

Report for: Full Council 1 March 2022

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

Report authorised by: Jon Warlow, Director of Finance – Chief Financial Officer and Section 151 Officer

Lead Officer: David Graaff, Head of Service Delivery

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 changes to the administration and policy of the Haringey Council Tax Reduction Scheme (CTRS) 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 results of the consultation process undertaken.

2. Cabinet Member Introduction: Cllr Chandwani, Cabinet Member for Customer Service, Welfare and The Public Realm

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 The Council notes that a public consultation has been carried out (see Appendix 1 and Appendix 2) and its findings incorporated into the Equality Impact Assessment (Appendix 3).

3.2 The Council agrees to adopt the amended Council Tax Reduction Scheme 2022/23 (Appendix 5). This would include the following proposed changes:

3.2.1 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

3.2.2 Stabilising entitlement for residents by simplifying what happens when a working age resident's income changes by a small amount during the financial year as set out in paragraph 4.3.2.

3.2.3 Extending the period for backdating council tax support for working age residents to up to 12 months to allow more time for residents to claim as set out in paragraph 4.3.3.

3.3 Authority is to be given to the Director of Finance, the Director of Customer, Transformation and Resources and Assistant Director of Corporate and Customer Services to take all appropriate steps to implement and administer the Scheme.

4. Reasons for decision

4.1 The CTRS is a way the Council can redistribute the financial burden on Council Taxpayers and provide additional support to those in financial need.

4.2 It is important that the CTRS is simple and easy to claim to maximise uptake and reduce the burden on 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 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 CTRS automatically when they start receiving Universal Credit. This will have a positive effect because it will simplify claiming for most residents and reduce the difficulty and anxiety for residents who claim Universal Credit. It will also ensure that 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 will 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.

4.3.3 **Extending the period for back-dating claims for working age claimants.** The proposed change is to extend the period an award of CTRS can be backdated from six months to twelve months. This will have a positive effect because it will mean the award can be backdated to the start of a Council Tax liability where the Council Tax liability has itself been backdated.

- 4.3.4 It is also proposed to **promote better understanding of the CTRS** by publishing an additional explanatory note written in plain English. The current regulations are complex and run to 214 pages. It is not proposed to re-write the CTRS entirely as it is recognised that, although complex, the existing CTRS nevertheless contains important technical details. Providing an additional explanatory note in addition to the published scheme will make it easier to understand and help to improve transparency and uptake. This informal guide, written in Plain English has no legal status and it is purely intended to operate as a guide to aid understanding. It is not proposed to re-write the CTRS entirely as it is recognised that, although complex, the existing CTRS nevertheless contains important technical details.
- 4.4 These changes predominantly relate to the simplification of the administration of the scheme and maximise uptake. The council is not seeking to change the generosity of the current scheme or to change 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.
- 4.7 At the Cabinet meeting held on 22 July 2021 Cabinet resolved to agree to consult on the following changes to the existing Council Tax Reduction Scheme:
- 4.7.1 Simplifying the claims process by adding a new channel for residents on Universal Credit to claim council tax reduction automatically
 - 4.7.2 Stabilising entitlement for residents by simplifying what happens when a resident's income changes by a small amount during the financial year
 - 4.7.3 Simplifying the scheme by changing the way that council tax support can be backdated to allow more time for residents' claims to be backdated
 - 4.7.4 Simplifying the scheme through improved transparency by publishing a revised statement of the scheme written in plain English
- 4.8 A draft CTRS was published, and a public consultation has been carried out.
- 4.9 The Council has consulted formally with the Greater London Authority ("GLA"), and the result of the consultation is that the GLA supports the proposed changes. The letter from the GLA is included at Appendix 2.

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 or increase the generosity of the current scheme or to change the maximum entitlement awarded since 2019. Reducing the generosity would add to the financial burden of those currently deemed to be in financial need. Increasing the generosity of the claim would result in a significant ongoing additional cost to the Council's budget each year and so is not currently considered to be financial sustainable. 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 Make a single annual award to residents without an earnings threshold

One alternative to our proposed way of stabilising entitlement for residents would be to introduce a single annual award for residents with no income threshold. This means that the award would only be reassessed during the year if residents moved between legacy benefits and Universal Credit or changed work status. This approach is not recommended because it would lead to a greater variation in levels of support provided for residents where a key goal is to maintain the current level of (generous) support as far as possible. The additional cost of this scheme is estimated at £458,000 annually. Increasing the generosity of the claim would result in a significant ongoing additional cost to the Council's budget each year and so is not currently considered to be financial sustainable.

5.5 Do not extend the period for backdating claims for working age claimants

It would be possible to not change backdating rules to allow claimants to back-date claims by up to 12 months rather than the current 6 months. 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.

5.6 Do not publish a plain English guide to the Scheme

It would be possible to not provide an additional explanatory note in addition to the published scheme; however, this should make it easier to understand and help to improve transparency and uptake.

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. 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 11th March 2022.
- 6.5 Following a consultation process in 2018, the CTRS scheme was made more generous for 2019/20 to increase the maximum level of support given to working age claimants with children from 80.2% to 100%. The current scheme is one of the more generous in London.
- 6.6 The CTRS 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 preferred option 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 working age residents by simplifying what happens when a resident's entitlement changes by a small amount during the financial year.
 - 6.7.3 Extending the period for back-dating claims for working age claimants.
 - 6.7.4 Improving transparency by publishing a simplified explanation 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 council receives notification of their claim, followed by a further notification when their UC claim has been assessed. The customer can choose to claim CTRS as part of their UC application. The Council can then use the UC information to assess the CTRS without any need for the customer to make a separate claim.
- 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 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 (deminimus) change is designed to smooth entitlement for working residents whose income changes frequently. Our analysis shows that 50% of changes 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. Cumulative changes which exceed £3.25 would also lead to a reassessment. Claimants are re-assessed for each financial year in any event.
- 6.14 The Council is proposing that where the weekly entitlement to CTRS goes up or down and the difference in the council tax support available to a resident would be either an increase or a decrease of £3.25 or less per week, the change will not be assessed. This means that the CTRS would not be changed and the bill for a resident would remain the same. If the change in their support is more than £3.25 per week, the residents' CTRS and bill will be recalculated (as currently happens).
- 6.15 There would be no change for 88% of residents in receipt of council tax support; an average gain of £36/year for 6% and an average loss of £32 for 6%. Those whose incomes decrease within the tolerance level will be signposted to the Council's discretionary relief fund. This is considered to be outweighed by the advantage of financial certainty for claimants. The consequent effect on the Council's CTRS budget would be small at around £10,000 annually.

6.16 Further analysis is contained in the enclosed Equality Impact Assessment.

Extending the period for back-dating claims

6.17 Relax the current backdating rules to extend the six-month limit on backdating to twelve months for working age claimants. This will remove a barrier to claim processing and help residents in financial need.

Plain English guide

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. It is proposed to promote better understanding of the CTRS by publishing an explanatory note written in plain English. This should make it easier to understand and help to improve transparency and uptake. This plain English guide would have no legal status and so the CTRS would take precedence in the event of any conflict.

Estimated Total Financial Implications

6.19 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 medium term financial strategy (MTFS) assumptions.

The consultation process

6.20 The consultation included a formal consultation with the Greater London Authority (GLA), a full public consultation, and consultation with interested third parties such as Citizens Advice.

6.21 The full public consultation was undertaken in the ten weeks between 1st September 2021 and 10th November 2021. It targeted both existing recipients of CTRS and the wider group of council taxpayers.

6.22 The consultation process comprised of extensive publicity through the council's website and social media with an online questionnaire. Four questions which were offered to respondents to indicate whether or not they were in favour of the proposals and to offer the opportunity to comment and make alternative proposals:

6.22.1 Drop-in sessions were held at public libraries at Wood Green, Marcus Garvey House, and Hornsey.

6.22.2 An online consultation form was available for completion on the Council's website

6.22.3 A targeted social media campaign was undertaken on Facebook and Twitter.

6.22.4 Targeted communication with existing claimants on the Council's CTRS database with every claimant sent a letter or email

6.22.5 Targeted communication with all existing taxpayers on the Council Tax database with every liable property sent a letter or email.

6.22.6 The Consultation exercise generated a substantial response with some 4,550 replies

6.23 The results of the consultation together with the questions asked are provided in the attached report at Appendix 1 and are summarised in the table below.

Question	For	Against	Don't know
1. Are you in favour of simplifying the claims process by adding a new channel for residents on Universal Credit to claim council tax support automatically?	77%	8%	14%
2. Are you in favour of simplifying the scheme by changing the way that council tax support can be backdated to allow residents more time to claim?	81%	9%	9%
3. Are you in favour of simplifying the scheme through improved transparency by publishing the CTRS scheme in Plain English?	89%	4%	7%
4. Are you in favour of stabilising entitlement for residents by simplifying what happens when a resident's income changes by a small amount during the financial year?	76%	7%	17%

7.0 Contribution to Strategic Outcomes

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

7.2 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 CTRS will contribute to wider positive life outcomes.

7.3 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 CTRS is likely to increase, which could have positive impacts on the local economy.

8.0 Statutory Officer Comments

Finance

8.1 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. The Council has received a 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 the government has not provided this funding for future years.

8.2 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.

Procurement

8.3 Strategic Procurement notes the contents of this report

Legal

8.4 The Head of Legal and Governance has been consulted on this report and makes the following comments.

8.5. 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.

8.6 The existing CTRS permits applications to be made electronically and so the proposal to accept applications via Universal Credit will not require any changes to be made.

8.7 Section 13A(2) requires the reductions to be specified by reference to persons whom the Council considers to be in financial need or persons in classes

consisting of persons whom the Council considers to be in financial need. The proposal for stabilising entitlement thereby identifies the need for certainty as to outgoings for individuals who are on low incomes and are financially vulnerable. The rules for pensioners are fixed by the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012/2885 and so this can only be done for working age claimants.

8.8 Whether or not the proposal for a stabilising entitlement for working-age residents within a threshold of £3.25 is lawful within the scheme of section 13A(1)(a) of the Local Government Finance Act 1992 is not straightforward. It could be argued that this proposal falls out with the Council's powers as the maintenance of the reduction is not sufficiently connected to "financial need" of individual residents whose income has increased and is above the tolerance level. Nevertheless, this type of arrangement has been operated in a number of other local authority areas without challenge. Furthermore, the better legal view is that it does fall within the Council's powers (it is *intra vires*), as the question of "financial need" probably encompasses the need for certainty as to outgoings for individuals who are on low incomes and are financially vulnerable. These individuals have been assessed as requiring a council tax reduction at the outset of the financial year, and uncertainty about outgoings during the course of the year may well cause them distress. The tolerance level of £3.25 is set at a reasonable level. Those whose incomes decrease within the tolerance level will be signposted to the Council's discretionary relief fund.

8.9 The Council has power to change the maximum period for back-dating applications for CTRS from working age claimants but not for pensioners. Whereas the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012/2885 prescribe a 3-month period for pensioners, they do not prescribe a period for working age claimants.

8.10 The plain English guide would be informal and have no legal status.

8.11 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.

8.12 The rationale for consulting with the major precepting authority first, in this case the Greater London Authority ("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.

8.13 The GLA have been consulted and responded indicating their support for the preferred option (see appendices 7 and 8). A draft scheme was published prior to a ten-week public consultation.

8.14 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.

8.15 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.

Equalities

8.16 The Council has a public sector equality duty under the Equality Act 2010 to have due regard to the need 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.

8.17 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.

8.18 An Equality Impact Assessment (EqIA) is attached as Appendix 3.

9. Use of Appendices

Appendix 1: Outcome of the Public Consultation

Appendix 2: Outcome of the consultation with GLA

Appendix 3: Equalities Impact Assessment

Appendix 4: Detailed Modelling of the de minimus Scheme

Appendix 5: CTRS Scheme

10. Local Government Access to Information Act 1985

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

[July 2021 Cabinet Report: Council Tax Reduction Scheme \(CTRS\) Administration](#)