

Report for: Cabinet, 14 August 2018

Title: Changes to 2019/20 Council Tax Reduction Scheme

Report authorised by : Jon Warlow, Director of Finance (interim)

Lead Officer: Luke Rigg, Policy & Equalities Officer

Ward(s) affected: All wards

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

1. Describe the issue under consideration

The report summarises the process and content of proposed potential changes to the 2019/20 Council Tax Reduction Scheme. The report sets out a series of options to amend the current scheme, with a preferred option at the beginning.

2. Cabinet Member Introduction – Cllr Berryman, Cabinet Member for Finance

- 2.1 The decision in 2013 by the then Conservative-Lib Dem coalition government to abolish Council Tax Benefit heaped a new hardship on many of the lowest income households in Haringey.
- 2.2 As a borough our 108,000 or so households have as wide a disparity in income as can be found anywhere in the UK. Yet since this decision in 2013 to abolish Council Tax Benefit, some of the least well off residents here have had to bear the cuts imposed by central government and pay a minimum 19.8% contribution towards Council Tax.
- 2.3 However, our manifesto was clear that we are committed to redistributing the burden of Council Tax and to reforming the Council Tax Reduction Scheme.
- 2.4 Our proposal provides more financial support to working age claimants with children. The Trust for London's *London Poverty Profile 2015* estimated that 34% of children in Haringey live in poverty. The Council's ability to provide services, including the provision of children's services, has been significantly affected as a result of government funding cuts to Haringey, amounting to £78m since 2013.
- 2.5 As councillors it is our duty not just to take account of the realities we as a council face but also the situation our residents find themselves in, offering support where we can and taking account of the social impact of our decisions. This policy update, re-instating extra support for over 6,000 families in Haringey on low income, marks the start of our commitment to make fairness the cornerstone of all we do.

- 2.6 We are also recognising the need to update the scheme with some national welfare changes that have taken place since Council Tax Benefit was abolished in 2013. The changes will ensure that the scheme better reflects today's cost of living for some of the borough's most vulnerable residents.
- 2.7 The scheme will continue to protect pensioners and those receiving certain disability benefits or premiums.
- 2.8 I believe that the proposals provide essential financial support to some of the most vulnerable residents in the borough and contribute to our stated ambition of making Haringey a fairer borough for all to live in.

3. Recommendations

- 3.1 Cabinet are asked to agree to go out to consultation on the following preferred option to replace the existing CTRS. This option is a combination of:
- a) Increasing the maximum level of Council Tax Reduction from 80.2% to 100% for working age claimants with children.
 - b) Updating the CTRS to align with some national welfare changes.

The maximum level of Council Tax Reduction would continue to be 100% for pensioners and working age claimants in receipt of disability related benefits, as it is under the existing CTRS.

- 3.2 Cabinet are asked to note that, following consultation with the Greater London Authority ("GLA") and having considered the GLA's response:
- i) A draft CTRS will be published;
 - ii) A consultation on that draft CTRS will be carried out with persons likely to have an interest in its operation;
 - iii) An initial Equality Impact Assessment will be published, which will assess the proposals for consultation; and
 - iv) The findings of the consultation and an Equality Impact Assessment will inform the final CTRS, which will be put to Members to consider at full Council in January 2019.

4. Reasons for decision

- 4.1. The stated ambition of the current administration is to:
- a) Ensure the greatest weight is placed on the broadest shoulders by consulting on options that make council tax and our policies for charging for council services fairer; and
 - b) Extend the level of council tax relief for our least well-off residents to 100%.
- 4.2. Councils have limited powers to effect change to Council Tax without primary legislation. However, the CTRS offers a vehicle through which the Council can

redistribute the burden on Council Tax payers and provide additional financial support to those in receipt of Council Tax Reduction.

- 4.3. Since 2013, the existing CTRS has capped the maximum amount of Council Tax Reduction at 80.2% for working age claimants who were not in receipt of disability related benefits. It is recognised that some residents have increasingly struggled to pay contributions towards their Council Tax. Therefore, there is a desire to provide additional financial support to residents who are the least well-off.
- 4.4. The proposal to increase the maximum level of Council Tax Reduction for working age claimants who have children is thought better to balance affordability with the need to provide more financial assistance to a group in particular need.
- 4.5. It is also proposed to update the scheme to bring it in line with some national welfare changes that have taken place since 2013. For pensioners, the CTRS automatically updates each year to align with national welfare changes. For working age claimants, the CTRS has not been updated since 2013. Therefore, it is proposed to update the scheme to ensure it is up to date, easier to understand and reflects inflationary changes. As a result of these changes, most working age claimants would have an increased level of Council Tax Reduction (i.e. would be financially better off) whether or not they have children.
- 4.6. The proposal to align with some national welfare changes is considered to balance the benefit of making the CTRS up to date and easier to understand by reflecting the national welfare scheme, reflecting inflationary changes since 2013, and the desire to provide additional financial support to a group who are in particular need. It is not proposed to align the CTRS with all national welfare changes. For example, it is not proposed to align with the two child limit for child allowances. This is because it would decrease the level of Council Tax Reduction a claimant would be entitled to (i.e. make them financially worse off). It is considered that aligning the CTRS with all national welfare changes would worsen the financial position of groups who are in particular need.
- 4.7. The Council is obliged to consider whether to revise or replace its CTRS each year. However, it is not obliged actually to revise or replace it. If any revision or replacement is to be made, the Council must follow the consultation process set out in the legislation and changes must be made by 11 March, to take effect from 1 April. The decision has to be made by Full Council. In order to give the Council sufficient time to implement any changes, Full Council should formally agree the proposals in January.
- 4.8. Therefore, the proposal is made now to ensure that any additional financial support for residents can take effect as soon as possible, from 1 April 2019.

5. Alternative options considered

- 5.1 The number of possible changes to the CTRS are virtually infinite. Councils have a wide discretion to tailor support based on factors such as:
 - a) Income;

- b) Capital;
- c) Number of dependants;
- d) Whether the person has made an application for a reduction.

5.2 Bearing in mind the Council's draft policy position referred to above, the following other options in particular have been considered in detail, but are not being included in the consultation process:

- No change to the existing CTRS;
- Increasing the maximum level of Council Tax Reduction from 80.2% to 100% for all working age claimants;
- Limiting the amount of Council Tax Reduction received in higher value properties to the amount provided in a designated band; and
- Altering the capital savings limit.

5.3 It should be noted that the Council could also reduce the maximum level of Council Tax Reduction from the existing rate (80.2%). However, this would not be consistent with the Council's stated purpose to provide increased support to those residents most in need and so is not put forward as an option here.

5.4 **No change to the existing CTRS**

This is not recommended because the Council has indicated a commitment to providing additional financial support to residents in receipt of Council Tax Reduction to alleviate the financial burden for the least well-off.

5.5 **Increasing the maximum level of Council Tax Reduction from 80.2% to 100% for all working age claimants**

This is not recommended because it would mean a significant additional cost (£843,000) to the Council's budget, that would increase the additional cost of the scheme from an estimated £1.6m, of the preferred option, to £2.44m in 2019/20. The preferred option, which relates principally to a particular group of working age claimants considered to be in particular need, is thought to strike a balance between providing additional support to a group in need and the financial impact on the Council and its services.

5.6 **Limiting the amount of Council Tax Reduction received in higher value properties to the amount provided in a designated band**

The Council could "cap" the level of support based on the Council Tax liability of a designated Band. For instance, if the limit was set at Band D, the maximum support a claimant could receive would be no more than they would get if they lived in a Band D property, even if they lived in a higher Band property.

This is not recommended because it would significantly increase Council Tax bills for residents who are affected by the cap (i.e. those in bands above the limit). It is recognised that claimants in receipt of Council Tax Reduction are financially burdened and need support.

5.7 Altering the capital savings limit

Currently, if a resident has more than £10,000 in capital they do not qualify for support under the CTRS.

Changing the capital savings limit is not recommended because it is considered that the £10,000 limit strikes the right balance between recognising residents have a need to save and develop sustainable long-term financial plans, and ensuring the scheme reaches the most vulnerable residents.

6. Background information

- 6.1. Haringey Council has a Council Tax Reduction Scheme to provide support to residents who need help to pay their Council Tax.
- 6.2. As part of the government's welfare reforms, responsibility for setting Council Tax support was devolved to Local Authorities. Council Tax Benefit was abolished and replaced with locally managed Council Tax Reduction Schemes from 1 April 2013. Nationally, CTRS had 10% less government funding than the previous Council Tax Benefit.
- 6.3. This meant that some councils offset the shortfall in funding by reducing the number of people entitled to support, or reducing the amount of support they received. Central government prescribed that pensioners were automatically protected from any changes to Council Tax Benefit and so they continued to receive a maximum of a 100% Council Tax Reduction.
- 6.4. Following financial modelling looking at claimant volumes, the number of pensioners in the area and anticipated collection figures, the Council proposed to pass the £3.8m shortfall in funding from Central Government on to working age claimants by reducing the maximum level of Council Tax Reduction they could receive from 100% to 80.2%.
- 6.5. Following consultation with Haringey residents and interested groups in the Autumn of 2012, the Council chose to extend the maximum of a 100% Council Tax Reduction to those in receipt of certain disability benefits. The maximum amount of Council Tax Reduction that all remaining working age claimants could receive was capped at 80.2%, and so they had to pay a minimum contribution towards their Council Tax.
- 6.6. The existing CTRS has been in place since 2013. Table 1.0 summarises the trend in caseload since the Council introduced its Council Tax Reduction Scheme.

Table 1.0 – CTRS trends – (2013/14–2018/19)

Year	CTRS Caseload	Total amount of CTR paid by the Council (£)
2013/14	32,162	29,747,577.61
2014/15	30,993	28,220,890.91
2015/16	29,156	26,883,880.50

2016/17	27,689	25,680,005.18
2017/18	26,717	25,564,865.61
2018/19	26,377	25,949,826.98

- 6.7. Table 1.0 represents the trend in CTRS caseload since 2013/14. The figures are based on average monthly caseloads from 1 April to 31 March. The figures for 2013/14 and 2018/19 are modelled to reflect a full financial year, however the Council's data for each is limited. The Council's data for 2013/14 only began on 1 August 2013 and the Council's data for 2018/19 is based only on data from April 2018.
- 6.8. The Council must consider whether to revise or replace its CTRS for each financial year, but does not actually have to revise or replace it and can choose to make no changes.
- 6.9. If any revision or replacement is proposed, the Council must follow the consultation process set out in the legislation and changes must be made by 11 March, to take effect from 1 April. The final decision must be made by Full Council.

Preferred Option

- 6.10. The Council's preferred option is a combination of:
- Increasing the maximum level of Council Tax Reduction from 80.2% to 100% for working age claimants with children.
 - Updating the CTRS to align with some national welfare changes.
 - Funding the increased cost to the Council from the General Fund budget.
- 6.11. For the purposes of this proposed changes to the CTRS, 'children' means:
- A child (i.e. a person under the age of sixteen); or
 - A young person (i.e. a person aged between sixteen and nineteen) for whom child benefit is payable.

Table 1.1 – Estimated Total Financial Implications of Preferred Option for 2019/20

Caseload Category	Caseload	Total Financial Impact (£)	Average change to claimant's annual Council Tax bill (£)
Protected working age	7,084	4,100	-0.58
Households with children	6,134	1,620,200	-264.13
Non-protected working age	4,649	-1,800	0.39
Total	17,867	1,622,500	-90.81

- 6.12. Currently, working age claimants with children who do not currently receive a prescribed disability related benefit or premium, as set out in the CTRS rules, receive up to a maximum of 80.2% Council Tax Reduction. This means that some of these claimants are required to pay 19.8% of their Council Tax

- liability, despite having an income below their 'applicable amount', i.e. the amount the law says a person needs to live on.
- 6.13. It is proposed to increase the maximum to 100% Council Tax Reduction. This aims to provide additional financial assistance to a group in particular need. For example, working age claimants with children who currently receive the maximum 80.2% Council Tax Reduction would no longer pay any Council Tax.
- 6.14. National welfare changes can affect the amount of Council Tax Reduction because it is means-tested. The existing means test is based on national welfare entitlement in 2013. The government has made changes to national welfare since 2013 and this means that some of the language and figures used in the existing CTRS are out of date. The proposal would update the means-test.
- 6.15. The proposal to update the CTRS to align with some national welfare changes for all working age claimants (with or without children) comprises the following key changes:
- a) Updating the amount the government says people need to live on each week;
 - b) Updating income brackets;
 - c) Updating deduction rates; and
 - d) Updating the language.
- 6.16. As a result of the proposal to align with some national welfare changes, most working age claimants would have an increased level of Council Tax Reduction (i.e. would be financially better off) whether or not they have children. However, some claimants who are of working age, are not in receipt of a prescribed disability benefit or premium, have no children in their household and live with a non-dependant adult could pay up to 95p per week more council tax. It is expected that there would be relatively few such people compared to the number of people who would benefit from the proposed changes. The people most likely to be affected are those with multiple non-dependants and those where a non-dependant's gross income remains in the same income band. However, for most people, it is expected that the larger deductions would be off-set by the other proposed changes which make the CTRS more generous.
- 6.17. Case studies showing the estimated impact of the preferred option as a whole (i.e. of *both* the increase to 100% maximum Council Tax Reduction for working-age residents with children and the alignment with some national welfare changes) are provided in Appendix 3.
- 6.18. Further information about the proposal to align with some national welfare changes is provided in Appendix 4.
- 6.19. In respect of the estimated annual saving of -£1,800 for non-protected working age claimants without children:
- a) This equates to an average decrease in CTR of £0.39 per claimant per year.

- b) Table 1.1 takes into account the projected decrease in caseload in 2019/20 and the extra day in 2019/20 (which is a leap year). As a result of those factors, if no changes to the CTRS were made for non-protected working age claimants without children, the estimated financial implication for that group for 2019/20 would be -£14,800 (i.e. rather than -£1,800). Therefore, the preferred option is to spend £13,000 more on this group than would be spent if no changes were made to the CTRS.

Proposed consultation process

- 6.20. The consultation is proposed to last ten weeks.
- 6.21. It is proposed to target both existing recipients of CTRS and wider council tax payers. The consultation would comprise of:
- Drop-in sessions at public sites (including libraries)
 - Physical copies of the consultation in all of the borough's libraries and two Customer Service Centres
 - Online consultation form via the Council's website
 - Targeted social media campaign
 - Use of physical advertisements across the borough
 - Targeted communication with existing contacts on the Council's CTRS database

Policy Context

- 6.22. The administration made a policy intention to redistribute the burden of Council Tax and to extend the maximum level of Council Tax Reduction to the most vulnerable recipients.
- 6.23. Councils have limited powers to effect change to Council Tax without primary legislation. The Council Tax Reduction Scheme offers a vehicle through which the Council can redistribute the burden on Council Tax payers and provide additional financial support to those in receipt of Council Tax Reduction.
- 6.24. There is a clear indication from the administration to change the existing Council Tax Reduction Scheme. Therefore, the Council is consulting with the public on a proposed package of changes.

Other aspects of the scheme

- 6.25. The proposed changes to the Council Tax Reduction Scheme do not relate to the application method, the ways to appeal, how to deal with changes of circumstances or notification styles.
- 6.26. The scheme will continue to be run by Haringey Council and remains separate from the Department of Work and Pensions (DWP) Housing Benefit / Universal Credit awards.

7. Contribution to strategic outcomes

- 7.1 The proposal contributes to Priority 1 (Enable every child and young person to have the best start in life, with high quality education), Priority 2 (Enable all adults to live healthy, long and fulfilling lives) and Priority 4 (Sustainable Housing, Growth and Employment).
- 7.2 The preferred option would extend the maximum level of financial support for households with children, which will ease the financial burden of families in Haringey and promote better outcomes for children and young people.
- 7.3 Any proposals to increase the level of financial support on the scheme will benefit the lives of adults in Haringey. There are clear links between socio-economic and health inequalities, and therefore reducing the financial burden on recipients of Council Tax Reduction will contribute to wider positive life outcomes.
- 7.4 All of the options identified in the report target working age claimants, which include those in work and out of work. The proposals will have wider benefits to the borough's economy as they will provide additional financial support to those in low-paid employment and to those not in employment who may be struggling to find work because of their financial circumstances. In addition, the spender power of those recipients of Council Tax Reduction is likely to increase, which could have positive impacts on the local economy.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance

- 8.1.1 The Council's preferred option to change the CTRS would create an additional cost to the Council of approximately £1.6m for the 2019/20 financial year. It is noted that the costs would be offset by savings in potential unrecovered costs, calculated at £77,000 in 2017/18.
- 8.1.2 Any other change to the scheme, including the alternative options outlined in the report, would also have financial impacts on the overall cost to fund the scheme.
- 8.1.3 Subject to consultation, the cost would be met from the Council's General Fund. This will add to the cost pressure that will need to be addressed.

8.2 Procurement

- 8.2.1 Strategic Procurement notes the contents of this report; however there are no procurement implications.

8.3 Legal

- 8.3.1 The Assistant Director of Corporate Governance has been consulted on this report. As set out in 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 11 March in the financial year preceding that for which the revision or replacement scheme is to have effect.

8.3.2 This report recommends that the existing Scheme is replaced and sets out proposals for consultation. Schedule 1A to the 1992 Act makes further provision about council tax reduction schemes including prescribing the consultation process that must be followed. The Council must, in the following order:

- 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.

8.3.3 The rationale for consulting with the major precepting authority first, in this case the GLA, is to ensure that they have been involved in shaping the proposals within the draft scheme that will be put out to the public for consultation.

8.3.4 It is proposed that following consultation with the GLA on the proposals set out in this report, and having considered the GLA's response, a draft scheme will be published and consultation with affected groups will commence.

8.3.5 The Council is proposing a ten week public consultation. This timetable is proposed to start on 3 September 2018 and finish on 12 November 2018.

8.3.6 Consultation with affected groups will need to take into account the complexity of the reduction scheme that is proposed, ensuring that the proposals can be understood by consultees to enable them to give an informed response. The Council must ensure it allows adequate time for conscientious consideration of the consultation responses in order that these may inform the final proposals, which will be brought to full Council in January 2019. Whilst the Council has until 11 March 2019 to adopt the scheme, it is recognised that in order to allow sufficient time to implement any changes, full Council should consider the proposals earlier, in January 2019.

8.3.7 Schedule 1A allows the Government to make regulations about the prescribed requirements for schemes. Any scheme that the Council adopts must comply with these regulations.

8.3.8 The Council must ensure that it has due regard to its Public Sector Equality Duty (PSED) under the Equality Act 2010 in considering whether to revise or replace its scheme. A comprehensive Equalities Impact Assessment will be required in order to inform the final proposals put to full Council. Consideration of the PSED will include how the Council will remove or minimise any disadvantage suffered by people with a protected characteristic (by way of their age, disability, gender, gender reassignment, race, religion or belief, sexual orientation, pregnancy or maternity).

8.4 Equality

- 8.4.1 The Council has a public sector equality duty under the Equality 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.
- 8.4.2 An Equality Impact Assessment (EqIA) has been completed, which assesses the potential impact of the preferred option.
- 8.4.3 Overall, the equality impacts are assessed as positive to existing and future recipients of Council Tax Reduction, as most of the claimants affected (with whatever protected characteristics) will financially benefit from the changes.
- 8.4.3 The Council will consult with the public on its preferred option and alternative options. Therefore, at this stage the EqIA remains a working document and it will incorporate the findings from the consultation in the final report taken to full Council in January 2019.

9. Use of Appendices

- Appendix 1 – Equality impact assessment
- Appendix 2 – Consultation document
- Appendix 3 – Case studies for Band B properties
- Appendix 4 – Summary of proposal to align with some national welfare changes

10. Local Government (Access to Information) Act 1985

Background Documents:

- Haringey Council Tax Reduction Scheme, 2013
- Haringey Council Tax Reduction Scheme – Equality impact assessment, 2013