

City Hall
The Queen's Walk
More London
London SE1 2AA
Switchboard: 020 7983 4000
Minicom: 020 7983 4458
Web: www.london.gov.uk

Jon Warlow
Director of Finance (Interim)
CTRS Consultation
London Borough of Haringey
5th Floor, River Park House
225 High Road
London
N22 8HQ

Our ref: CTS
Your ref:
Date: 9 November 2018

Dear Jon

**LONDON BOROUGH OF HARINGEY COUNCIL TAX SUPPORT SCHEME 2019-20
CONSULTATION RESPONSE BY GREATER LONDON AUTHORITY**

Thank you for the letter of 23 August informing the GLA about the Council's consultation on proposals for the draft council tax support (CTS) scheme for 2019-20. The draft scheme options consulted on are summarised in this letter. This letter sets out the GLA's response to the consultation.

Introduction

As in previous years, the GLA recognises that the determination of council tax support schemes under the provisions of the Local Government Finance Act 2012 are a local matter for each London borough. Individual schemes need to be developed which have regard to specific local circumstances, both in respect of the potential impact of any scheme on working age claimants (particularly vulnerable groups) and, more generally, the financial impact on the council and local council tax payers – and therefore the final policies adopted may, for legitimate reasons, differ across the capital's 33 billing authorities.

This fact notwithstanding the GLA also shares in the risks and potential shortfalls arising from the impact of council tax benefit localisation in proportion to its share of the council tax in each London billing authority. It is therefore important that we are engaged in the scheme development process and have an understanding of both the factors which have been taken into account by boroughs in framing their proposals, as well as the data and underlying assumptions used to determine any forecast shortfalls which will inform the final scheme design.

Framing Proposals

As part of the introduction of council tax support in 2013-14, the Government set out its expectation that, in developing their scheme proposals, billing authorities should ensure that:

- Pensioners see no change in their current level of awards whether they are existing or new claimants;
- They consider extending support or protection to other vulnerable groups; and

- Local schemes should support work incentives and, in particular, avoid disincentives to move into work.

The GLA concurs with those general broad principles and encourages all billing authorities in London to have regard to them in framing their schemes. We note similar principles are enshrined in Haringey's scheme.

Proposed Changes to the 2019-20 Scheme

The Council is consulting on alternative options for changes to its CTS scheme for 2019-20. The Council sets out a preferred option of a combination of changes to prioritise additional support for households with children. This option (Option A) would increase the maximum level of CTS from 80.2% to 100% for working age residents with children, as well as updating the scheme to align with some national welfare changes. Under the Council's proposals, the definition of children includes a 'child' (i.e. a person under the age of sixteen) and a 'young person' (i.e. a person aged between sixteen and nineteen) for whom child benefit is payable.

The scheme's existing means-test for working-age claimants is based on national welfare entitlements in 2013-14. This would be updated to reflect some of the changes to national welfare benefits made by central government since 2013. A summary of these changes to the proposed scheme is outlined below:

- Updating applicable amounts for personal allowances and premiums to reflect increase in the cost of living since 2013
- Updating income brackets used for the second adult rebate
- Updating deduction rates and income bands for non-dependants
- Updating some terminology in the scheme, to reflect changes to the welfare system

The consultation also sets out the alternative options considered, but not proposed, by the Council, as follows:

- No change to the existing CTS scheme (Option B)
- Increase the maximum level of CTS from 80.2% to 100% for all working age claimants (Option C)
- Limit the amount of CTS received in higher value properties to the amount provided in a designated band (Option D)
- Alter the capital savings limit (Option E)

The consultation does not propose adopting any of these options and therefore the GLA's comments below are focussed on the Council's preferred option.

The Council states in its consultation that some residents have increasingly struggled to pay contributions towards their council tax since the introduction of the local CTS scheme in 2013-14. According to the Council, providing additional financial support to residents who have children balances affordability with the need to provide more financial assistance to those in most need. Raising the maximum level of support to 100% for households with families would bring entitlements for these families into line with working age residents in receipt of disability-related benefits.

The GLA notes that as funding for council tax support has been reduced by Government, many schemes across London – although not exclusively – have become less generous in the support they offer to claimants. In contrast, Haringey proposes to increase the level of support offered

for households with children. As such, the scheme would provide a greater level of support to CTS claimants identified by the council as being amongst those in most need.

Given the focus on protecting vulnerable residents, in accordance with the second of the Government's principles outlined above, the GLA is content to support the Councils' broad proposals of Option A. This change would bring the scheme into line with a number of other London boroughs, which provide 100% support to the most vulnerable residents.

The updating of the scheme, to bring it into line with some of the welfare changes implemented by central government since 2013, will, for a small number of claimants, reduce their overall entitlement to support. However, the council states the changes would mean most working age people without children would also receive additional financial support, compared to the current scheme.

In total, the Council estimates the changes would increase the ongoing cost of the scheme, estimated at an additional £1.6 million in 2019-20. All costs would be shared by the GLA, in terms of income foregone, in proportion to the GLA's share of the overall council tax charge for Haringey (in 2018-19 the GLA precept accounts for 18.6% of the borough's overall council tax charge).

For those households entitled to additional support under the new scheme, the 100% level of support would avoid the challenges associated with collecting relatively small sums of money from claimants on low incomes, who may not be in a position to pay by direct debit or other automatic payment mechanisms.

It is however the GLA's view that the proposed changes should be considered in the whole. If one proposed change results in greater savings for the Council that could be used to reduce the need to apply other proposals, then we would encourage the Council to consider doing this as it would help to reduce the financial burden on individuals and families in Haringey who see their CTS entitlement reduced.

Financial Implications of the Proposed 2019-20 Scheme

It would be helpful for the GLA's planning purposes if Haringey could provide us with a forecast total cost for the proposed scheme in 2019-20, based on the forecast 2018-19 caseload, taking into account any developments since the public consultation was launched – ideally apportioning all elements between the GLA and the council having regard to 2018-19 council tax shares. This would also allow the GLA to calculate its share of the cost of the scheme proposed by Haringey.

Technical Reforms to Council Tax

The GLA considers that in formulating its council tax support scheme each billing authority should both consider and address the impact of the additional revenue it is expecting to raise from the technical reforms to council tax introduced in the Local Government Finance Act 2012, which provide greater flexibility in relation to discounts, exemptions and premiums for second and empty homes. The additional revenues from the technical reforms could be used to reduce any shortfalls and thus the sums which need to be recovered from working age claimants via any changes to council tax support.

The GLA understands that in 2018-19 Haringey has the following policies in place:

- For properties requiring or undergoing major repairs or structural alterations (former class A): a 50% discount for a maximum of 12 months

- For properties unoccupied and substantially unfurnished (former class C): a 100% discount for a maximum of 1 month.
- Second homes: a 0% discount
- Long-term empty properties: a 50% premium on properties that have been unoccupied and substantially unfurnished for a continuous period of two years, meaning the full charge of 150% is payable in such cases.

We would encourage the Council to inform us as soon as possible of any changes to its discount policies, in order to assist us in assessing the potential impact on the Mayor's funding and tax base for 2019-20 and future years.

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act, which received Royal Assent in November 2018, enables councils from April 2019 to charge 100% premiums on properties which have been empty for more than two years. The legislation also gives councils the ability to charge higher premiums in subsequent years for properties which have been empty for longer periods of time. The GLA would encourage councils to take into account potential additional revenues from these reforms when considering the detail of council tax support schemes.

Again, we would encourage the Council to inform us as soon as possible if any changes are proposed to its policies as a result of this new flexibility, in order to assist us in assessing the potential impact on the Mayor's funding and tax base for 2019-20 and future years.

Council Tax Protocol

In recent years the issue of council tax collection practices has become more high profile. The GLA, of course, recognises the importance of ensuring council tax arrears are collected wherever possible. However, in some instances poor collection practices can worsen debt problems for vulnerable residents.

Citizens Advice, in partnership with the Local Government Association, has developed a council tax protocol¹, which outlines a number of practical steps for early intervention to support people struggling with payments. In summary, the Protocol asks that councils:

- work with enforcement and advice agencies to help people pay their council tax bills while accessing debt advice;
- ensure all communication with residents about council tax is clear;
- use the Standard Financial Statement when calculating repayment plans;
- offer flexible payment arrangements to residents;
- do not use enforcement agents where a resident receives council tax support;
- publish their policy on residents in vulnerable circumstances

In London, eight boroughs have now signed up to the protocol and the GLA would encourage all boroughs to consider adopting the protocol.

Providing Information on Schemes

Whilst we recognise that the detailed rules on council tax support schemes are inevitably complex, the GLA would encourage all boroughs to make every effort to set out information on their schemes as clearly as possible. Information that may help potential claimants could include an

¹<https://www.citizensadvice.org.uk/Global/CitizensAdvice/campaigns/Council%20Tax/Citizens%20Advice%20Council%20Tax%20Protocol%202017.pdf>

online calculator, to identify whether potential claimants are likely to be entitled to support, as well as 'Frequently Asked Questions' and a summary document outlining concise details of the scheme. In addition, for existing claimants, we would encourage boroughs to consider how the process for reporting changes in circumstances can be made as straightforward as possible.

Setting the Council Tax Base for 2019-20 and Assumptions in Relation to Collection Rates

The Council will be required to set a council tax base for 2019-20 taking into account the potential impact of the discounts the Council may introduce in respect of council tax support and any potential changes the Council may implement regarding the changes to the treatment of second and empty homes.

The Council will need to make a judgement as to the forecast collection rates from those claimants and council taxpayers affected by any changes to council tax support, taking into account the experience in the first six years of the council tax support arrangements.

The GLA would encourage the Council to provide it with an indicative council tax base forecast as soon as options are presented to members for approval, in order that it can assess the potential implications for the Mayor's budget for police, fire and other services for 2019-20. This should ideally be accompanied by supporting calculations disclosing any assumptions around collection rates and discounts granted having regard to the final council tax support scheme design.

Collection Fund and Precept Payments

By 23 January 2019 the Council is required to notify the GLA of its forecast collection fund surplus or deficit for 2018-19, which will reflect the cumulative impact of the first six years of the localisation of council tax support. The GLA would encourage the council to provide it with this information as soon as it is available.

I would like to thank you again for consulting the GLA on your proposed council tax support options for 2019-20.

Yours sincerely



Martin Mitchell
Finance Manager

