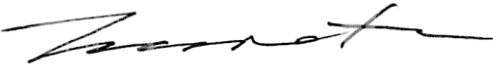




**Haringey Council**

Report for:	Cabinet – 14/10/14	Item Number:	
Title:	Approval of Haringey Council Tax Reduction Scheme for 2015/16		
Report Authorised by:	Tracie Evans, Chief Operating Officer 		
Lead Officer:	Carla Segel Assistant Head of Revenues, Benefits and Customer Services		
Ward(s) affected: All	Report for Key Decision		

## 1. Describe the issue under consideration

- 1.1 Following the transfer of Council Tax Benefit to Local Authority control from April 2013, Haringey has run a replacement Council Tax Reduction Scheme that protected pensioners (as prescribed by Central Government) and those in receipt of certain disability benefits and passed on the funding cuts by giving a maximum level of support of 80.2% to all other claimants.
- 1.2 There is a statutory obligation on the Council to consider, each financial year, whether to revise or replace its scheme.
- 1.3 This report sets out the recommendations for Haringey's Council Tax Reduction Scheme (CTRS) for 2015/16 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.
- 1.4 The Council must approve the final scheme by 31<sup>st</sup> January 2015 ready for implementation on the 1<sup>st</sup> April 2015. The purpose of this report is to seek approval from Cabinet to take these recommendations forward to Full Council on 24<sup>th</sup> November 2014.



## 2. Cabinet Member Introduction

- 2.1 The government's decision to abolish the Council Tax Benefit and reduce its funding by 10% was a mistake. It has caused increased hardship for individuals and families on low incomes here in Haringey.
- 2.2 The Government claim that the removal of the Council Tax Benefit forces the poorest into work and off benefits. This is completely disingenuous. The Local Council Tax Reduction Scheme, which replaced Council Tax Benefit, does not tackle the real barriers residents face when looking for jobs or developing their skills. It is clear that longer term plans and programmes are needed instead.
- 2.3 The council are facing severe financial pressures due to significant cuts in funding from central government, with an estimated shortfall of c£70m in the next three years. In such a climate, it is right to maintain the existing minimum payment scheme. Reducing the minimum payments further would require the council to cover this cost by either cutting services, or by drawing down our reserves – neither option is desirable.
- 2.4 In addition to protecting pensioners, we will continue to protect those receiving disability benefits. The council has put in place additional measures to support those who need our help. For example, where people have been affected by multiple welfare reform changes, they will continue to receive individual assistance and support from the council and our partner organisations. Where necessary, residents will continue to be signposted to appropriate employment and skills training programmes to enhance their employment opportunities.
- 2.5 We know that some residents are struggling. That's why the council will continue to do everything we can to provide assistance for residents so they can pay their council tax.

## 3. Recommendations

It is recommended to Cabinet that the following be taken forward for consideration by Full Council:

- 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 and continued in 2014/15;
- 3.2 Accordingly, the scheme as summarised in **Appendix A** and set out in full at **Appendix C** continues to be implemented for 2015/16. The principles of this are:
  - That pensioners remain protected from any increase in the amount of Council Tax which they are liable to pay following the abolition of Council



Tax Benefit (as prescribed by Central Government). Pensioners will continue to receive the same level of support for the payment of Council Tax.

- That those in receipt of certain disability benefits are protected from any increase in the amount of Council Tax which they are liable to pay following the abolition of Council Tax Benefit. Those in receipt of certain disability benefits will continue to receive the same level of support for the payment of Council Tax.
- That for all working age claimants, the extent of Council Tax Support available will continue to be capped at 80.2% of Council Tax liability. In other words, working age claimants will continue to receive the same level of Council Tax Support as 2013/14 and 2014/15, this amount representing a 19.8% reduction in the level of Council Tax Support available as compared with the amount of Council Tax Benefit received in 2012/2013.

3.3 Authority to be given to the Chief Operating Officer and Assistant Director of Customer services to take all appropriate steps to implement and administer the Scheme.

#### 4. Alternative 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 in some respects. The Council could choose to increase or decrease the amount of financial support available under the scheme. Options should be considered in the light of the knowledge gained during the implementation of the scheme over previous years.

4.2 The options for changing the scheme that have been considered to date have been listed below. Some of these were proposed by respondents to the consultation undertaken prior to adopting the 2013/14 scheme.

- Increase the level of financial support so all customers pay less
- Decrease the level of financial support so all customers pay more
- Absorb the full shortfall into the Council budget by providing financial support up to the level previously funded by Central Government as part of Council Tax Benefit.
- Protect certain vulnerable groups in addition to those in receipt of certain disability benefits, these include but are not limited to:
  - Households with children
  - Households with a child under one
  - Households with a child under five
  - Households with more than three children
  - Households with a lone parent



## Haringey Council

- Protect band A-C properties
- Protect claimants on current maximum entitlement
- Protect claimants who are working but on low income.
- Protect claimants who have been impacted by the Benefits Cap or Social Size Criteria changes
- Protect claimants in receipt of Single Person's Discount
- Increase Council Tax

- 4.3 A breakdown of these options with accompanying financial data has been provided in **Appendix D**. Appendix D further sets out the potential advantages and disadvantages of each option.
- 4.4 Having regard to the detailed points set out at **Appendix D**, it is recommended that none of these options for change are taken forward. This is because:
- I. Any option which would require the Council to increase levels of support for Council Tax payments would need to be directly funded by the Council and given the competing demands on the Council's limited budget, increasing support for Council Tax funding would require the Council to find reductions elsewhere, cut services, utilise reserves or increase Council Tax.
  - II. Any option which would require the Council to increase levels of support for particular groups of people could have a disproportionate impact on some claimant groups over others.
  - III. The majority of the options do not support the Central Government initiative of encouraging people back to work
  - IV. The Council do not consider that it is appropriate to increase Council Tax.
- 4.5 The Council also recognise that one further option to be considered in the future is to undertake a more comprehensive overhaul of the scheme so that Council Tax Support falls under Council Tax legislation as a discount, similar to the existing Single Person Discount. This may make administration more straight forward. However, the Council is not proposing to undertake such an overhaul at this stage, nor does it consider that this is an option for the 2015/16 scheme. If a decision is made to take forward consideration of this possibility for the future (i.e. from 2016/17 onwards), then depending on the nature of the changes, consultation and financial modelling to identify implications to the Council Tax Band may need to take place.

## 5. Background information

- 5.1 As part of the Government's Welfare Reform Act, Council Tax Benefit was abolished and replaced with a Local Council Tax Reduction Scheme from 1 April 2013, with a reduced level of Government funding.
- 5.2 Haringey's scheme broadly mirrors Council Tax Benefit in terms of it being a means tested level of support with the same rules and parameters around eligibility and



## Haringey Council

deductions. However, as the overall level of funding available to the Council to support Council Tax payments was reduced, it was not possible to maintain the scheme exactly as it was without the Council having to make up the shortfall in funding in other ways (for example cutting services, utilising reserves or increasing Council Tax). The Council adopted a scheme whereby all non-protected claimants of working age (i.e. all claimants other than pensioners or those in receipt of certain disability benefits) had to pay something towards their Council Tax.

- 5.3 Central Government prescribed that pensioners were automatically protected from any changes to Council Tax Benefit and following consultation with Haringey residents and interested groups in the autumn of 2012 the Council chose to extend this protection to those in receipt of certain disability benefits.
- 5.4 Following financial modelling looking at claimant volumes, the number of pensioners in the area and anticipated collection figures, it was decided to pass on the £3.8m shortfall represented by the cut in funding from Central Government across all non-protected working age claimants by reducing the maximum level of support from 100% to 80.2%.
- 5.5 As the Council Tax Reduction Scheme needs to be approved by 31 January preceeding the 1 April implementation date, a decision on the 2014/15 scheme had to be made before a full year's worth of data was available. It was agreed to continue the scheme without any changes and consider reviewing it for 2015/16 once the Council had been able to collate and analyse data in relation to the operation of its scheme.
- 5.6 The following table shows the financial situation for 2013/14. The Council had estimated a 50% collection level using best practice evidence, however collection levels were nearer 85%:

2013/14	Amount (£)
Total amount billed to those on CTRS 2013/14	6,897,431.63
Estimated sum collected when scheme was set (at 50% collection rate)	3,448,715.82
Actual sum collected (84% collection rate)	5,793,842.60
Surplus / (deficit) against estimated collection	2,345,126.75

*Nb. residents in receipt of Council Tax Support April 2013: 34,208*

- 5.7 The higher than anticipated collection levels was largely due to the support put in place for the cohort of claimants who had never previously had to make a payment towards their Council Tax, this included:

- Supportive and flexible payment arrangements



## **Haringey Council**

- Drop-in days at our Customer Service Centres where dedicated officers were available to discuss cases and make payment arrangements
- Promotion of other support available
- Signposting to third sector agencies such as the Quaker Social Action Group, Moneywise and the CAB.

5.8 Now that we have the required data from the operation of the scheme over the financial year 2013/2014 to conduct a full and considered review, we are proposing that the scheme continues for 2015/16 without change. This decision reflects the work conducted as part of the original design of the 2012/13 scheme which takes into account the following factors:

- Consideration of a range of issues including the Government's "Statement of Intent" issued in May 2012, the Local Government Finance Act 2012 and regulations and guidance issued by the Government relating to work incentives
- Consideration of the outcomes of the consultation exercise from 2012.
- Consideration of an equalities impact assessment
- Consideration of the reduction in funding for the Scheme and the impact on collection rates for Council Tax.

5.9 A new scheme is required to be in place by the 31 January 2015 signed off by Full Council and incorporating the results of an equality impact assessment.

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

6.1 As set out in section 5, the abolition of council tax benefit and the move to a local council tax reduction scheme (CTRS) was accompanied by a reduction in central government funding to support reduced council tax income. For 2013/14 this equated to circa 10%. The funding for the CTRS support changed from a specific grant covering 100% of the cost to be included within a general (non specific) grant; the Revenue Support Grant (RSG). This has the dual effect of losing the direct link between the cost of running the CTRS and the central government support provided, but more importantly, the quantum of RSG is itself on a downward trajectory. As such, it is important that Members view the points raised in this report, not in isolation, but alongside the Council's overall funding position and the ever growing contribution that local taxation will inevitably have to make to this.

6.2 As noted in section 4, increasing support for CTRS, in the current climate of diminishing external finances and increasing budgetary pressures generally, would require the Council to find reductions elsewhere, cut services, utilise reserves or increase Council Tax. Sound financial governance demands that reserves should only be used (or set aside) to meet either specific or unforeseen future liabilities, not





## **Haringey Council**

as part of on-going in-year funding. These are a one-off, finite source of funding and their use to underpin an on-going revenue shortfall is not sustainable or appropriate. After reserves are exhausted, the underlying shortfall would still be there to be met ultimately by service reductions. The use of reserves to meet the on going funding support required for any extension to the CTRS, is therefore not sustainable on indeed advisable.

- 6.3 Paragraph 4.5 discusses the potential to overhaul the scheme so that it falls under Council Tax legislation as a discount, similar to the existing Single Person Discount, which could make administration more straight forward, removing the reliance on a more resource intensive means tested assessment scheme. With fewer resources for the Council overall, a simpler scheme should be beneficial and cost effective. This would require consultation as well as revisions to the existing IT systems, procedures and staff training. At this stage Cabinet is not being asked to make a decision on this and further consideration will be given to this option in the future.
- 6.4 Overall, based on the data so far available and in the light of the estimated budget shortfall of c£70m over the next 3 years, the Chief Finance Officer recommends that no changes are made to the scheme for 2015/16. With the support arrangements offered to date continuing, it is also recommended that the forecast higher collection of Council Tax income is built into the medium term financial plan. This will enable the Council to maximise income without increasing Council Tax levels; it will also help to reduce the c£70m gap. Officers should continue to monitor the position regularly as part of the normal budget cycle.

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

- 7.1 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 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.
- 7.2 This report recommends no revisions to the Scheme currently in place for 2014/15, which was itself a continuation of the Scheme approved for 2013/14, and accordingly that the same Scheme continues to be implemented for the year 2015/16. The Council is not required to conduct a consultation in circumstances where it is not proposing to make any changes to its scheme.
- 7.3 The Council must ensure that it has due regard to its Public Sector Equality Duty under the Equality Act 2010 in considering whether to revise its scheme and must



## Haringey Council

therefore conduct a full Equality Impact Assessment in order to inform the final proposals. The extent of the duty on the Council under the Equality Act 2010 is set out in *Appendix E* to this report.

- 7.4 Members must take into account the 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. The assessment includes consideration of the duties to mitigate child poverty, prevent homelessness and the armed forces covenant, in line with the Government's requirement to consider the impact of the CTRS on vulnerable groups.
- 7.5 The Act allows the Government to make regulations about the prescribed requirements for schemes. Any scheme that the Council adopts must comply with these regulations.

## 8. Equality and Community Cohesion Comments

- 8.1 A full equalities impact assessment has been carried out and is attached as *Appendix B*. This considers 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).
- 8.2 It is recognised that there are many areas of the community that will continue to suffer financial difficulties as a result of Government's abolition of Council Tax Benefit and we need to consider how best to mitigate against this.

## 9. Head of Procurement Comments

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

## 10. Policy Implication

- 10.1 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.
- 10.2 The Scheme will continue to be run by Haringey Council and remains separate from the Department of Work and Pension's (DWP) Housing Benefit awards (including Universal Credit when this is introduced).

## 11.Reasons for Decision





## **Haringey Council**

11.1 Although other options have been considered, the Council is proposing that the scheme for 2015/16 remains the same as the current one in order to support the Government's initiatives of work incentives and paying due regard to the challenging financial climate we are currently in.

11.2 Although it is recognised that this impacts a vulnerable sector of the community there has been a higher than expected collection rate due to the supportive measures introduced, these will continue into 2015/16 and the forecasted income will be built into the Council's financial plans. This will enable the Council to maximise income without increasing council tax levels and help to reduce the £70m budget gap. Further information on this has been explained in paragraph 4.4 and at *Appendix D*.

## **12. Use of Appendices**

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

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

13.1 N/A



## Appendix A – Summary of Scheme Rules

### Class of Persons

It is proposed that eligibility under the Scheme continues to use the previous Council Tax Benefit rules including the change agreed for 2013/14 and 2014/15 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 and 2014/15:

- 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.