

**Report for:** Cabinet – 18/10/16

**Item number:** 13

**Title:** Approval of Haringey Council Tax Reduction Scheme for 2017/18.

**Report authorised by :** Tracie Evans, Chief Operating Officer

**Lead Officer:** Carla Segel  
Head of Service Delivery, Shared Service Centre  
[Carla.Segel@haringey.gov.uk](mailto:Carla.Segel@haringey.gov.uk) / 020 8489 2034

**Ward(s) affected:** All

**Report for Key/  
Non Key Decision:** Key Decision

## 1. Describe the issue under consideration

- 1.1 Following the transfer of Council Tax Benefit to Local Authority control from April 2013, Haringey has run a replacement Council Tax Reduction Scheme that protected pensioners (as prescribed by Central Government) and those in receipt of certain disability benefits and passed on the funding cuts by giving a maximum level of support of 80.2% to all other claimants.
- 1.2 There is a statutory obligation on the Council to consider, each financial year, whether to revise or replace its scheme and a further obligation to consult residents before the scheme is changed.
- 1.3 This report sets out details of the review of Haringey's current Council Tax Reduction Scheme (CTRS) 2016/17 and the recommendations for Haringey's CTRS for 2017/18 taking into consideration the assessment of options and an Equalities Impact Assessment (EQIA).
- 1.4 The Council must approve the final scheme by 31<sup>st</sup> January 2017, even if the scheme remains unchanged ready for implementation on the 1<sup>st</sup> April 2017. The purpose of this report is to seek approval from Cabinet to take these recommendations forward to Full Council on 21<sup>st</sup> November 2016.

## 2. Cabinet Member Introduction – Cllr Arthur , Cabinet Member for Finance and Health

- 2.1 The government's decision to abolish the Council Tax Benefit and reduce its funding by 10% was a mistake. It has caused increased hardship for individuals and families on low incomes here in Haringey.

- 2.2 The Government claim that the removal of the Council Tax Benefit forces the poorest into work and off benefits. This is completely disingenuous. The Local Council Tax Reduction Scheme, which replaced Council Tax Benefit, does not tackle the real barriers residents face when looking for jobs or developing their skills. It is clear that longer term plans and programmes are needed instead.
- 2.3 The council is continuing to face severe financial pressures due to significant cuts in funding from central government in recent years, it is right to maintain the existing minimum payment scheme (for claimants). Reducing the minimum payments further could require the council to cover this cost. This would only be able to be done by raising Council Tax, cutting services, or by drawing down against our reserves. None of these options is considered desirable. The first two would have a direct adverse impact on other residents across the borough and the latter is not good financial practice (i.e. depletion of reserves to meet regular revenue expenditure).
- 2.4 In addition to protecting pensioners, we will continue to protect those receiving certain disability benefits in contrast to many other Local Authorities. The council has put in place additional measures to support those who need our help. For example, where people have been affected by multiple welfare reform changes, they will continue to receive individual assistance and support from the council and our partner organisations. Where necessary, residents will continue to be signposted to appropriate employment and skills training programmes to enhance their employment opportunities.
- 2.5 We know that some residents are struggling. That's why the council will continue to do everything we can to provide assistance for residents so they can pay their council tax.

### 3. Recommendations

That Cabinet recommend Full Council:

- 3.1 Notes that an Equalities Impact Assessment (**Appendix E**) has been undertaken in relation to the Council Tax Reduction Scheme and that the findings of this EIA must be taken into account when making a decision regarding the Scheme for 2017/18.
- 3.2 Agrees to adopt the Council Tax Reduction Scheme 2017/18 as contained in Appendix C and therefore retains the same Scheme agreed for 2013/14 and continued since.
- 3.3 Accordingly, the scheme as summarised in **Appendix A** and set out in full at **Appendix C** will continue to apply for 2017/18:
- I. That pensioners will continue to receive support for the payment of Council Tax.
  - II. That those in receipt of certain disability benefits continue to receive support for the payment of Council Tax.
  - III. For all working age claimants, the extent of Council Tax Support available will continue to be capped at 80.2% of Council Tax liability. In other words, working age claimants will continue to receive the same level of Council Tax Support as 2013/14, this amount representing a

19.8% reduction in the level of Council Tax Support available as compared with the amount of Council Tax Benefit received in 2012/2013.

- 3.4 Authority to be given to the Chief Operating Officer and Assistant Director of the Shared Service Centre to take all appropriate steps to implement and administer the Scheme.

#### **4. Reasons for Decision**

- 4.1 The recommendation to retain the current scheme continues to support the Government's initiative of work incentives and pays due regard to the challenging financial climate we are currently in.
- 4.2 In recognition of the vulnerable sectors of society, we have supportive measures in place. It is proposed that these continue into 2017/18. Maintaining the current scheme ensures that these protected claimants will not be further disadvantaged.
- 4.3 Although performance remains higher than originally anticipated, there remains a shortfall in collection. This coupled with the fact that the Revenue Support Grant has been reduced by over 50%, equating to over £50m, has meant that the Council has had to implement significant service reductions and efficiency savings. As a result it is not possible for the Council to expand the scheme to include protection for other groups.

#### **5. Alternative Options Considered**

- 5.1 In accordance with paragraph 5 of Schedule 1A to the Local Government Finance Act 1992 (the 1992 Act), each financial year the Council is required to consider whether to revise or replace its scheme. One option for the Council is to continue with the scheme in place for the current financial year. Another option is to revise the scheme in some respects. The Council could choose to increase or decrease the amount of financial support available under the scheme. Options should be considered in the light of the knowledge gained during the implementation of the scheme over previous years.
- 5.2 The options for changing the scheme that have been considered to date have been listed below. Some of these were proposed by respondents to the consultation undertaken prior to adopting the 2013/14 scheme.
- Increase the level of financial support so all customers pay less
  - Decrease the level of financial support so all customers pay more
  - Absorb the full shortfall into the Council budget by providing financial support up to the level previously funded by Central Government as part of Council Tax Benefit.
  - Protect certain vulnerable groups in addition to those in receipt of certain disability benefits, these include but are not limited to:
    - Households with children
    - Households with a child under one
    - Households with a child under five
    - Households with more than three children
    - Households with a lone parent

- Protect band A-C properties
  - Protect claimants who are working but on low income.
  - Protect claimants in receipt of Single Person's Discount
  - Increase Council Tax
- 5.3 A breakdown of these options with accompanying financial data has been provided in **Appendix D**. Appendix D further sets out the potential advantages and disadvantages of each option.
- 5.4 Having regard to the detailed points set out at **Appendix D**, it is recommended that none of these options for change are taken forward. This is because:
- I. Any option which would require the Council to increase levels of support for Council Tax payments would need to be directly funded by the Council and given the competing demands on the Council's reducing budget, increasing support for Council Tax funding would require the Council to find reductions elsewhere, cut services, utilise reserves or increase Council Tax.
  - II. Any option which would require the Council to increase levels of support for particular groups of people could have a disproportionate impact on some claimant groups over others.
  - III. The majority of the options do not support the Central Government initiative of encouraging people back to work
  - IV. The Council do not consider that it is appropriate to increase Council Tax.
- 5.5 It is worth noting that method of payment for Central Government grant funding allocation has also changed since the CTR Scheme was first set up. Several grants, including CTR, have been consolidated within the overall Revenue Support (Core) Grant paid, this makes the proportion allocated to each area harder to identify. This Core grant also continues to reduce in overall terms, by 2016-17 it will have reduced by 50% equating to approximately £50m in comparison to 2013-14.
- 5.6 In April 2016 an independent review of Local Council Tax Support Schemes was conducted at the request of the Secretary of State. The recommendations from this are still being considered by Central Government and when a decision is made on them Haringey may need to make further changes to its scheme to reflect any new decisions. As such the previously considered option of overhauling the scheme so that Council Tax Support falls under Council Tax legislation as a discount, similar to the existing Single Person Discount, has not been taken forward.
- 5.7 Other London LAs have changed their schemes over the past 3 years. A full breakdown of 2016/17 schemes is provided in **Appendix B** and some summary points are shown below:
- 12 LAs have a higher contribution level than Haringey including Newham and Barking & Dagenham.
  - Wandsworth and Harrow have the highest contribution level at 30% for non disabled working age claimants

- 9 protect disabled claimants – either completely or by asking them to pay less than non disabled working-age claimants including Brent, Croydon and Enfield.
- 7 fully cover the shortfall including City of London, Hammersmith & Fulham and Tower Hamlets.

5.8 Haringey is comparable with other London LAs and its scheme reflects the need to strike a fair balance between protecting the wellbeing of our residents and recognising the challenging financial situation we are in.

## 6. Background Information

6.1 As part of the Government’s Welfare Reform Act, Council Tax Benefit was abolished and replaced with a Local Council Tax Reduction Scheme from 1 April 2013, with a reduced level of Government funding.

6.2 Haringey’s scheme broadly mirrors Council Tax Benefit in terms of it being a means tested level of support with the same rules and parameters around eligibility and deductions. However, as the overall level of funding available to the Council to support Council Tax payments was reduced, it was not possible to maintain the scheme exactly as it was without the Council having to make up the shortfall in funding in other ways (for example cutting services, utilising reserves or increasing Council Tax).

6.3 Central Government prescribed that pensioners were automatically protected from any changes to Council Tax Benefit and following consultation with Haringey residents and interested groups in the autumn of 2012 the Council chose to extend this protection to those in receipt of certain disability benefits, leaving all remaining working age claimants to pay something towards their Council Tax.

6.4 Following financial modelling looking at claimant volumes, the number of pensioners in the area and anticipated collection figures, it was decided to pass on the £3.8m shortfall, represented by the cut in funding from Central Government, across all non-protected working age claimants by reducing the maximum level of support from 100% to 80.2%.

6.5 The following table shows the financial situation for previous years. We also show the current year billed to residents and the collection rate so far. Collection levels achieved 86% in 2015/16 though it had been anticipated since the inception of CTRS that collection levels would be significantly lower, however the ongoing impact of welfare reform changes continue to be felt and it cannot be assumed that collection rates will remain at this level. Additionally the marginally better collection for CTR cohort does little to make up for the significant decreases in overall grant funding as mentioned earlier.

Number of Residents in	Total amount	Actual sum	Shortfall
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	receipt of CTR	billed (£)	collected (£)	(£)
2013/14	34,208	6,987,431	5,793,842 (84% collection rate)	-1,193,589
2014/15	29,953	6,200,297	5,314,341 (86% collection rate)	-885,956
2015/16	28,933	7,179,618	5,996,109 (84% collection rate)	- 1,183,964
2016/17 (As at 30.06.16)	27,947	6,937,824	2,055,860 (30% collection rate)	-4,881,964  Assuming the collection rate increases by year end to match previous years this figure will reduce to  -1,110,052

- 6.6 Support continues to remain in place for those claimants who had never previously had to make a payment towards their Council Tax, this includes:
- Supportive and flexible payment arrangements
  - Drop-in days at our Customer Service Centres where dedicated officers are available to discuss cases and make payment arrangements
  - Promotion of other support available
  - Signposting to third sector agencies such as the Quaker Social Action Group, Moneywise and the CAB.
- 6.7 Collection levels have been higher than initially anticipated, but still fall short of the rate necessary to bear the loss in grant, against the original Council Tax Benefit subsidy. Current year collection is anticipated to at least match last year, however is not expected to achieve the target collection rate for Council Tax. For this reason, the scheme is proposed to continue for another year, as the Council still faces an overall net loss in funds, when taxation and grant funding is considered together and noting the reduction in overall funding from the Core grant.
- 6.8 Now that we have the required data from the operation of the scheme from the current year (2016/17) and historically from previous years, to conduct a full and considered review, we are proposing that the scheme continues for 2017/18 without change. This decision reflects the work conducted as part of the original design of the 2013/14 scheme which takes into account the following factors:
- Consideration of a range of issues including the Government's "Statement of Intent" issued in May 2012, the Local Government Finance Act 2012 and regulations and guidance issued by the

Government relating to work incentives.

- Consideration of the outcomes of the consultation exercise from 2012.
- Consideration of an equalities impact assessment
- Consideration of the reduction in funding for the Scheme and the impact on collection rates for Council Tax.

- 6.9 The considerations listed above remain. There has been a slow but steady decrease in the numbers of people in receipt of Council Tax Reduction. This could indicate that the support provided to assist people into work has had some effect. In addition, the number of complaints and appeals against the CTRS is minimal, indicating that people are accepting that the current scheme is not unreasonable. The Equalities Impact Assessment has addressed the issues that may affect some customers, and we have strong options in place to assist those who are struggling to pay. The Council's financial position is challenging, and Council funding is under continuing extreme pressure. We have not managed to fully collect the deficit in former funding, and remain under pressure to continue to improve collection.
- 6.10 Under the provisions of section 13A(1)(a) and Schedule 1A of the Local Government Finance Act 1992, a new scheme is required to be in place by the 31 January 2017, approved by Full Council and taking into account the results of an equality impact assessment.
- 6.11 The report proposes a continuation of the current Council Tax Reduction Scheme which includes the application method, entitlement criteria, ways to appeal, how to deal with changes of circumstances and notification styles.
- 6.12 The Scheme will continue to be run by Haringey Council and remains separate from the Department of Work and Pension's (DWP) Housing Benefit / Universal Credit awards.

## **7. Contribution to Strategic Outcomes**

- 7.1 This recommendation links to the Council's priority to "drive growth and employment from which everyone can benefit". We will link to our desired outcomes looking to achieve a fair and equal borough, to work with our communities, to work in partnership, with customer focus and value for money.

## **8. Statutory Officer Comments**

### **Comments of the Chief Financial Officer and Financial Implications**

- 8.1 As mentioned earlier in this Report, the Council continues to face severe financial challenges. Since 2011 budget reductions of £46m have had to be achieved in the face of ever reducing Central Government grant funding, already placing service provision to our residents in a number of areas under great pressure. Despite meeting these significant budget reductions to date, there continues to be a further saving requirement of £70m to be achieved over the next two years, potentially putting even priority service provision at further

risk.

- 8.2 It was highlighted in paragraph 5.5 that CTRS funding is paid as part of the core Revenue Support Grant (RSG), and cannot now be separately distinguished. However it is a known fact that Central Government grant funding overall is reducing (RSG will have fallen by 50%/£50m, since 2013-14) and will disappear altogether by 2020 (and with it therefore the CTRS element). This will force local authorities to become even more reliant on their local taxation income to support their essential service provision.
- 8.3 As noted in section 5, increasing support for CTRS, in the current climate of diminishing external finances and growing budgetary pressures generally, would necessitate the Council to find spend reductions elsewhere, cut services, utilise reserves or increase Council Tax. Sound financial governance demands that reserves should only be used (or set aside) to meet specific or unforeseen future liabilities, not used as part of on-going in-year funding. These are a one-off, finite source of funding and their use to underpin an on-going revenue shortfall is not sustainable or appropriate. Once these reserves had been exhausted, the underlying shortfall would still be there to be met, ultimately by service reductions. The use of reserves to meet the on going funding support required for any extension to the CTRS, is therefore not sustainable or financially prudent.
- 8.4 Paragraph 5.6 discusses the potential to overhaul the scheme so that it falls under Council Tax legislation as a discount, similar to the existing Single Person Discount, which could make administration more straight-forward, removing the reliance on a more resource intensive means tested assessment scheme. With fewer resources for the Council overall, a simpler scheme could be beneficial and cost effective. This would require consultation as well as revisions to the existing IT systems, procedures and staff training. At this stage the Council is not being asked to make a decision on this and further consideration will be given to this option in the future.
- 8.5 Whilst the council in February 2015 agreed a balanced Medium Term Financial Plan covering the years 2015/16 -2018/19, this was based on the successful delivery of significant transformation and service remodelling. The financial challenges have continued, and at period 3, the 2016/17 forecast outturn is for a significant overspend. Based on the continuing serious financial position for the council and in the light of the on-going funding austerity, the Chief Finance Officer recommends that no changes are made to the scheme for 2017/18.

### **Comments of the Assistant Director of Corporate Governance and Legal Implications**

- 8.6 Under section 13A(2) of the Local Government Finance Act 1992, the Council as billing authority must make a localised Council Tax Reduction Scheme in accordance with Schedule 1A to the Act. Each financial year the Council must consider whether to revise its scheme, or to replace it with another scheme. The Council 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.



- 8.7 This report recommends no revisions to the Scheme currently in place for 2016/17, which was itself a continuation of the Scheme approved for 2013/14 and maintained since then. The Council is not required to conduct a consultation in circumstances where it is not proposing to make any changes to its scheme.
- 8.8 Although there are no proposed changes to the Scheme, Full Council is required to agree the adoption of the Scheme to continue as from 01 April 2017 for the Council Tax year 2017/18.
- 8.9 The Council must in the exercise of its functions ensure that it has due regard to its Public Sector Equality Duty under the Equality Act 2010. The extent of the duty on the Council, under the Equality Act 2010, is set out in **Appendix F** to this report.
- 8.10 In considering whether to revise the Scheme, Members must take into account the full Equality Impact Assessment included at **Appendix E** 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. The 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 CTRS on vulnerable groups.
- 8.11 The Act allows the Government to make regulations about the prescribed requirements for schemes. Any scheme that the Council adopts must comply with the latest regulations.

### **Equality and Community Cohesion Comments**

- 8.12 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:
- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
  - advance equality of opportunity between people who share those protected characteristics and people who do not;
  - foster good relations between people who share those characteristics and people who do not.
- 8.13 Council Tax Reduction Scheme claimants are amongst some of the most vulnerable residents in the borough. An EqIA has therefore been completed outlining the impact for those claiming under the scheme and proposed actions to mitigate any negative impact associated with the scheme.
- 8.14 The report recommends retaining the existing Council Tax Reduction scheme meaning that there will be no changes for existing claimants. Pensioners and disabled claimants will continue to be eligible for the full discount supporting the aims of the scheme to protect the most vulnerable from financial hardship.

The EqIA sets out the mitigating actions we have put in place to reduce hardship for working age claimants and those with dependents. This includes:

- Extending the payment period and/or reducing payment amounts where claimants are facing particular difficulties
- Signposting claimants to appropriate support and advice services such as employment and skills training programmes to assist them out of financial difficulty

8.15 We note the ongoing cumulative impact of welfare reform changes such as the benefit cap and LHA rate changes and recognise the impact these have on vulnerable families. Maintaining the scheme as is aims to reduce any further difficulties as a result of increased Council Tax payments, however we will continue to monitor the impact of this and all changes to enable us to better support residents in financial difficulties.

### **Head of Procurement Comments**

8.16 There are no procurement requirements at this stage of the proposal.

### **9. Planned Use of Appendices for Final Report**

- Appendix A – Summary of Scheme Rules
- Appendix B – Summary of other London LA Schemes 2016/17
- Appendix C – Haringey Council Tax Reduction Scheme
- Appendix D – Breakdown of Options Considered
- Appendix E – Equalities Impact Assessment
- Appendix F – Equality Act 2010 – The Public Sector Equality Duty

### **10. Local Government (Access to Information) Act 1985**

10.1 N/A

## **Appendix A – Summary of Scheme Rules**

### **Class of Persons**

It is proposed that eligibility under the Scheme continues to use the previous Council Tax Benefit rules including the change originally agreed for 2013/14 and continued since that the maximum amount of capital that a working age claimant may hold in capital savings before becoming ineligible for council tax support is £10,000.

### **Class of Reduction**

It is proposed that council tax support continue to be calculated as a means tested discount as defined by original Council Tax Benefit rules except for the below changes as originally agreed for 2013/14 and continued since:

- 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)
  - Personal Independence Payment (PIP)
  - Severe Disablement Allowance (including Exceptionally SDA)
  - Long Term Rate Incapacity Benefit
  - Mobility Allowance/Supplement
  - Working Tax Credits – Disability element
  
- Where entitlement to council tax support is less than £1 per week it will no longer be granted.

### **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.

## Appendix B – Summary of Other London Local Authority Schemes for 2016/17

Local Authority	LA area	Minimum council tax payment
Harrow	Outer London	30.0%
Wandsworth	Inner London	30.0%
Barking and Dagenham	Outer London	25.0%
Bromley	Outer London	25.0%
Ealing	Outer London	25.0%
Enfield	Outer London	25.0%
Hillingdon	Outer London	25.0%
Waltham Forest	Outer London	24.0%
Barnet	Outer London	20.0%
Bexley	Outer London	20.0%
Brent	Outer London	20.0%
Newham	Inner London	20.0%
Haringey	Inner London	19.8%
Sutton	Outer London	17.5%
Lambeth	Inner London	15.9%
Croydon	Outer London	15.0%
Greenwich	Outer London	15.0%
Hackney	Inner London	15.0%
Havering	Outer London	15.0%
Redbridge	Outer London	15.0%
Southwark	Inner London	15.0%
Camden	Inner London	8.5%
Hounslow	Outer London	8.5%
Islington	Inner London	8.5%
Richmond upon Thames	Outer London	5.0%
Lewisham	Inner London	3.0%
City of London	Inner London	0.0%
Hammersmith and Fulham	Inner London	0.0%
Kensington and Chelsea	Inner London	0.0%
Kingston upon Thames	Outer London	0.0%
Merton	Outer London	0.0%
Tower Hamlets	Inner London	0.0%
Westminster	Inner London	0.0%

(note – Councils sorted from highest minimum payment to lowest)