



Haringey Council

Report for:	Full Council on 18/11/2013	Item Number:	
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Title:	Approval of Haringey Council Tax Reduction Scheme for 2014/15
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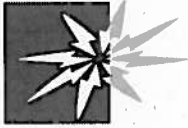
Report Authorised by:	Stuart Young Assistant Chief Executive <i>Therese Ryan p.p. Stuart Young.</i>
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Lead Officer:	Paul Ellicott Head of Revenues, Benefits and Customer Services
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Ward(s) affected: All	Report for Key Decision
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**1. Describe the issue under consideration**

- 1.1 Following the introduction of the Welfare Reform Act 2012, the national Council Tax Benefit system was abolished and local authorities have had to develop their own systems for rebating Council Tax, with a reduced funding base and a mandate to protect pensioners from any changes. The changes came into effect from 1 April 2013, and following consultation with impacted residents the Council Tax Reduction Scheme for 2013/14 was approved by Full Council on the 17<sup>th</sup> January 2013.
- 1.2 There is a statutory obligation on the Council to consider, each financial year, whether to revise or replace its scheme. This report sets out recommendations for Haringey's Council Tax Reduction Scheme (CTRS) for 2014/15 taking into consideration the assessment of options and an Equalities Impact Assessment (EqIA). It contains the Council Tax Reduction Scheme which the Council is required to produce under the provisions of section 13A(1)(a) and Schedule 1A of the Local Government Finance Act 1992.
- 1.3 The Council must make any revision to its scheme, or adopt a replacement scheme (which may be the same as the scheme already in place), by 31<sup>st</sup> January 2014. The purpose of this report is to seek the Council's agreement to implement the recommended CTRS, as stated in Section 3 of this report, commencing on the 1<sup>st</sup> April 2014.



## **2. Portfolio Holder Introduction: Councillor Goldberg**

- 2.1 The abolition of Council Tax Benefit as outlined in the Welfare Reform Act is just one plank of the Coalition's radical and wide ranging attack on social security and welfare benefits in the UK. These will have a significant impact on over 1 in 3 households in Haringey, hitting the finances of thousands of low paid local families, both unemployed and in work.
- 2.2 The Government has removed the cost of the benefit from the Annually Managed Expenditure [AME] (the account which pays for all welfare expenditure and is able to respond to increases in demand) and moved a top-sliced sum into the Departmental Expenditure Limit [DEL]. In plain terms, this means the government has put an effective cap on the money available for those that need support paying Council Tax, divorcing it from need and changing demand.
- 2.3 This means the Government has also made the money vulnerable to re-allocation to different government spending priorities in the future. It appears that as of 2014-15, local authorities will not be able to judge within its overall allocation of central government funds, what proportion is designed to fund the replacement Council Tax Reduction scheme.
- 2.4 The impact of the Government's policy is to de facto bring back the contributory principle that everybody of working age should pay some form of local taxation, irrespective of their situation and ability to pay. This is self evident as we have had to issue 4,500 summons to residents who previously did not pay any council tax. These are residents who could also be impacted by other Welfare Reform changes that were brought in from April 2013.
- 2.5 It remains true that it is simply not sustainable or possible for the Council to magic money to pick up a tab to cover this ongoing funding gap. The full effects of the introduction of CTRS in 2013/14 will be not be realised until the financial year has passed but I am in no doubt about the negative impact it has on so many of Haringey families.
- 2.6 However, it would be confusing and add to current resident concerns if the scheme changed for 2014/15. The risk of making changes when only half a year's data is available is obvious so I recommend that we continue with the current scheme.

## **3. Recommendations**

It is recommended to Council that:

- 3.1 Having taken into account the Equalities Impact Assessment at Appendix B, the Council resolve not to revise the Council Tax Reduction Scheme agreed for 2013/14;



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3.2 Accordingly, the scheme as set out at Appendix C continues to be implemented for 2014/15 and the principles of the Council Tax Reduction Scheme, as summarised in Section 6 of the report, continue in respect of all working age claimants. This means an overall reduction of Council Tax support of 19.8%, which remains at the same level of support as 2013/14.

3.3 Authority to be given to the Assistant Chief Executive and Head of Revenues, Benefits & Customer Services to take all appropriate steps to implement and administer the Scheme.

#### 4. Options Considered

4.1 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. Either option should be considered in light of the knowledge gained during the previous year's implementation.

4.2 The scheme was introduced from April 2013 and therefore has not been in operation for a full year.

4.3 Additional help has been provided to residents who for the first time have been asked to pay an amount towards their council tax. This has been in the form of correspondence offering support and 'support days' for personal visitors to make payment arrangements. Support to residents who may find it difficult to pay include ensuring that all benefits which they are entitled have been considered and in severe cases referrals to agencies for external help and support have been made.

4.4 The impact on residents can be assessed by the level of income collection in respect of those residents hit by the changes. The projected income levels are to date being met. However, it does show that a number of residents have paid the year in full and this will affect the income profile expected and subsequently the last two months has shown a slight dip in expected income. However, it must be emphasised that the analysis to date is limited as the scheme has only been in force since April. To understand any income level projections and payment attitude to these changes a minimum cycle of one year is required.

4.5 Informal consultation with residents, support groups and other local authorities suggest that where residents make contact with the Council then payment arrangements are being agreed and generally maintained. However there are a number of residents who are struggling where other Welfare Reform changes have impacted, such as the benefits cap and a number of residents who have not paid and made no contact to date. However, to understand more fully the extent of non-payment a full years recovery cycle and resulting data analysis is required.



- 4.6 In considering options for the scheme for 2014/15, officers have analysed the impact of the current scheme based on the data available to date.
- 4.6.1 In order to minimise the impact on working age claimants, and keep changes to the system to a minimum, the current CTRS agreed for 2013/14 in January 2013 was based on the Default Scheme with some key changes, most notably that applicants of working age have had their Council Tax support assessed against 80.2%, rather than 100%, of their liability. The figure 80.2% was arrived at based on the level of projected grant and income loss, taking into account also the cost of protecting pensioners and those with qualifying disabled benefits. Based on data that officers have collated so far the income levels have been met as predicted. However, as set out above, this is due in part to a number of residents paying the year in full which will affect the income profile, because it can have the effect of temporarily inflating the income levels as demonstrated by the recent two months dip in expected income. Given the limited data available it would be unwise at this stage for the Council to alter this maximum figure of 80.2% eligibility for working age claimants. Maintaining the current eligibility levels also provides continuity for claimants who are seeking to manage their finances.
- 4.6.2 Applicants in receipt of certain disability benefits have received protection from the above measure. These applicants have had their Council Tax support assessed against 100% of their liability. This decision was made as a result of the consultation exercise undertaken in 2012 where the majority of respondents felt this group should be protected and that this group of claimants have limited ability to work over the longer term, making it very difficult for these claimants to supplement their income. The data to date shows that 14% of all claimants fall into this category. Based on the income data available so far, together with the number of claimants in receipt of these disability benefits, it remains sustainable for this protection to continue without disproportionate impact on the remaining working age claimants.
- 4.6.3 A minimum weekly Council Tax Support award of £1 was introduced. The administrative cost of assessing claims for CTRS and ongoing changes make any award less than £1 per week not cost effective. This remains to be the case.
- 4.6.4 A reduced capital savings limit of £10,000 was introduced, previously set at £16,000. This means that claimants who have savings and investments over £10,000 are no longer entitled to support. It is a key incentive that the support should be given to the most vulnerable and therefore it was felt appropriate to reduce the maximum savings limit. There is no data to date to suggest that this change has had a negative impact on claimants and therefore it is recommended that this threshold remain.
- 4.6.5 Child benefit and war pensions have been fully disregarded when calculating entitlement for all applicants. This supports initiatives to assist pregnant and nursing mothers, those with young children and those who are part of the Armed Forces Covenant in dealing with the changes. This also supports safeguarding measures and the Haringey 54,000 programme. It remains sustainable for this to continue without disproportionate impact on the remaining working age claimants.
- 4.6.6 The maximum period for backdating has been set at 6 months. This is to ensure consistency with the application of Housing Benefits. There is no data to date to suggest



that this change has had a negative impact on claimants and therefore it is recommended that this continue.

4.6.7 Any change of circumstance which has been advantageous to council tax support entitlement and reported by the applicant outside one month, has been deemed to take effect from the date on which it is reported. This is both to ensure consistency with housing benefit administration and also to encourage applicants to notify changes in circumstances in a timely manner. There is no data to date to suggest that this change has had a negative impact on claimants and therefore it is recommended that this continue.

4.7 In summary, the 2013/14 scheme has been in operation from April 2013 and therefore it is recognised that there is limited information available to assess its impact. It is advised that the Council would be in a better position to consider any potential amendments to the scheme in 2015/16 when a full years worth of data is available and can be sufficiently interrogated and extrapolated. The levels of income collection are currently in line with the financial projections to date and there is no evidence to suggest that the key changes to the Default Scheme outlined in 4.6.1 to 4.6.7 should be amended. Any changes without the full analysis is felt to be premature, could prove confusing for residents who have recently adjusted to the new system and provide an element of financial uncertainty for the Council in terms of budget projections and assumptions.

## **5. Department for Communities and Local Government Transitional Grant Scheme**

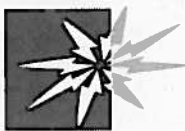
5.1 The DCLG offered a transitional grant of £100m to Local Authorities to assist with the implementation of the new scheme for 2013/14. Haringey's share of this would have been £706,201 (excluding the GLA share). In order to qualify for the transitional grant the Council would have been required to adopt a scheme in a particular form (namely one which reduced the extent to which the cut in budget was passed onto residents), and the Council rejected this option at its meeting on 17 January 2013.

5.2 There has been no indication that the DCLG will put forward proposals for a transitional grant for 2014/15 and no additional funding has been made available from Central Government for this date.

## **6. Background Information**

6.1 As of 1 April 2013 Central Government abolished the national Council Tax Benefit system and local authorities were required to implement local Council Tax Reductions Schemes to come into effect on this date.

6.2 Other than a mandate to protect pensioners, local authorities had the ability to design and implement a scheme as they deemed appropriate, specifying the Council Tax reductions which are to apply to persons the authority considers to be in financial need. At the same time, funding from Central Government for Council Tax Reductions Schemes was reduced by approximately 10%.



6.3 In making its scheme the Council consulted widely with residents and carried out a thorough assessment of the equalities impact the proposed scheme would have on those affected. As a result of this, the Council made the decision to protect those in receipt of certain disability premiums and pass on the funding cut to all remaining claimants of working age. This equated to these claimants being entitled to a maximum 80.2% reduction in their Council Tax liability (a reduction of 19.8% of the previous maximum 100% entitlement).

6.4 In addition, the Council's scheme has the following characteristics:

- A reduction in the amount of capital savings and investments allowed from £16,000 to £10,00
- The removal of entitlement if less than £1 per week was awarded
- The ongoing disregard of child benefit, non-dependent deductions and war pensions when calculating entitlement
- The agreement for annual uprating to continue in line with Government parameters.

6.5 The scheme was approved by Full Council on 17 January 2013 and came into force on 1 April 2013. In accordance with the 1992 Act, each financial year the Council is required to consider whether to revise or replace its scheme. The scheme must comply with requirements prescribed by regulations, including the protection of pensioners from all changes and the exclusion of those subject to immigration control from assistance under a scheme. These requirements are incorporated into the current scheme.

## **7. The Scheme**

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

7.2 In designing the Scheme for 2013/14, the Council took into account a range of issues including the Government's "Statement of Intent" issued in May 2012, the Local Government Finance Act 2012, regulations and guidance issued by the Government relating to vulnerable people and work incentives; as well as the outcomes of the consultation exercise from 2012 and an equalities impact assessment, together with the reduction in funding for the Scheme and the impact on collection rates for council tax.

7.3 The rules that were agreed by Full Council for the 2013/2014 scheme and are proposed to continue for 2014/15 are set out in Appendix A

## **8. Equalities Impact Assessment Summary**



- 8.1 An Equalities Impact Assessment (EqIA) (see Appendix B for full EqIA) has been developed to assess whether and to what extent the proposal to continue the current scheme could disadvantage particular groups within the protected characteristics, defined in the Equality Act 2010.
- 8.2 Analysis shows that of the claimants most likely to be impacted by the continuation of the scheme:
- 54% are in the 25-44 age group
  - 39% are in the 45-59 age group
  - 13% have 3 or more dependents
  - 55% of claimants' have children aged 0-16
  - 38% are lone parents
  - 63% are women
  - 34% of those with ethnicity recorded are non white and 21% other white
- 8.3 The EqIA describes the mitigating measures that can be taken to remove or reduce the disadvantages these groups face and seeks to ensure that full awareness of the implications of the proposal are understood.
- 8.4 The EqIA has used available equality data on claimants from the Council's Revenues and Benefits IT system (I-World) and from the Census. The records show that as of October 2013, excluding pensioners, a total of 17,690 working-age claimant households (55% of claimant households) will continue to be affected by the continuation of the scheme.
- 8.5 The continuation of the scheme continues to support the Government's initiative to lift the poorest off benefits and assist them into work. However, Local Authorities need to be mindful of key vulnerable groups and show due care in assisting them. The table below provides a summary of how the Council will address their duties to these vulnerable groups.

<b>Duty under the Child Poverty Act/ Unemployment/ Deprivation</b>	Unemployment, deprivation and child poverty will be addressed through a range of employment initiatives under Haringey's Corporate Plan, the Child Poverty Strategy and Haringey 54,000 Programme. Details of the impact on various groups and mitigations are laid out in the full EqIA.
<b>Public Sector Equality Duty - Disability</b>	It is proposed that those in receipt of certain disability premiums continue to receive their existing allowances (i.e. they will be protected from the proposed 19.8% reduction).
<b>Armed Forces Covenant – war pension and compensation payment</b>	It is proposed that we continue to disregard war widows' pensions, war pensions and compensation payments made under the Armed Forces Compensation Scheme when calculating income for the purpose of determining the amount payable in council tax.
<b>Duty to prevent</b>	This is being addressed under Haringey's Corporate Plan



homelessness

which has the reduction and prevention of homelessness as a key priority objective.

- 8.6 It is recognised and understood that the Government's intent is to lift the poorest off benefits by supporting them into work and various initiatives and incentives are in place to move towards this. However it is not anticipated that the above barriers would be immediately removed and claimants achieve self reliance as a result of this scheme. Their removal will form part of longer term plans and programmes aimed at assisting claimants so they become less reliant on benefit support.

## 9. Service Impact Assessment and Financial Modelling

- 9.1 The impact of CTRS is considered on a regular basis, however, only when a full years worth of interrogated and extrapolated data is available will there be sufficient evidence to consider a change to the scheme.
- 9.2 The analysis undertaken so far considers the ongoing impact of the implementation of the Council Tax Reduction Scheme and will include changes to the Council Tax base, income collection and resident demand.
- 9.3 The comparison made between 2012-13 and 2013-14, will show a fairly significant reduction in the council tax base results as grant is now provided for council tax support through the revenue support grant settlement and not as a direct receipt of support for residents. The change from a Council Tax Benefit Scheme to a CTRS treats the reduction as a discount. This discount is now reflected in the council tax base and has reduced the base. The movements in the base and the re-calculation of bad debts will be adjusted in the council tax base for 2014/15 and the medium term financial plan for 2014-16.
- 9.4 The collection income rates to date for CTRS claimants continues to be in line with the financial projections made for 2013/14 however these will continue to be monitored for the remaining months of the financial year.
- 9.5 The Council Tax technical changes agreed by Full Council in January 2013 which took effect from April 2013 have not allowed the Council to significantly mitigate the loss caused by the move from CTB to CTRS. This is due to the number of dwellings impacted by the technical changes being lower in Haringey than a number of other London Boroughs and the anticipated level of movement between exemption and discount types as residents look to optimise reductions.
- 9.6 The increase in the number of changes that residents face in 2013/14 including CTRS, benefits cap, benefit size criteria has resulted in a higher level of contacts and increased back office volumes to process. This was predicted and mitigating actions have contributed to this being managed within the current resource levels.





9.7 The Welfare Reform changes has resulted in a reduced level of available income a resident will have and with the Universal Credit being introduced in 2014 this will also impact on residents ability to manage their money as they will be in receipt of all their benefit entitlements via one monthly payment.

## **10. Comments from the Chief Finance Officer and Financial Implications**

10.1 The Chief Finance Officer has been consulted over the contents of the report and the recommendations set out in section 3 and confirms that this is in line with the Council's current medium term financial plan.

10.2 The Chief Finance Officer supports the proposal to wait before reviewing and potentially recommending changes to the existing scheme until a complete year of data is available, which will both provide less uncertainty and confusion to residents but also enable a more robust assessment of the financial implications of both the current scheme and ensure that any potential changes are properly based on factual data.

10.3 The Chief Financial Officer confirms that collection and arrears levels will continue to be monitored throughout the year and will feed into future decision making on the CTRS.

## **11. Comments from the Head of Legal Services and Legal Implications**

11.1 In accordance with section 13A Local Government Finance Act 1992 ("the 1992 Act"), each local authority is required to produce its own scheme to reduce the council tax liability of persons it considers to be in financial need. Following consultation with impacted residents the Council Tax Reduction Scheme for 2013/14 was approved by Full Council on the 17<sup>th</sup> January 2013.

11.2 Each financial year, the authority must consider whether to revise its scheme or to replace it with another scheme, as provided for at paragraph 5 Schedule 1A to the 1992 Act. The authority must make any revision to its scheme, or any replacement scheme, which may be the same scheme already in place, no later than 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect. Once adopted, the Council Tax Reduction Scheme cannot be amended during the financial year for which it is in force

11.3 This report recommends no revisions to the scheme currently in place for 2013/14, and accordingly that the same scheme continues to be implemented for the year 2014/15.

11.4 In reaching their decision on the recommendations set out in the report, the Council must have specific regard to the authority's public sector equality duty. The extent of the duty on the Council, enforced by the Equality Act 2010, is set out in Appendix D to this report.



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Members must take into account the attached full equality impact assessment included at Appendix B to the report, giving particular consideration to section 3 of the assessment, the impacts identified therein and the proposals made to reduce or mitigate them. A summary of the findings is provided at section 8 to this report. The equality impact assessment includes consideration of the duties to mitigate child poverty, prevent homelessness and the armed forces covenant, in line with the Government's requirement to consider the impact of the Council Tax Reduction Scheme on vulnerable groups.

## **12. Comments from the Head of Procurement**

12.1 Not applicable

## **13. Policy Implication**

13.1 This is 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.

13.2 The Scheme will continue to be run by Haringey Council and remains separate from the DWP's Benefit Awards (including Universal Credit when this is introduced).

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

14.1 Not applicable

## **15. Appendices**

- Appendix A – Summary of Scheme Rules
- Appendix B – Equalities Impact Assessment
- Appendix C - Haringey Council Tax Reduction Scheme
- Appendix D – Equality Act 2010 – The Public Sector Equality Duty



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## **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 agreed for 2013/14 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 agreed for 2013/14:

- 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.