

**Report for:** Cabinet

**Title:** Review of Council Tax Reduction Scheme Administration for 2022/23

**Report authorised by:** Jon Warlow – Director of Finance

**Lead Officer:** **David Graaff – Head of Service Delivery**  
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**Ward(s) affected:** All wards

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

## **1. Describe the issue under consideration**

1.1 This report summarises the process and content of proposed potential changes to the administration and policy of the Haringey Council Tax Reduction Scheme to be introduced in 2022/2023. The report sets out a series of options to amend the current scheme, with a preferred option recommended. It also sets out the timescales for consultation processes to be undertaken should any changes be sought.

## **2. Cabinet Member Introduction**

2.1 Since the decision by the Government to abolish Council Tax Benefit in 2013, we recognise there has been a significant financial burden on many of the lowest income households in Haringey.

2.2 Despite the significant cut to funding from Central Government, Haringey has designed a generous CTRS scheme which increased the maximum protection to disabled claimants and working age claimants with children to that already given to pensioners. This means that these groups continue to receive the same level of support as they did prior to the abolition of Council Tax Benefit.

2.3 The changes proposed in this report will improve the way the CTRS works for residents, will make the scheme simpler to communicate and claim, and provide stability to those getting CTRS so that they can more easily pay their Council Tax.

2.4 Continuing the protection of these groups by maintaining the current scheme allowed the council to provide essential financial support to some of the most vulnerable residents in the borough and contribute to stated ambition of making Haringey a fairer borough for all to live in.

## **3. Recommendations**

**3.1** Cabinet is asked to agree to consult on the following changes to the existing Council Tax Reduction Scheme:

- 3.1.1 Simplifying the claims process by adding a new channel for residents on Universal Credit to claim council tax reduction automatically as set out in paragraph 4.3.1
- 3.1.2 Stabilising entitlement for residents by simplifying what happens when a resident's income changes by a small amount during the financial year as set out in paragraph 4.3.2
- 3.1.3 Simplifying the scheme by changing the way that council tax support can be backdated to allow more time for residents to claim as set out in paragraph 4.3.3
- 3.1.4 Simplifying the scheme through improved transparency by publishing a revised statement of the scheme written in plain English as set out in paragraph 6.17
- 3.2 Cabinet is asked to note that, following consultation with the Greater London Authority ("GLA") and having considered the GLA's response:
- 3.2.1 A draft CTRS will be published;
- 3.2.2 A consultation on that draft CTRS will be carried out with persons likely to have an interest in its operation; and
- 3.2.3 The findings of the consultation and an Equalities Impact Assessment will inform the final CTRS, which will be put to members to consider at full Council in December 2021.
- 3.3 Cabinet is asked to note that care leavers are especially vulnerable to debt and the Council will review and improve the communication of the existing relief scheme and review, simplify, and improve the claim process and its administration.

#### **4. Reasons for decision**

- 4.1 The Council Tax Reduction Scheme (CTRS) is a way the Council can redistribute the financial burden on Council Taxpayers and provide additional support to those in need.
- 4.2 It is important that the CTRS is simple and easy to claim to maximise uptake and reduce the burden on our residents. A scheme that is easy to access can help residents to minimise debt, assist household budgeting, and increase the ability to pay council tax.
- 4.3 The proposed amendments to the rules for working age claimants would have the following benefits:
- 4.3.1 **Simplifying the claims process.** The proposed change is to add an additional way for residents to claim council tax support automatically when they start receiving Universal Credit. This would have a positive effect because it would simplify claiming for most residents and reduce the difficulty and anxiety for

residents who claim Universal Credit. It would also make sure as many people as possible claim the support to which they are entitled.

4.3.2 **Stabilising entitlement for residents.** The proposed change is to simplify what happens when a resident's income changes by a small amount. This would have a positive effect because constant changes in a council tax bill can make household budgeting difficult for residents as well as imposing a significant and costly administrative burden on the council. As explained in paragraph 6.12 to 6.14, most residents would receive the same support as now with 6% receiving a slightly smaller amount of support and 6% receiving a slightly higher amount of support. On balance, it is considered that the significant benefit to residents of making the scheme more accessible and reducing the number of bills merits these changes.

4.3.3 **Simplifying the scheme.** The main proposed change is to extend the period an award of CTRS can be backdated from six months to twelve months. It is also proposed to simplify the scheme by publishing a revised version written in plain English. The current regulations are complex and run to 214 pages. Simplifying the language so that it is easier to understand for residents will help to improve transparency and uptake.

4.4 These changes predominantly relate to ways to simplify the administration of the scheme and maximise uptake. The Council is not seeking to reduce the generosity of the current scheme or to reduce the maximum entitlement awarded since 2019.

4.5 The affordability to the Council of the CTRS scheme continues to be an important consideration, balanced with the need to support as many residents as possible. The changes will reduce the number of transactions that the Council must administer.

4.6 The Council is obliged to consider whether to revise or replace its CTRS each year. However, it is not obliged 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 the decision must be made by Full Council. To give the Council sufficient time to implement any changes, Full Council should formally agree the proposals in December.

## 5. **Alternative options considered**

5.1 There are a range of ways that the Council could alter its CTRS. The Council updated its CTRS policy in 2019/2020 which included providing more financial support to working age claimants with children. The Council is not seeking to reduce the generosity of the current scheme or to reduce the maximum entitlement awarded since 2019. Instead, the Council has explored a variety of options to make the scheme simpler to administer and to assist in reaching everyone who is entitled to support.

### 5.2 **No change to the existing CTRS**

This is not recommended because amending the scheme will help residents to access the support to which they are entitled, improve their experience, and reduce the administrative burden on the Council.

**5.3 Do not simplify the claims process.**

This is not recommended because simplifying the claims process to introduce an automatic claims channel for those on Universal Credit will improve uptake of council tax support and improve the experience for residents. It will also improve access to the scheme for those for whom, for a variety of reasons, such as digital exclusion or language barriers, may struggle to access it.

**5.4 Do not simplify the scheme by reducing backdating restrictions**

It would be possible to not simplify the scheme by changing backdating rules. However, reducing backdating restrictions is likely to improve resident's experiences, reduce complaints and appeals, and remove barriers to the take-up of the scheme.

**6. Background Information**

6.1 Haringey Council has a Council Tax Reduction Scheme (CTRS) 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. There was a mandate to protect pensioners from any changes.

6.3 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.

6.4 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 before 11<sup>th</sup> March 2022.

6.5 Following a consultation process in 2018, the CTRS scheme was improved for 2019/20 to increase the maximum level of support given to working age claimants with children from 80.2% to 100%. The scheme is one of the more generous in London.

6.6 The CTRS scheme reduces the level of Council tax which the Council and the GLA collect from Haringey residents. The current cost of CTRS is £32m. The Council's budget has assumed a 15% increase in claimants since the start of the pandemic (6% in 2020/21 and 9% in 2021/22). Of the £32m current cost, £10m relates to CTRS awards to pensioners, over which the Council has no discretion.

## Preferred Option

- 6.7 The Council's preferred option for working age claimants is a combination of:
- 6.7.1 Simplifying the claims process by adding a new channel for residents on Universal Credit to claim council tax support automatically.
  - 6.7.2 Stabilising entitlement for residents by simplifying what happens when a resident's income changes by a small amount during the financial year.
  - 6.7.3 Simplifying the scheme by changing the way that council tax support can be backdated to allow residents more time to claim.
  - 6.7.4 Simplifying the scheme through improved transparency by publishing a revised statement of the scheme written in plain English.

### *Simplifying the claims process*

- 6.8 It is possible for the Council to add an additional way for residents on Universal Credit to claim council tax support automatically.
- 6.9 Most new claimants for CTRS are in receipt of Universal Credit. When they apply for Universal Credit (UC) the resident indicates whether they intend to apply for CTRS and the Council receives notification of their UC claim, followed by a further notification when their UC claim has been assessed. Under the proposal, for new Universal Credit claimants the Council will accept these electronic notifications as an application for CTRS and will automatically award any entitlement that is due. Existing Universal Credit claimants would still be required to make a separate application for CTRS.
- 6.10 This would reduce the number of claimants who miss out on CTRS because they are not aware of the scheme or do not apply in a timely fashion. It would also have a significant positive impact on resident's experiences of council tax support.
- 6.11 The existing claim form will be retained and improved for any claimants who do not receive UC. This claim form is also used by Pension Age customers and by all age groups to claim Housing Benefit.

### *Stabilising entitlement*

- 6.12 One of the features of the current CTRS scheme is that it is recalculated for every change of circumstance. People often have frequent changes in their income which leads to multiple changes of entitlement. This means they may get several new Council Tax bills each year, changing their instalment dates and amounts. For many residents, often those in low-paid or insecure employment, this affects their ability to budget and can lead to a build-up of debt. It also has a significant administrative burden for the council, which currently sends over 42,000 adjustment notices per year.

- 6.13 The stabilisation (de minimus) change is designed to smooth entitlement for residents whose income changes frequently. Our analysis shows that 50% of changes of income are for less than £70 per month. This equates to a change in CTRS entitlement of £3.25 per week. We are therefore proposing that only a change in entitlement of which exceeds £3.25 would lead to a reassessment of CTRS.
- 6.14 This means that the CTRS would not be changed and the bill for a resident would remain the same for changes of income of less than £70 per month (up or down). If the change in their support is more than £3.25 per week, the residents' CTRS and council tax bill will be recalculated (as currently happens).
- 6.15 It is expected that there would be no change for 88% of residents in receipt of council tax support; of those projected to be affected, it is estimated that an average gain of £36/year for 6% and an average loss of £32 for 6%. The consequent effect on the Council's CTRS budget would be small at around £10,000.
- 6.16 It is anticipated that this change would bring significant benefits to residents by simplifying how the scheme is administered and making it easier to budget throughout the year.

#### *Simplifying the rules*

- 6.17 It is proposed to adjust the current backdating rules to extend the six-month limit on backdating to twelve months. This will remove a barrier to claim processing and help residents pay their Council Tax.
- 6.18 In addition, it is recognised that the CTRS scheme could be made simpler to understand. The current regulations are complex and run to 214 pages. The Council will therefore undertake a review to simplify the language so that it is easier to understand for residents.

#### **Proposed consultation process**

- 6.19 In line with statutory requirements, consultation on the Council's preferred option would include firstly a formal consultation with the Greater London Authority (GLA), followed by a full public consultation and consultation with interested third parties such as Citizens Advice.
- 6.20 In an informal discussion with the GLA officers they have welcomed this approach, have no concerns about the proposal and look forward to seeing the formal consultation document following the Cabinet decision.
- 6.21 The full public consultation is proposed to last ten weeks between August and November 2021. It is proposed to target both existing recipients of CTRS and wider council taxpayers.
- 6.22 The consultation would comprise of:

##### 6.22.1 Drop-in sessions at public sites (including libraries)

6.22.2 Physical copies of the consultation in all the borough's libraries and two Customer Service Centres

6.22.3 Online consultation form via the Council's website

6.22.4 Targeted social media campaign

6.22.5 Use of physical advertisements across the borough

6.22.6 Targeted communication with existing contacts on the Council's CTRS database

6.22.7 Targeted communication with a sampled selection of existing contacts on the Council's Council Tax database

### **Further assistance for residents: discretionary relief**

6.23 In accordance with section 13A(1)(c) of the Local Government Finance Act 1992, the Council is able to exercise its discretion to award further relief from council tax liability, outside the scope of the CTRS. This may be in addition to, or separate from, any relief awarded firstly under the CTRS.

6.24 The Council has policies in place for this purpose which are kept under review, particularly in light of Covid-19 and the impact this has had on our communities. This includes the Care Leavers (Council Tax) Relief Scheme Policy, approved by the Cabinet in October 2017. Under this policy the Council exercises its discretion to award full relief from council tax liability to all care leavers until their 25th birthday. The Council recognises that these young residents are especially vulnerable to debt and will review and improve the communication of the existing relief scheme and review, simplify, and improve the claim process and its administration.

### **Contribution to Strategic Outcomes**

6.25 This recommendation links to all parts of the "People", "Economy" and "Your Council" Priorities of the Borough Plan, 2019-23.

6.26 Continuing to extend the maximum level of financial support for households with children will ease the financial burden of families in Haringey and promote better outcomes for children and young people. 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.

6.27 In addition, the scheme continues to provide financial support to those in low-paid employment and to those not in employment. The spending power of those recipients of Council Tax Reduction is likely to increase, which could have positive impacts on the local economy.

## **7. Statutory Officer Comments**

## 7.1 **Finance**

- 7.1.1 Council Tax is the only form of core funding over which the Council has direct control (albeit subject to referenda limits imposed by the government). The Council's medium term financial outlook is challenging, with projected savings required to be made in excess of £20m over the next five years. CTRS has the effect of reducing the level of Council tax collected by the Council and the GLA – the current scheme is presently costing £32m per annum and this will increase if the end of furlough leads to greater unemployment and welfare support needs. The Council has received a one-off grant of £3.6m from the government to contribute to the increased cost of CTRS in 2021/22 due to the effects of the pandemic – however there is no guarantee that this funding will continue or increase, and this is not assumed within the Council's MTFS.
- 7.1.2 The proposed review suggested in this report, is anticipated to increase the cost of CTRS by £10,000 due to the proposed changes to stabilising entitlement. It is considered that this level of increase can be accommodated within the Council's current MTFS assumptions.

## 7.2 **Procurement**

- 7.2.1 Strategic Procurement notes the contents of this report

## 7.3 **Legal**

- 7.3.1 The Head of Legal and Governance has been consulted on this report. 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.
- 7.3.2 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.
- 7.3.3 This report recommends that the existing Scheme in respect of working age claimants is revised or replaced and sets out proposals for consultation. It should be noted that the Council has no power to change the Scheme in respect of pensioners. 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.



- 7.3.4 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.
- 7.3.5 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.
- 7.3.6 The Council is proposing a ten-week public consultation.
- 7.3.7 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 late 2021 or early 2022. Whilst the Council has until 11 March 2022 to adopt the scheme, it is recognised that in order to allow sufficient time to implement any changes, full Council may consider the proposals earlier, anticipated December 2021.
- 7.3.8 Schedule 1A allows the Government to make regulations about the prescribed requirements for schemes and these are contained in the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012/2885. Any scheme that the Council adopts must comply with these regulations.
- 7.3.9 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).

## 7.4 **Equalities**

- 7.4.1 The Council has a public sector equality duty under the Equality Act 2010 to have due regard to:
- Eliminate discrimination, harassment and victimisation and any other conduct that is prohibited by or under the Act.
  - Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it.
  - Foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 7.4.2 The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/belief, sex,

and sexual orientation. The first part of the duty also applies to the protected characteristic of marriage and civil partnership.

7.4.3 An Equality Impact Assessment (EqIA) is attached as Appendix 1 and a further EqIA will be completed as part of the design and consultation process. Overall, it is considered that the proposed changes will simplify access to council tax support for many residents who may previously have faced challenges claiming the support to which they are entitled. This includes those who may be digitally excluded, face language barriers, or lack access to information, amongst whom there are likely to be a disproportionate number of residents with protected characteristics.

7.4.4 It is recognised that under the proposals explained in paragraphs 6.12-6.14 to stabilise entitlement for residents whose income changes, that there will be a largely positive equalities impact. Many residents experience multiple changes in income throughout the year, including those in insecure work or the 'gig economy', amongst whom there are likely to be a disproportionate number of residents with protected characteristics or low socioeconomic status. Reducing the number of bills issued will support with household budgeting, help to minimise debt, and reduce the complexity of getting support from this scheme.

7.4.5 It should be noted, however, that under these proposed changes to entitlement explained in paragraphs 6.12-6.14, there are likely to be a small percentage of claimants who will be worse off financially. Specifically, modelling shows that 5.5% of working-age households receiving Council Tax support would receive an average loss of £32/year. By comparison, 6.4% of working-age households receiving Council Tax support would be better off at an average of £36/year. 88% would receive the same award as now. The EqIA attached at Appendix 1 explains in more detail the anticipated impact on specific groups with protected characteristics. These impacts are considered to be proportionate to the overall benefit of this change to residents and the council. The preferred approach to stabilising entitlement has sought to minimise the number of people who will receive less financial support and the amount to which awards change.

7.4.6 It is also recognised that the decision to maintain the current level of support provided through the scheme by continuing to 'protect' certain groups (such as those receiving certain disability benefits and those of working age with children) will have a positive equalities impact, including due to the ongoing impact of Covid-19 on the local economy.

## **8. Use of Appendices**

Appendix 1: Equalities Impact Assessment

Appendix 2: Draft Consultation Document

Appendix 3: Case studies

Appendix 4: Detailed Modelling of the Deminimus Scheme

## **9. Local Government Access to Information Act 1985**

[Cabinet Report: Changes to 2019/20 Council Tax Reduction Scheme \(August 2018\)](#)

[Cabinet Report: Care Leavers \(Council Tax\) Relief Scheme \(October 2017\)](#)