

Report for: Cabinet – 10th November 2015

Item number: 20

Title: Approval of Haringey Council Tax Reduction Scheme for 2016/17.

Report authorised by : Tracie Evans, Chief Operating Officer

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Ward(s) affected: All

**Report for Key/
Non Key Decision:** 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. The government made funding cuts at the time of the transfer and Haringey passed these on 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 2016/17, taking into account the outcomes of an Equalities Impact Assessment (EQIA).
- 1.4 The Council must approve the final scheme by 31st January 2016 ready for implementation on the 1st April 2016. The purpose of this report is to seek approval from Cabinet to take the recommendations forward to Full Council at its meeting on 23rd November 2016. The recommended CTRS is a continuation of the current CTRS without revision or amendment.

2. Cabinet Member Introduction

- 2.1 The Council Tax Reduction Scheme was adopted due to the government's attack on Council Tax Benefit, which saw a 10% reduction in funding. From 2014 onwards, we have provided financial support for working age claimants up to 80.2% of council tax. To provide more than the levels currently set out, we would need to cut crucial services or dig into our reserves – a move which is financially unsustainable in the long term.
- 2.2 At this challenging time it's critical that the council provide support to those who

need it. We will continue to provide a support package that includes flexible, supportive payment arrangements, drop-in sessions where claimants can meet with dedicated officers to discuss payment and working in partnership with our voluntary organisations, such as the Haringey CAB.

3. Recommendations

It is recommended to Cabinet that the following recommendations are proposed to full Council for consideration:

- 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 2015/16 and to continue this scheme for 2016/17;
- 3.2 Accordingly, the scheme which is summarised in **Appendix A** and set out in full at **Appendix C** continues to be implemented for 2016/17. The principles of this are that:
 - (a) 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 as compared with 2012/2013 and the original Council Tax benefit.
 - (b) 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 as compared with 2012/2013 and the original Council Tax benefit.
 - (c) all remaining working age claimants not covered by (b) above will continue to have their Council Tax Support 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 2015/16, this amount representing a 19.8% reduction in the level of Council Tax Support available.
- 3.3 The Council is asked to give authority to the Chief Operating Officer and Head of Shared Services to take all appropriate steps to implement and administer the Scheme.

4. Reasons for decision

- 4.1 The recommendation to retain the current scheme continues to support the Government's initiative of work incentives and pays due regard to the challenging financial climate we are currently in.
- 4.2 In recognition of the vulnerable sectors of society, we have supportive measures in place. It is proposed that these continue into 2016/17. Maintaining the current scheme ensures that these protected claimants will not be further disadvantaged.

- 4.3 There remains a shortfall in collection. The Council relies on all Council Tax income to fund the services it provides.

5. Alternative Options Considered

- 5.1 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, which may be done in a variety of ways, for example, 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 both the current year and the implementation of the scheme over previous years.
- 5.2 The options for changing the current scheme that have been considered are listed below. Some of these considerations were informed by the original 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
 - Protect band A-C properties
 - Protect claimants on current maximum entitlement
 - Protect claimants who are working but on low income.
 - Protect claimants in receipt of Single Person's Discount
 - Increase Council Tax
- 5.3 A breakdown of these options with accompanying financial data is provided in **Appendix D**. Appendix D further sets out the potential advantages and disadvantages of each option together with rationale to explain why these alternative options have not been favoured at this time.
- 5.4 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) In addition, 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.

5.5 In his Summer budget in July 2015, the Chancellor of the Exchequer announced a range of reforms to the national welfare budget, aimed at reducing the cost of welfare to the government. This includes freezing benefit rates, restricting backdating rules, reductions in Tax Credits, reduction of the Benefit Cap, and curbs on the number of children that support can be provided for. Some of these changes are effective from April 2016, others will be implemented later. It is not proposed to revise the Council Tax Reduction Scheme for 2016/17, as the government has not yet given any information regarding the possible financial effect of these changes. We will monitor the effect of these changes in the 2016/17 year. It is possible that we may seek to revise our scheme for 2017/18, to consider these changes.

5.6 The Council also recognises 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 2016/17 scheme. If a decision is made to take forward consideration of this possibility for the future (i.e. from 2017/18 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, in addition to full consultation on any changes to Scheme itself.

6. Background Information

6.1 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.

6.2 Haringey's Council Tax Reduction Scheme (CTRS) 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 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 or a combination of these options). 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.

6.3 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.

- 6.4 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%.
- 6.5 The following table shows the financial situation for the 2014/15 scheme, the last year for which we have a full years data. We also show the current year amount billed to residents and the collection so far this year, and it is expected to be broadly similar to 2014/15. Collection levels achieved 86% in 2015/16, though it had been anticipated since the inception of CTRS that collection levels would be significantly lower:

2014/15 scheme:

Total amount billed	£6,200,297
Actual sum collected (86%)	<u>£5,314,341-</u>
Variance	£885,956

2015/16 scheme (as at 5 October 2015):

Total amount billed	£5,603,942
Actual sum collected (53%)	<u>£2,985,833-</u>
Variance	£2,618,109

NB. residents in receipt of Council Tax Support April 2015: 29,953

- 6.6 The number of residents claiming a Council Tax Reduction was 29,953 in April 2015. The figure as at 5 October 2015 was 28,933.
- 6.7 Support has been put in place for those claimants who had never previously had to make a payment towards their Council Tax, this includes:
- Supportive and flexible payment arrangements
 - Drop-in days at our Customer Service Centres where dedicated officers are 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.
- 6.8 Collection levels have been higher than initially anticipated, but still fall short of the rate necessary to bear the loss in grant, against the original Council Tax Benefit subsidy. Current year collection is anticipated to at least match last year, however is not expected to achieve the target collection rate for Council Tax. For this reason, the scheme is proposed to continue for another year, as the Council still faces a net loss in funds.

- 6.9 Now that we have the required data from the operation of the scheme from the current year (2015/16) and historically from 2014/15 and 2013/2014, to conduct a full and considered review, we are proposing that the scheme continues for 2016/17 without change. This decision reflects the work conducted as part of the original design of the 2013/14 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.
- 6.10 The considerations listed above remain. There has been a slow but steady decrease in the numbers of people in receipt of Council Tax Reduction. This could indicate that the support provided to assist people into work has had some effect. In addition, the number of complaints and appeals against the CTRS is minimal, indicating that people are accepting that the current scheme is not unreasonable. The Equalities Impact Assessment has addressed the issues that may affect some customers, and we have strong options in place to assist those who are struggling to pay. The Council’s financial position is challenging, and Council funding is under extreme pressure. We have not managed to fully collect the deficit in former funding, and remain under pressure to continue to improve collection.
- 6.11 A new scheme is required to be in place by the 31 January 2016, approved by Full Council and taking into account the results of an equality impact assessment.
- 6.12 The report proposes 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.
- 6.13 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).

7. Contribution to Strategic Outcomes

- 7.1 This recommendation links to the Councils priority to “drive growth and employment from which everyone can benefit”. We will link to our desired outcomes looking to achieve a fair and equal borough, to work with our communities, to work in partnership, with customer focus and value for money.

8. Statutory Officer Comments

Comments of the Chief Financial Officer and Financial Implications

- 8.1 The need for Local Authorities to move to a local council tax reduction scheme (CTRS) was met by a reduction in central government funding to support the

Scheme. For 2013/14 this equated to circa 10%. This CTRS funding also changed from a specific, designated grant to be one included within a general (non specific) , Revenue Support Grant (RSG). This lost the direct link between the cost of running the CTRS and the central government support provided and more importantly, hid the true extent of the continuing CTRS funding decreases within the downward trajectory of RSG generally. 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.

- 8.2 As noted in section 5, increasing support for CTRS, in the current climate of diminishing external finances and growing budgetary pressures generally, would necessitate the Council to find spend 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 specific or unforeseen future liabilities, not used 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.
- 8.3 Paragraph 5.6 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 could 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 the Council is not being asked to make a decision on this and further consideration will be given to this option in the future.
- 8.4 Whilst the authority in February 2015 agreed a balanced Medium Term Financial Plan covering the years 2015/16 -2018/19, this was based on the successful delivery of significant transformation and service remodelling and at period 5, the 2015/16 forecast budget outturn is for a significant overspend. Overall, based on the data available and in the light of the on-going funding austerity, the Chief Finance Officer recommends that no changes are made to the scheme for 2016/17.

Comments of the Assistant Director of Corporate Governance and Legal Implications

- 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 31 January in the financial year preceding that for which the revision or replacement scheme is to have effect.

- 8.6 This report recommends no revisions to the Scheme currently in place for 2015/16, which was itself a continuation of the Scheme approved for 2014/15, and accordingly that the same Scheme continues to be implemented for the year 2016/17. The Council is not required to conduct a consultation in circumstances where it is not proposing to make any changes to its scheme.
- 8.7 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 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.
- 8.8 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.
- 8.9 The Act allows the Government to make regulations about the prescribed requirements for schemes. Any scheme that the Council adopts must comply with the latest regulations.

Equality and Community Cohesion Comments

- 8.10 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:
- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
 - advance equality of opportunity between people who share those protected characteristics and people who do not;
 - foster good relations between people who share those characteristics and people who do not.
- 8.11 Council Tax Reduction Scheme claimants are amongst some of the most vulnerable residents in the borough. An EqIA has therefore been completed outlining the impact for those claiming under the scheme and proposed actions to mitigate any negative impact associated with the scheme.
- 8.12 The report recommends retaining the existing Council Tax Reduction scheme meaning that there will be no changes for existing claimants. Pensioners and disabled claimants will continue to be eligible for the full discount supporting the aims of the scheme to protect the most vulnerable from financial hardship. The EqIA sets out the mitigating actions we have put in place to reduce hardship for working age claimants and those with dependents. This includes:
- Extending the payment period and/or reducing payment amounts where claimants are facing particular difficulties

- Signposting claimants to appropriate support and advice services such as employment and skills training programmes to assist them out of financial difficulty

8.13 We will continue to monitor the impact of this policy in particular in light of future welfare reform changes and are undertaking analysis of the effect of welfare reform and debt on our community to enable us to better support residents in financial difficulties.

Head of Procurement Comments

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

9. Planned Use of Appendices for Final Report

- 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

10. Local Government (Access to Information) Act 1985

10.1 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 the current scheme 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 previously agreed:

- 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.