.
- The maximum period to which a claim can be backdated will be retained as six months.

6.6.7 Discretionary Reductions under Section 13A (1) (c)

In addition and separate to any reduction calculated as part of the Scheme, this provision provides an Authority with the discretion to reduce a Council Tax Bill to zero, a similar power to that which existed previously.

7.0 Summary of Consultation Response

7.1 To gather views on the proposed changes the Council undertook a consultation exercise with claimants, residents and key stakeholders including members of the voluntary sector. Consultation took place between 29th August and 19th November 2012.

7.2 The consultation questionnaire was sent to all 36,000 current Council Tax Benefit claimant households, was available online and it was prominently displayed at the Council's main offices, Customer Service Centres, libraries and the boroughs two Citizen Advice Bureaus (in Turnpike Lane and Tottenham). It was also distributed at area forums, to HAVCO's 250 members, at the Private Landlords Forum and the Homes for Haringey Leaseholder Forum.

7.3 On-street posters were used to advertise the consultation, and people discussed the Government's changes and the Council's draft Scheme at area forum meetings during the consultation period. The issues raised were also covered by the local press.

7.4 The Council received over 1400 responses/enquiries to the consultation which included: 1251 completed questionnaires, 36 letters and emails and 209 enquiries to its Customer Contact Centres and Call Centre. All responses have been analysed and evaluated and the key findings along with the Council's responses are shown in detail in the full Consultation report in Appendix A.

7.5 The below table summarises the results of the consultation

Proposal	Agreed or strongly agreed	Disagreed or strongly disagreed	Neither agreed nor disagreed	Did not answer the question
A flat reduction to be applied equally to all claimants with no	43%	44%	10%	3%



protections				
Those with savings and investments over £10,000 are no longer entitled to a Council Tax reduction	43%	37%	18%	2%
Entitlement should be removed if less than £1 per week is awarded	48%	27%	21%	4%
The maximum period allowed for backdating claims is reduced	39%	38%	19%	4%

7.6 The consultation also asked whether some groups should be protected and if so which groups. Of those who specified that some groups should be protected, 52% felt that pensioners, older people and/or disabled should be protected.

7.7 There were many deserving groups for protection, specifically noting our duties under the Child Poverty Act and the Armed Forces Covenant. The Council has taken into consideration these views and its duty under the Equality Act 2010. Pensioners are already protected from any changes however the Council recognises that disabled people's needs may be different from those of non-disabled people, and that they may have limited ability to work. As such it is recommended that protection is extended to include disabled people as previously defined in Section 6.

8.0 Equalities Impact Assessment Summary

8.1 An Equalities Impact Assessment (EqIA) (see Appendix B for full EqIA) has been developed to assess whether and to what extent this proposal could disadvantage particular groups within the protected characteristics, defined in the Equality Act 2010.

8.2 It describes the mitigating measures that can be taken to remove or reduce the disadvantage and seeks to ensure that full awareness of the implications of the proposal are identified.

8.3 The EqIA has used available equality data on claimants from the Council's Revenues and Benefits IT system (I-World). The records show that as of June 2012, excluding pensioners, a total of 25,362 working-age claimant households (70% of claimant households) will be affected by the Council's proposed Scheme.

8.4 The analysis shows that of the working-age claimants most likely impacted by our scheme:

- 50% are in the 25-44 age group
- 37% are in the 45-59 age group
- 12% have 3 or more dependents
- 36% of claimants' dependents are children aged 0-16
- 27% are lone parents
- 3% have a disability



- 61% are women
- 68% are receiving 100% CTB or are economically inactive
- 84% live in the east of the borough
- 55% of those with ethnicity recorded are non-white and 31% other white

8.5 The reasons for this over representation are multiple and complex and are extensively described in the Council's various key strategic documents and summarised in the Corporate Equality Objectives 2012 – 16. The key factors are:

- **Unemployment** – especially in the east of the borough and within some groups including women, especially lone female parents and minority ethnic communities.
- **Deprivation** – with a disproportionately high concentrated in the east and within minority ethnic communities.
- **Child poverty** –with disproportionate incidence in the east and within minority ethnic communities and lone female parents.
- **Disability** –A range of benefits and allowances (e.g. Incapacity Benefit, Severe Disablement Allowance) are claimed by a large number of disabled people of working age. It is recognised that people claiming these benefits are effectively economically inactive.
- **Homelessness** – This may prevent people from working. The homeless register shows an over representation of lone female parents; young people aged 16-24; and; Black or Black British people – three times their size in the local population.

8.6 In '*Localising Support for Council Tax: A Statement of Intent*', the Government explains its intent is to lift the poorest off benefits by supporting them into work. In this the Government set out additional duties that councils must have regard to when developing their Council Tax Reduction schemes. The table below provides a summary of how the Council will address these duties to vulnerable groups.

<p>Duty under the Child Poverty Act/ Unemployment/ Deprivation</p>	<p>Unemployment, deprivation and child poverty will be addressed through a range of employment initiatives (e.g. the Tottenham Plan, Haringey Guarantee) and the forthcoming child poverty strategy. Details of the impact on various groups and mitigations are laid out in the full EqIA.</p>
<p>Public Sector Equality Duty - Disability</p>	<p>It is proposed that those in receipt of disability related payments should receive their existing allowances (i.e. they will be protected from the proposed 19.8% reduction).</p>
<p>Armed Forces Covenant – war pension and compensation payment</p>	<p>It is proposed that we continue to disregard widow's pensions, war pensions and compensation payments made under the Armed Forces Compensation Scheme when calculating income for the purpose of determining the amount payable in council tax.</p>



Duty to prevent homelessness	This is being addressed by programmes set out in the Council Plan listed in the full EqIA.
-------------------------------------	--

- 8.7 It is not anticipated that the above barriers would immediately be removed and claimants achieve self-reliance as a result of the scheme. It is likely therefore that in the short term, the impacts identified in this report will remain. The expectation must be that in the long-run, those barriers would progressively be removed so that more and more claimants achieve self-reliance and less reliance on benefit support.
- 8.8 As part of Haringey's development of the new local scheme, the power was given to every local authority to amend benefit disregards, deduction levels and applicable amounts. Haringey has made a positive choice to protect as many people as we are able to by not making these changes.
- 8.9 Consultation feedback has also been considered as part of the EqIA. A list of mitigating actions can be found in the full EqIA.
- 8.10 It has been agreed to fully disregard income received from a war pension / compensation scheme when calculating entitlement to Council Tax support.
- 8.11 The scheme will be reviewed and the Council has the option of changing it on an annual basis if it feels this is appropriate, any change from the existing proposals will require further consultation. As part of the changes a review of Council Tax support application forms will be undertaken to ensure they include the equality information we need to monitor the impact of the scheme. Existing Council policy on equality monitoring will be followed.
- 9.0 Service Impact Assessment**
- 9.1 Analysis has also been undertaken on the impact of the implementation of the Council Tax Reduction Scheme including:
- The Council Tax Base
 - Council Tax Technical Changes
 - Customer Demand
 - Collection and Enforcement activities
- 9.2 The change from a Council Tax Benefit Scheme to a CTRS treats the reduction as a discount. This discount will now be reflected in the council tax base and serve to reduce the base. The movements in the base and the re-calculation of bad debts will be adjusted in the medium term financial plan for 2013-16.
- 9.3 If a comparison is made between 2012-13 and 2013-14, a fairly significant reduction in the council tax base results as grant will in future be provided for council tax support through the revenue support grant settlement and not as a direct receipt of support for council tax payers.



- 9.4 From April 2013 Local Authorities have the opportunity to make changes to certain categories of Council Tax discounts. These changes can assist in mitigating the financial impact on the Authority as a result of the Government's reduction in funding for Council Tax Reduction Schemes. A range of changes were agreed by Cabinet on 10th July 2012, however following publication of the Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012 and the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012, some amended proposals are recommended. Further detail is shown in Appendix D along with the likely additional mitigation, depending on collection rates.
- 9.5 The Council Tax technical changes do not allow the Council to significantly mitigate the loss caused by the move from CTB to CTRS. This is due to the number of dwellings impacted by the technical changes being lower in Haringey than a number of other London Boroughs.
- 9.6 The Council Tax Reduction Scheme and the Council Tax technical changes will come into effect around the same time as the Council Tax annual billing exercise. This will increase the pressure on both frontline and support services. It is expected that there will be a general increase in volumes as more residents contact the Council with regards to welfare reform changes that have never contacted the Council before.
- 9.7 Appeals under the Council Tax Reduction Scheme will be treated separately from Housing Benefit appeals and this will also increase the volume of work needed to be undertaken by back office staff. The Valuation Tribunals Service (VTS) will be dealing with Council Tax Reduction Scheme appeals and have expressed concerns about the volumes and potential delays as a result of their resources.
- 9.8 Haringey Association of Voluntary and Community Organisations (HAVCO) have identified that there will be an increase in the number of applicants applying for a 'Community Care Grant' and 'Crisis Loans' under the Social Fund scheme as residents feel the squeeze.
- 9.9 The projected increase in workload for 2013/14 in relation to Council Tax Reduction Scheme, Council Tax exemptions and discounts and the Social Fund is predicted to be high. The Council is proposing to take some mitigating actions to assist in dealing with the extra demand:
- The introduction of a marketing campaign to ensure residents are aware of the changes.
 - Making early contact with residents affected by the changes and provide details of who and how help can be provided.
 - Working with the Third Sector and Haringey Association of Voluntary and Community Organisations (HAVCO) to ensure processes are streamlined with reference to criteria and assessments
 - Develop services to efficiently handle a large percentage of welfare reform queries without taking up adviser time.



- Utilising self-service to provide accurate, consistent advice and information on the changes welfare reform will bring to residents.

- 9.10 The forthcoming wider benefits changes will also have an impact on the amount of available income the council taxpayer may have. For example the benefit cap, being introduced in Haringey from April 2013, which restricts the amount of benefit a claimant is entitled to and the benefit size criteria which looks at under occupancy.
- 9.11 Universal Credit being introduced in October 2013 will also impact on people's ability to pay as they will be in receipt of all their benefit entitlements via one monthly payment.

10. Comments of the Chief Finance Officer and financial implications

- 10.1 The Council, in line with other local authorities, receives funding from the Department for Work and Pensions (DWP) for the current council tax benefit (CTB) scheme by way of grant based on actual expenditure. The annual grant claim is subject to external audit and is payable, in most cases, at 100% of expenditure incurred. As a consequence, the financial risk relating to changes in caseload and rent levels is borne by the DWP rather than local authorities.
- 10.2 The council tax reduction scheme (CTRS) is fundamentally different to the current CTB scheme. A fixed grant will be paid to local authorities from 2013-14 based on 2012-13 estimated expenditure reduced by 10%. The total grant allocation for 2013-14 for Haringey is £26.031m (net of GLA) and the proposed CTRS takes this into account.
- 10.3 The reduction in grant payable by the Government is estimated to be £2.687m (net of GLA). The financial risk will now fall on local authorities since, if caseloads and total spend on the benefit increases from that assumed at the time of the financial settlement announced on 20th December 2012, no adjustment will be made retrospectively. With a projected level of growth of 4% the total cost of the scheme would be £3.846m (Haringey element).
- 10.4 During 2013-14 it will be vital to ensure that payments under the CTRS are monitored very closely in order to assess the impact of this new financial risk for the Council.
- 10.5 It is not yet known whether the grant will be fixed or varied each year according to changes in caseload. Variations to grant based on caseload changes are more likely to be preferable for the Council because it will help to ameliorate the position whereby caseload and grant payable diverge so significantly that Council may be exposed to substantial and largely uncontrollable financial risks.
- 10.6 Should the grant in future years be fixed the Council has the legal powers to revise the CTRS, subject to consultation and therefore can, in principle, mitigate this financial risk. It could of course have a substantial impact on specific groups residing in the borough.
- 10.7 Subject to the inherent uncertainties of financial modelling and the caseload risks described, the Council will, in theory, receive in 2013-14 a grant for the CTRS such that, with the additional council tax it will be billing, be equal to the amount of Council Tax (paid by CTB) that it received in 2012-13. However there remain other substantial costs and risks to be taken into account.



- 10.8 Under the new CTRS it will be necessary for the Council to collect fairly small amounts from a large number of residents who have not previously been liable to pay any council tax as the old CTB scheme paid 100% of their liability.
- 10.9 The Council Tax Benefit (CTB) Scheme – Options for Consideration and Final Approval report was presented to Cabinet on 10th July 2012. This report on the final scheme takes on board the decisions taken at that meeting i.e. the scheme includes:
- i) A reduction in benefit payments of 19.8% (previously reported a reduction of between 18% and 22%);
 - ii) The calculation of council tax reduction allows for savings and investments up to £10k to be ignored; and
 - iii) Council tax reduction not granted if less than £1 per week;
 - iv) Approval was also given to amend the Council Tax exemptions and discounts in order to mitigate the financial loss to the Council. The total identified at the time amounted to £915k before taking into account non-collection. The final impact of technical changes shown at Appendix D. This is estimated to be up to £726k (across both the GLA and Haringey).
- 10.10 Some mitigation is available for 2013-14 only, however, as set out in Section 4.5 of this report, designing a CTRS that qualifies for transition grant would cost £1.489m in 2013-14.
- 10.11 Furthermore, there is no guarantee that the funding would continue after 2013-14 and so the CTRS would have to be either re-designed for 2014-15 or the costs would have to be absorbed by the Council on a permanent basis (estimated to be £2.195m). Given the overall financial pressures that the Council faces in the short term future it is difficult to make the case for accepting the transition grant in terms of the Council's financial position.
- 10.12 It is recognised that there will need to be behavioural change with residents, particularly for those that have been unfamiliar with paying Council Tax before and are likely to be financially vulnerable due to low incomes.
- 10.13 There will be increased cost burdens falling on the Customer Services and Council Tax teams as a result of these changes and there will need to be resources focused on this increased activity. The Council will make efforts to inform and support residents as they deal with these new bills and become familiar with making payments.
- 10.14 The Council will be aiming to collect all of the Council Tax due. There is however a need to recognise that this may not be possible in all cases. At this stage it is difficult to assess the level of non-collection that will be experienced. Other Councils are estimating it could range from 20-50%, which is considerably below the levels experienced across Council Tax currently. Data on this will only be available when the scheme is in operation so at this stage is hard to predict.
- 10.15 The overall impact of the scheme and technical changes will need to be taken on board in setting the Council Tax base and setting the budget for 2013/14.



11. Head of Legal Services and Legal Implications

- 11.1 Section 33 of the Welfare Reform Act 2012 abolishes Council Tax Benefit and any replacement scheme is excluded from the scope of the Universal Credit system set up by Section 1 of that Act. The Local Government Finance Act 2012 ("the 2012 Act") amends the Local Government Finance Act 1992 ("the 1992 Act") to make provision for council tax support.
- 11.2 The 2012 Act amends the 1992 Act by adding a new section 13A which requires each local authority to produce its own scheme to reduce the council tax liability of persons it considers to be in financial need. The Council must agree its Council Tax Reduction Scheme no later than 31 January 2013, to take effect for the financial year commencing 1 April 2013. The 2012 Act amends section 67 of the 1992 Act to make approval of the scheme a function of Full Council. Failure to adopt a scheme by 31 January 2013 will result in the Default Scheme taking effect. The Government's Default Scheme does not take into account the reduced level of funding for council tax support. As such there would be significant financial implications should a local scheme not be agreed, as detailed in this report.
- 11.3 Schedule 1A to the 1992 Act sets out matters which must be dealt with in schemes, including prescribed requirements as set out in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012. These regulations include protection of the position of state pensioners, who will receive as much in reductions as they did in benefits. The local scheme also needs to reflect the Government's key principles of incentivising work and paying due regard to the impact of the local scheme on vulnerable groups. The scheme proposed in this report takes account of all the points above.
- 11.4 The 2012 Act also re-enacts an existing power in the 1992 Act which gives authorities a general discretion under section 13A(1)(c) to reduce a person's council tax to such extent as the authority thinks fit or remit it entirely, whether or not the person already receives a reduction under a scheme. By virtue of the prescribed requirements regulations, all persons liable for council tax are entitled to apply for such a discretionary reduction. The Council will need to review its policy in this regard to determine how such applications are to be assessed.
- 11.5 In preparing a scheme, the Council was required to follow a statutory process set out in a new Schedule 1A to the 1992 Act. This required the Council to consult any major precepting authority, publish its draft scheme and consult such persons as it considered likely to have an interest in the operation of the scheme. The Council has carried out these steps and this report presents the findings of the consultation for Council to take into account before it decides on the final form of its scheme. On making its scheme, the Council must publish it in such a manner as it sees fit.
- 11.6 Once adopted, the Council Tax Reduction Scheme cannot be amended during the financial year for which it is in force. Each year, no later than 31 January, Full Council must consider whether to revise the scheme or replace it with another scheme. If any change to



the scheme is proposed, consultation as set out in paragraph 11.5 will be required. If no changes are proposed the scheme will continue to apply for as agreed for future years.

- 11.7 The decisions of the Council concerning the recommendations set out in the report need to be taken in line with legislative requirements and must be informed by and take into account the outcome of the consultation which is set out at Appendix A. A summary of the findings is provided at section 7 to this report.
- 11.8 Further, in reaching their decision on the scheme the Council must have specific regard to the authority's public sector equality duty. The extent of the duty on the Council, enforced by the Equality Act 2010, is set out in Appendix F to this report. Members must take into account the attached full equality impact assessment included at Appendix B to the report, giving particular consideration to section 3 of the assessment, the impacts identified therein and the proposals made to reduce or mitigate them. A summary of the findings is provided at section 8 to this report. The equality impact assessment includes consideration of the duties to mitigate child poverty, prevent homelessness and the armed forces covenant, in line with the Government's requirement to consider the impact of the local scheme on vulnerable groups.

12. Head of Procurement Comments

- 12.1 Not applicable

13. Policy Implication

- 13.1 The new Council Tax Reduction Scheme replaces Council Tax Benefit. The Scheme will include the new application method, entitlement criteria, ways to appeal, dealing with changing of circumstances and notification styles.
- 13.2 The Scheme will be run by Haringey Council and is separate from the DWP's Benefit Awards (including Universal Credit when this is introduced).

14. Local Government (Access to Information) Act 1985

- 14.1 Not applicable

15. Appendices

- Appendix A – Consultation Report
- Appendix B – Equalities Impact Assessment
- Appendix C – Options Considered Supporting Information
- Appendix D – Council Tax Technical Changes
- Appendix E – Haringey Council Tax Reduction Scheme
- Appendix F – Equality Act 2010 – The Public Sector Equality Duty

