

# Proposed changes to 2019/20 Council Tax Reduction Scheme

If you are a Haringey resident liable to pay council tax (or who may become so in future) it's important that you read the information below and tell us what you think about the proposed changes.

You may also wish to respond to tell us your views about the financial implications of the proposals for you or the Council.

**Closing date: 12 November 2018**

## **Have your say on our proposed changes to the Council Tax Reduction Scheme**

Haringey Council is consulting with residents on proposals to change the current Council Tax Reduction scheme (CTRS). Please read this consultation booklet to find out more about the proposed changes, and what this could mean for you.

### **Background**

The government abolished Council Tax Benefit in 2013 and every Council was tasked with designing its own local scheme to provide financial support to those residents on low incomes. The scheme is called the Council Tax Reduction Scheme.

The scheme has not changed since it was introduced in 2013.

The Council is proposing to change its scheme as it applies to working age residents in the borough.

The Council is required to consult on its proposals and if the scheme proposals are agreed the council are required to have the new scheme in place by 11 of March 2019 to start on 1 April. If the proposals are not agreed the current CTRS remains the same.

### **What is Council Tax?**

Council Tax is based on the value of your property (in one of eight bands) on 1 April 1991. It part funds local services provided by the council. The level of Council Tax a household is required to pay is based on the defined band of the property you live in, less any discounts or exemptions for which you qualify.

As a London borough we also collect money as part of the Council Tax for the Mayor of London to provide police, fire and public transport services. This amount is included in your council tax bill.

### **What is the Council Tax Reduction Scheme?**

The Council Tax Reduction Scheme is a way of helping people on low or no income pay their council tax bill.

Currently, working age recipients who are not protected under the existing scheme (as explained below) are awarded a reduction of up to 80.2% of their Council Tax bill.

In Haringey, over 26,000 residents currently receive some level of support under the Council Tax Reduction Scheme.

### **Whose entitlement to Council Tax Reduction could be affected?**

All working age CTRS claimants. In addition, working-age residents who are not currently entitled to Council Tax Reduction could become entitled to it. In addition, working-age residents who are not currently entitled to Council Tax Reduction could become entitled to it.

The level of support provided to pensioners by the scheme is determined by the government, therefore if you are a pensioner the level of support you will receive will be unaffected by the consultation proposals.

As part of its existing local scheme, the Council decided to protect working age people who were in receipt of disability related benefits or premiums by providing up to 100% support. The consultation proposals will not affect this group's entitlement to this maximum support.

### **Why are we proposing changes to the Council Tax Reduction Scheme?**

We are proposing to change the Council Tax Reduction Scheme because we want to provide more financial support to a group of our residents who we think most need it.

We also propose to align the scheme with some national welfare changes that have taken place since the scheme was introduced in 2013.

Therefore, we want to consult with the public on our preferred option, as well as alternative options that we've explored.

We want to strike a balance between the need to provide extra financial support to residents we think require it, whilst maintaining a scheme that is financially sustainable for the Council's wider budget.

### **What is the Council's preferred option to change the Council Tax Reduction Scheme?**

**Our preferred option (a) is a combination of changes to prioritise additional support:**

- Increasing the maximum level of Council Tax Reduction from 80.2% to 100% for working age residents with children;  
and
- Updating the scheme to align with some national welfare changes, some of which would affect the level of Council Tax Reduction for working-age claimants and some of which would not.

For the purposes of this consultation document, 'children' means:

- A child (i.e. a person under the age of sixteen); or
- A young person (i.e. a person aged between sixteen and nineteen) for whom child benefit is payable.

There are case studies showing the likely effect of the preferred option under the sub-heading 'Case Studies' below. They show the likely effect of *both* the increase to 100% maximum Council Tax Reduction for working-age residents with children *and* the alignment with some national welfare changes.

Further information about the proposal to align with some national welfare changes can be found on the Council's website [www.haringey \(TBC\)](http://www.haringey.gov.uk).

### **Why would updating the scheme to align with some national welfare changes affect the level of Council Tax Reduction?**

Council Tax Reduction is intended for residents who have a low income. Therefore, it is means-tested.

The existing means-test for working-age claimants is based on national welfare entitlement in 2013. The government has made changes to national welfare since 2013. This means that some of the language and figures used in the existing CTRS are out of date.

Therefore, the Council is proposing to update the means-test.

This would include:

- Updating the amount the government says you need to live on per week;
- Updating income brackets;
- Updating deduction rates; and
- Updating the language used.

The proposal to align with some national welfare changes would mostly either financially benefit working-age CTRS claimants or make no change to CTRS entitlement.

However, changes to income brackets and deduction rates could mean some working-age CTRS claimants pay up to 95p per week more Council Tax. This could happen if you live with a non-dependant adult, are not in receipt of a prescribed disability benefit or premium, and have no children in your household. Non-dependant adults are normally adult children or relatives who are working.

The people most likely to be affected are those living with multiple non-dependants. However, for most people, it is expected that changes which could have meant they pay up to 95p per week more Council Tax would be off-set by the other proposed changes that make the CTRS more generous.

### **Why is this the Council's preferred option?**

We recognise that since Council Tax Benefit was abolished in 2013, some residents have increasingly struggled to pay contributions towards their Council Tax. We want to provide additional financial support to residents who have children because we believe that it balances affordability with the need to provide more financial assistance to those in most need. By raising the maximum level of support to 100% for these families, we would raise the entitlement of working age residents with children to the same entitlement that working age residents in receipt of disability related benefits currently receive under our local Haringey scheme.

We also propose to update our scheme to bring it in line with some national welfare changes that have taken place since 2013. This is proposed in order to make the CTRS up to date, easier to understand and reflect changes to inflation. These changes are automatically made for pensioners each year but has not been updated for working-age CTRS claimants since 2013. Most people without children would also receive additional financial support based on the changes we are proposing.

We are not proposing to bring the Council Tax Reduction Scheme in line with all national welfare changes, for example the two child limit. This is because we think that would worsen the financial position of residents who are already in particular need.

We think the proposal to align with some national welfare changes balances the benefit of making the CTRS easy to understand by reflecting the national welfare scheme, and the desire to provide additional financial support to residents who are the least well-off.

### **How much will the preferred change cost?**

The proposed changes to the Council Tax Reduction Scheme would mean an additional, ongoing annual cost to the Council. This is estimated to be £1.6m in 2019/20.

## **Funding the preferred option**

An increased cost to the Council of the scheme could realistically be funded from its General Fund budget; or through raising council tax; or using the Council's reserves, or a combination of the three.

We would propose to meet this cost from the Council's General Fund Budget. This is its Council-wide budget for the revenue costs of all Council services, except its landlord role. Regardless of whether Council Tax Reduction is increased, service areas will have to make further savings from 2019/20 due to ongoing reduction in our funding position and cost pressures. Increasing the level of Council Tax Reduction would add to the financial pressure on the Council and could mean that service areas have to make additional savings. The implications of this would have to be addressed by the Council, along with other budget changes, when setting its 2019/20 Budget and new Medium Term Financial Strategy in February 2019. This could lead to some Council services that you receive having reduced funding as a result of Council Tax Reduction being increased.

Our understanding of further future service budget cuts being necessary is based on the Council's current financial forecast for 2019/20. This model already assumes that our Council Tax would increase by 2.99% for that year, although no decision has been made on this. To generate further Council Tax income to the General Fund would require us to put Council Tax up by more than 2.99% and, under government rules, this would necessitate a local referendum to be held and a higher increase supported. We do not propose to do this to fund the Council Tax Reduction scheme.

We are also not proposing to use the Council's reserves because they can only be used once and do not provide an ongoing funding solution. We therefore do not consider it prudent to use them to meet the ongoing financial commitment of a council tax support.

We recognise these potential consequences of having to fund the proposed change to the CTRS but believe that increasing the support it provides is important for our most financially vulnerable residents.

## **What alternative changes to the Council Tax Reduction Scheme were considered?**

- b. No change to the Council Tax Reduction Scheme**
- c. Increase the maximum level of CTR from 80.2% to 100% for all Working Age Claimants**
- d. Limit the amount of CTR received in higher value properties to the amount provided in a designated band**
- e. Alter the capital savings limit**

It should be noted that the Council could also *reduce* the maximum level of Council Tax Reduction from the existing rate (80.2%). However, this would not be consistent with the Council's stated purpose to provide increased support to residents in need and so is not put forward as an option here.

## **Option (b) No change to the existing Council Tax Reduction Scheme**

We are not recommending this because we are committed to providing additional financial support to residents in receipt of Council Tax Reduction to alleviate the financial burden of families and other claimants.

### **Option (c) Increase the maximum level of Council Tax Reduction from 80.2% to 100% for all Working Age Claimants**

We are not recommending pursuing this option because it would be a significant additional annual cost (£843,000) to the Council's budget. This would increase the additional annual cost of the scheme from an estimated £1.6m to £2.44m in 2019/20, and is considered to be more than the Council can currently afford. Our preferred option strikes a balance between providing additional support to residents most in need and the financial impact on the Council and its services.

### **Option (d) Limit the amount of Council Tax Reduction received in higher value properties to the amount provided in a designated band**

The Council could "cap" the level of support based on the Council Tax liability of a designated Band. For example, if the limit was set at Band D, the maximum support claimant could receive would be no more than they would get if they lived in a Band D property, even if they lived in a higher Band property.

We are not recommending pursuing this option because it would significantly increase Council Tax bills for residents who are affected by the cap (those in bands above the limit). We recognise that claimants in receipt of Council Tax Reduction are financially burdened and need support.

### **Option (e) Alter the capital savings limit**

Currently, if a resident has more than £10,000 in capital they do not qualify for support under the Council Tax Reduction Scheme.

We are not recommending changes to the capital savings limit because we believe the £10,000 limit strikes the right balance between recognising residents have a need to save and develop sustainable long-term financial plans, and ensuring the scheme reaches the most vulnerable residents.

## Case studies

The below table gives examples of how claimants in Band B properties would be affected by the Council's preferred option.

It shows the likely effect of *both* the increase to 100% maximum Council Tax Reduction for working-age residents with children *and* the alignment with some national welfare changes.

Equivalent case studies for other property bands can be found on the Council's website [www.haringey \(TBC\)](http://www.haringey(TBC).).

	Weekly household income	Weekly Council Tax charge	Weekly amount to pay in 2018/19	Estimated weekly amount to pay in 2019/20	Annual amount to pay in 2018/19	Estimated annual amount to pay in 2019/20	Change in annual amount to pay
Couple with 2 children; living on wages and Child and Working Tax Credits; living in a Band B property	£250.15	£23.51	£5.34	£0.00	£278.24	£0.00	−£278.24
Working lone parent with 1 child and 1 non-dependant looking for work; living on wages and Child Tax Credits; living in a Band B property	£119.52	£23.51	£8.30	£3.90	£432.80	£203.91	−£228.89
Working couple with 2 children and 1 non-dependant studying full time; living on wages and Child and Working Tax Credits; living in a Band B property	£277.35	£23.51	£7.18	£1.72	£374.18	£89.93	−£284.25
Single person on Universal Credit; living with 1 working non-dependant who earns £350 a week; living in a Band B property	£58.10	£23.51	£13.80	£12.55	£719.78	£656.40	−£63.38
Out of work couple; one receives the middle-rate care component and higher-rate mobility component of Disability Living Allowance and the other receives Carer's Allowance; living in a Band B property	£179.85	£23.51	£7.26	£6.29	£378.56	£328.88	−£49.68
Couple each working 25 hours a week living with a non-dependant couple who both work 16 hours a week and earn £100 each; living on wages; living in a Band B property	£374.88	£23.51	£21.74	£19.98	£1133.71	£1044.64	−£89.07
Single person on Jobseeker's Allowance (Income-based); living in a Band B property; qualifies for single person discount	£73.10	£17.63	£3.49	£3.49	£182.00	£182.50	£0.50

## When does the consultation end?

Our consultation ends on **12 November 2018**.

## How can I have my say?

**Online** – completing the questionnaire online at [www.haringey \(TBC\)](#)

**By email** – emailing [CTRSconsultation@haringey.gov.uk](mailto:CTRSconsultation@haringey.gov.uk)

**By post** – completing and returning a copy of this questionnaire to: Consultation, 5th Floor, River Park House, 22High Road, Wood Green, London N22 8HQ

## Pick up a copy in your local library or come to one of our drop-in sessions:

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have any questions, or would like extra paper copies of this questionnaire and supporting information, you can contact us by email or letter:

E-mail: [CTRSconsultation@haringey.gov.uk](mailto:CTRSconsultation@haringey.gov.uk)

Write to: Consultation, 5<sup>th</sup> floor, River Park House, 225 High Road, Wood Green, London N22 8HQ

## What are the next steps?

We will publish the results of this consultation and the following steps on our website: [www.haringey/CTRSconsultation \(TBC\)](#)

The consultation will run for 10 weeks from 3 September to 12 November 2018. The easiest way to let us have your views is by completing the online survey form at [www.haringey/CTRSconsultation \(TBC\)](#)

If you have any questions about the consultation or would like to request a paper copy please email [CTRSconsultation@haringey.gov.uk](mailto:CTRSconsultation@haringey.gov.uk)



## Consultation Questionnaire

**1. To what extent do you agree with the following aspects of the Council's preferred option?**

- a. Increasing the maximum level of Council Tax Reduction from 80.2% to 100% for working age residents with children

- Strongly Agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

- b. Updating the scheme to align with some national welfare changes

- Strongly Agree
- Agree
- Neither agree nor disagree
- Disagree
- Strongly disagree

**2. Do you think the Council should consider one of the alternative options mentioned on page 4?**

- Yes
- No
- No Opinion

**3. If your answer is yes, please let us know which alternative you would prefer:**

- No change to the Council Tax Reduction Scheme
- Increase the maximum level of Council Tax Reduction from 80.2% to 100% for all Working Age Claimants
- Limit the amount of Council Tax Reduction received in higher value properties to the amount provided in a designated band
- Alter the capital savings limit

**4. If you would prefer one of the above alternatives, please tell us why:**

**5. Do you think there are alternatives (other than those above) that would better provide support to those in need?**

**6. The Council is proposing that if an increase in Council Tax Reduction support was put in place for 2019/20, the additional costs would be met by its services making further savings. Do you have any comments on how you think the Council Tax Reduction Scheme should be paid for?**

**7. Do you have any general comments about the overall consultation proposals (whether the preferred option, the identified alternative options, or any other options)?**