

Report of	Meeting	Date
Executive Member (Customer and Advice Services)	Council	24 th Jan 2017

COUNCIL TAX SUPPORT SCHEME AND COUNCIL TAX DISCOUNT SCHEME 2017/18

PURPOSE OF REPORT

1. To outline changes to Chorley's Council Tax Support (CTS) scheme to take effect 1 April 2017. These changes will align the CTS scheme with changes to Housing Benefit legislation which are effective from April 2017.
2. To summarise the consultation exercise results on the CTS scheme changes.
3. To outline a change to the Council Tax discounts for Adult Care leavers and to summarise the consultation exercise results on the Care Leaver change.

RECOMMENDATION(S)

4. Members are recommended to approve changes to Chorley's CTS scheme to start 1 April 2017.

The proposed changes CTS changes are as follows:

- Removal of the Family Premium for new working age CTS claimants;
 - Reduce backdating to 1 month;
 - Reduce CTS to a maximum of 4 weeks during absence outside of Great Britain;
 - Removal of the element of Work Related activity component in CTS for new ESA applicants;
 - Limit the number of dependent children in the CTS calculation to a maximum of 2
 - Remove SDP when another person receives the carers element of Universal Credit for them.
5. Members are also recommended to delegate authority to the Executive Member (Customer and Advice Services) to make changes to the Exceptional Hardship Policy that would be needed to allow adult care leavers to receive 100% council tax relief from 1 April 2017. The cost to this council of the revised policy should be in proportion to its share of total council tax income for 2017/18.
 6. Members are recommended to note the Council Tax Base calculation for 2017/18 presented in Appendix B; and the estimated Collection Fund surplus in respect of Council Tax in 2016/17 presented in Appendix C.

EXECUTIVE SUMMARY OF REPORT

COUNCIL TAX SUPPORT:

7. Major changes have been made to Housing and Welfare benefit during 2016 and from April 2017.

8. The Council's local CTS scheme is closely aligned to Housing Benefit regulations and the changes therefore have implications upon it.
9. A close alignment of Housing Benefit and the local CTS scheme for administration purposes is operationally efficient and consistent.
10. Executive Cabinet approved recommendations in a meeting 19 Nov 2015 to consult on aligning the Council's CTS scheme with changes to Housing Benefit legislation effective April 2017 following consultation during 2016.

CARE LEAVERS

11. Changes are also recommended to allow 100% relief from payment of Council Tax where the liable person has left care and satisfies certain conditions. The discretionary hardship policy would need amending for this change to be made from 1 April 2017.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

12. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all	<input checked="" type="checkbox"/>	A strong local economy	<input checked="" type="checkbox"/>
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	<input checked="" type="checkbox"/>

BACKGROUND – COUNCIL TAX SUPPORT

13. The Welfare Reform Act 2012 provided for the abolition of the council tax benefit scheme and introduced decentralisation of this benefit allowing for localised schemes. There are some prescribed requirements for a local scheme in the legislation, for example support for pensioners. The DCLG also provided information and guidance to local authorities to help them develop localised schemes.
14. The Council Tax Reduction Scheme (Council Tax Support) replaced Council Tax Benefit from 1 April 2013. Chorley Council's local scheme has remained unchanged since its introduction.
15. The Government has announced a number of changes to the Housing Benefit Scheme from 1 April 2017 and Chorley Council are proposing a number of changes to our Council Tax Support Scheme for 2017/18 to keep it in line with Housing Benefit.
16. As a localised scheme and in the absence of legislation governing the change, it is a Council decision as to the changes to make to the scheme and the timing of those changes. In practice, localised schemes for CTS across local authorities have largely remained in line with the Housing Benefit regulations.
17. Chorley Council's Local Council Tax support scheme was introduced 1 April 2013 to replace council Tax Benefit. The local CTS scheme is similar to the previous Council Tax Benefit scheme and remains closely aligned with Housing Benefit (HB) regulations.

18. A close alignment of Housing Benefit and the local CTS scheme for administration purposes is operationally efficient and consistent. To make the various changes to the scheme together from April 2017 would be the most prudent approach.
19. A meeting of the Executive Cabinet 19 November 2015 approved a recommendation to consult in 2016 on the alignment of CTS and HB regulations effective April 2017 and this report presents the results of the consultation and now seeks to implement the changes from April 2017.

BACKGROUND – CARE LEAVERS DISCOUNT

20. During 2016 Lancashire County Council contacted the Leader of Chorley Council regarding Care leavers requesting that they are given Council Tax relief to assist them dealing with their finances as they move into adulthood as Care leavers are considered to be one of the most vulnerable groups in society.
21. A care leaver is defined as:
 - a. a person aged 25 or under, who has been looked after by a local authority for at least 13 weeks since the age of 14;
 - b. and who was looked after by the local authority at school-leaving age or after that date.
22. Local authorities can use discretionary powers to award 100% relief from payment of council tax in specific circumstances set out within their guidelines.
23. LCC contacted the Leader in July 2016 to advise they approved a resolution to contact the Minister of State for Children and Families urging him to introduce legislation for a national exemption from payment of council tax for care leavers up to the age of 25.
24. Councillor Kim Snape also contacted the leader to raise awareness that other local authorities have used their discretionary powers to award exemptions to this group.

REASONS FOR RECOMMENDATION(S)

25. Aligning CTS regulations with HB regulations makes the joint HB/CTS administration process easier.
26. Awarding former Care Leavers council tax relief will assist this vulnerable group to make the transition from care to adult life as smooth as possible, and will mitigate the chances of care leavers falling into debt as they begin to manage their own finances. It is recommended that they should be exempt from paying council tax until they are 25.

PROPOSED CHANGES TO THE LOCAL COUNCIL TAX SUPPORT SCHEME

27. The 2015 summer budget outlined some major changes to Housing Benefit and the welfare system from 1 April 2016 and further changes from April 2017. These changes have implications on the Chorley CTS scheme.
28. The proposed changes in HB are to be aligned in our CTS scheme are as follows:

Removing the Family Premium for all new working age applicants

29. The removal of family premium from 1 April 2017 for new claims will bring the Council Tax Support scheme in line with Housing Benefit. The family premium is part of how we assess the 'needs' (Applicable Amounts) of any claimant, which is compared with their income. Family Premium is normally given when a claimant has at least one dependent child living with them. Removing the family premium will mean that when we assess a claimant's needs

it would not include the family premium (currently £17.45 per week). This change would not affect those on Universal Credit, Income Support, Income Related Employment and Support Allowance or Income Based Jobseeker's Allowance.

30. The benefit of this is It brings the working age Council Tax Reduction Scheme in line with Housing Benefit changes proposed by Central Government. The change has already been introduced for pension age claimants by Central Government.
31. The drawbacks of doing this are that new working age residents may see a reduction in the amount of support they received, and some households with children will pay more.

Reduce backdating to 1 month

32. Currently claims for Council Tax Support from working age claimants can be backdated for up to 6 months where an applicant shows they could not claim at an earlier time. Central Government has reduced the period for Housing Benefit claims to 1 month. It is proposed that the Council's Council Tax Support Scheme be aligned with the changes for Housing Benefit.
33. The benefit of this is it is a simple alteration to the scheme which is easy to understand when claiming Housing Benefit and Council Tax Support.
34. The drawback of this is new working age claimants may see a reduction in the amount of support they received if they are unable to claim on time.

Reducing CTS temporary absence to 4 weeks during an absence outside of Great Britain

35. Within the current scheme, applicants can be temporarily absent from their homes for 13 weeks (or 52 weeks in certain cases) without it affecting the Council Tax Support. This replicated the rule within Housing Benefit. Housing Benefit has been changed so that if a person is absent from Great Britain for a period of more than 4 weeks, their benefit will cease. It is proposed that the Council's Council Tax Support scheme is amended to reflect the changes in Housing Benefit. There will be exceptions for certain occupations such as mariners and the armed forces.
36. The benefits of the Council this are the treatment of temporary absence will be brought into line with Housing Benefit and it is seen as fair.
37. There are exceptions for certain occupations including the armed forces and mariners.
38. The drawback of this is if a person is absent from Great Britain for a period which is likely to exceed 4 weeks, their Council Tax Support will cease from when they leave the Country. They will need to re-apply on return.

Removing the work related activity component in the CTS for new ESA applicants

39. From April 2017, all new applicants of Employment and Support Allowance (ESA) who fall within the Work Related Activity Group will no longer receive the work related activity component in either their ESA or within the calculation of Housing Benefit. It is proposed that the Council's Council Tax Support scheme is amended to reflect the changes.
40. The benefits of the Council doing this are the treatment of ESA income will be the same in the Council Tax Reduction scheme as it is in the Housing Benefit scheme, it avoids additional costs to the Council Tax Support scheme and persons receiving ESA will not experience any reduction in Council Tax Support.
41. There are no drawbacks to this change.

Limit the number of children in the CTS calculation to a maximum of 2

42. Within the current scheme, claimants who have children are awarded a dependant's addition of £66.90 per child within the calculation of their needs (Applicable Amounts). There is no limit to the number of dependant's additions that can be awarded. From April 2017 Central Government will be limiting dependant's additions in Universal Credit, Housing Benefit and Tax Credits to a maximum of two. This will only affect households who have a third or subsequent child on or after 1 April 2017. It is proposed that the Council's Council Tax Support scheme is amended to reflect the changes in Housing Benefit and Central Government Benefits. There will be exceptions where: there are multiple births after 1 April 2017 (and the household is not already at their maximum of two dependants within the calculation); adopted children or where households merge.
43. The benefits of the Council doing this are Council Tax Support will be brought into line with Housing Benefit, Universal Credit, and Tax Credits and it is simple and administratively easy.
44. The drawbacks of doing this are claimants who have a third or subsequent child after 1 April 2017 (and are not excepted from the rules) may receive less Council Tax Support than claimants who have more children born before 1 April 2017.

Removal of SDP when another person receives the carers element of Universal Credit for them.

45. Currently when another person is paid Carers Allowance to look after a Council Tax Reduction claimant, then the Severe Disability Premium is not included when working out their needs (Applicable Amounts). The reason for this is that it avoids paying for the same care twice. This proposed change will align the scheme with Housing Benefit by treating persons who receive the Universal Credit (Carers Element) in the same way as anyone receiving Carers Allowance.
46. The benefit of this is Council Tax Support will be brought into line with Housing Benefit and it is simple and administratively easy.
47. There are no drawbacks to this change as persons receiving Universal Credit (Carers Element) will be treated in the same was as those receiving Carers Allowance who look after any person who claims Council Tax Reduction.

ALLOWING COUNCIL TAX RELIEF TO CARE LEAVERS

48. Many young adults leave the care of Lancashire County Council and begin the difficult transition out of care into adulthood.
49. A 2016 report by The Children's Society found that when care leavers move into independent accommodation they begin to manage their own budget fully for the first time. The report showed that care leavers can find this extremely challenging and with no family to support them, are falling into debt and financial difficulty.
50. Care leavers are a particularly vulnerable group for council tax debt.
51. LCC believes that to ensure that the transition from care to adult life is as smooth as possible, and to mitigate the changes of care leavers falling into debt as they begin to manage their own finances, they should be exempt from paying council tax until they are 25.
52. Under Section 13A of the Local Government Finance Act 1992 the Council has the power to reduce liability for council tax through formalised local policy.
53. There are 2 options available:

- Award a local discount to reduce the council tax liability to £0.00; or
 - Amend the Council Tax Discretionary Hardship Policy to include this group as eligible to receive discretionary hardship relief.
54. The cost of granting hardship relief would be met 100% by the council.
55. This was consulted on as part of the CTS consultation exercise. Consultation on the Care Leavers discount ran from a shorter period from 1 November to 6 December 16. Only one response was received and with the respondent agreeing that Chorley Council should award 100% relief from payment of Council Tax in specific circumstances set out within the guidelines.

CTS CONSULTATION

56. The consultation was open from 27 September 16 to 6 December 16. It was available on our website and we also emailed major preceptors inviting them to take part. Details of the consultation were also included in the In The Know bulletin inviting all Councillors to take part.
57. There were 10 respondents to the CTS consultation. It is not known whether any of this feedback was received from preceptors.
58. Background information on the reasons for the proposed changes and Frequently Asked Questions were provided in the consultation documents. Consultation responses are shown at Appendix A.
59. The consultation results showed that 50% of respondents agreed and 50% disagreed with the family premium removal. The advantage to bringing this change in is to align HB with CTS as it makes administration more efficient.
60. 62.5% of respondents agreed with these changes to reduce backdating and temporary absence to 1 month.
61. 75% of respondents agreed to the change removing SDP and the work related component.
62. 50% of respondents agreed and 50% disagreed with the change to restrict the numbers of dependent children to 2 in the CTS calculation. This change is recommended to align the HB and CTS schemes as it makes administration more efficient.

IMPLICATIONS OF REPORT

63. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	✓	Customer Services	✓
Human Resources		Equality and Diversity	✓
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

64. Appendix B and Appendix C demonstrate the effect of the Council Tax Support scheme on net Council Tax income distributed to all preceptors including this council.

65. Changes to the Council Tax Support scheme affect the net Council Tax income available to distribute from the Collection Fund to this council and the other preceptors. Appendix B presents the tax base for 2017/18. This shows what Council Tax income in 2017/18 would be if Average Band D Council Tax for all preceptors remained the same as for 2016/17.
66. In order to calculate the tax base, the changes to the CTS scheme recommended in this report were not taken into account because they have not yet been approved; the financial effect is difficult to estimate; but the effect is not considered to be material compared to the increase in income in 2017/18 from growth in Band D equivalent properties, and the estimated reduction in the cost of the CTS scheme in that year compared to the 2016/17 original estimate.
67. The general effect of the proposed changes would be a further reduction in the cost of the CTS scheme. Such a reduction should contribute to an estimated surplus in respect of Council Tax in 2017/18, which would be available for distribution to preceptors in 2018/19.
68. A surplus has been estimated for 2016/17, and the calculation is presented as Appendix C. In arriving at the 2016/17 surplus, the estimated cost of the CTS scheme has reduced from £6.08m to £5.90m, though the largest variance is the reduction in the provision for non-collection.
69. The report also recommends that the Exceptional Hardship Policy should be amended to allow adult Care Leavers to receive 100% council tax relief. As indicated in the report, the cost of awarding such hardship relief would be a charge to this council's General Fund revenue budget. At present there is no provision in the draft budget for 2017/18. Had it been possible to account for the estimated £91,000 cost of the relief (based on 2016/17 average Band D council tax) in the Collection Fund, then it would have been shared between preceptors pro rata to their precepts, and the cost to this council would have been around £11,000.
70. Should members approve the recommendation that the Exceptional Hardship Policy should grant relief to adult care leavers, the policy should ensure that the cost to this council should be in proportion to its share of total council tax in 2017/18. This could be achieved either by seeking financial contributions from the major preceptors in proportion to their share of total council tax; or restricting the relief to a percentage equal to this council's share of council tax, in the absence of financial contributions. The latter option would imply that relief would be around 11% rather than 100%.

COMMENTS OF THE MONITORING OFFICER

71. The legislative framework allowing the implementation of the recommendations is properly set out and interpreted within the body of the report. Members are entitled to approve the recommendations as drawn if they feel it appropriate.

COMMENTS OF THE PERFORMANCE AND PARTNERSHIPS MANAGER

72. Given that the changes outlined in the report relate to vulnerable groups and those with protected characteristics, an Integrated Impact Assessment will need to be completed.

ASIM KHAN
DIRECTOR (CUSTOMER AND DIGITAL)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Julie Riding	5421	11 Jan 2017	***

Appendix A:

Consultation Background information provided:

Each year the Council has to decide whether to change the Council Tax Support scheme for working age applicants in its area. This year the Council is recommending that changes are made to bring the Council Tax Support scheme in line with the changes made by Central Government in Housing Benefit and Universal Credit.

What is Council Tax Support?

Council Tax Support is a discount given to reduce the Council Tax charge for low income families. Currently the maximum discount for someone in Chorley is 92.5% and it is up to 100% for pensioners. This means that a working aged person could have their council tax bill reduced by 92.5% and a pensioner could have their council tax bill reduced to nil. The amount of Council Tax discount is decided by a means tested assessment which looks at how much money a household has and how much they need to live off.

Why is a change to the Council Tax Support scheme being considered?

The same type of means tested assessment is used in central government benefits such as Housing Benefit and Universal Credit. The Government has made changes to Housing Benefit and Universal Credit to encourage people to work by reducing the levels of benefit available in some cases. We want to make the same changes to the Council Tax discount scheme. This would reduce the amount of Council Tax discount in some cases if the changes are made.

Who will this affect?

This will only affect working age households in Chorley who currently receive or will apply for a Council Tax Support.

Pension age households will not be affected because their level of Council Tax Support is set nationally by Central Government.

Are there any alternatives to changing the existing Council Tax Support scheme?

We have also thought about other ways to make the administration simpler and also to replicate the changes in the benefit system generally. These have not been completely rejected and you are asked about them in the Questionnaire, but at the moment we do not think we should implement them for the reasons given.

We have considered:

1. **Continuing with the current scheme.** This would mean higher administration costs and scheme costs generally. This would increase the costs for all council tax payers in the Borough paying towards the scheme.
2. **Reduce funding to other Council services.** Keeping the current Council Tax Support scheme will mean less money available to deliver other Council services; or
3. **Use the Council's savings to keep the Council Tax Support scheme.** This would be a short-term option. Once used they will no longer be able to support.

To help you complete this survey a number of frequently asked questions can be found at the end of this survey or on our website.

Consultation results.

Appendix A

Council Tax Support Consultation – summary of results:

- The consultation was made available on our website.
- Major preceptors were also emailed directly and invited to take part.
- The consultation was publicised in Chorley Council's 'In The Know' to raise awareness for Councillors.
- The consultation went live on 27 November 16 and closed 6 Dec 16

Age groups of respondents:

- 14.3% Age 35-44
- 14.3% Age 45-54
- 57.1% Age 55-64
- 14.3% Preferred not to say

Sexual Orientation:

- 66.7% Heterosexual/straight
- 33.3% Preferred not to say

Religion:

- 42.9% Christian
- 28.6% Buddhist
- 28.6% No religion

To which group do you belong:

- 57% White British
- 43% Preferred not to say

Consultation responses:

Should the Council Keep the current Council Tax Support Scheme? (Should we continue to administer the scheme and have the same level of support as it does at the moment?)

- 44.4% Yes
- 33.3% No.
- 22.2% Don't Know

Do you agree with removing the Family Premium for all new working aged claimants?

- 37.5% Yes
- 37.5% No
- 25% Don't know

Do you agree with reducing backdating to 1 month?

- 62.5% Yes
- 37.5% No

Do you agree with reducing CTS temporary absence to 4 weeks during an absence outside Great Britain?

- 62.5% Yes
- 37.5% No

Do you agree with removing the work related activity component in CTS for new ESA applicants?

- 75% Yes
- 25% No

Do you agree with limiting the number of children in the CTS calculation to a maximum of 2?

- 50% Yes
- 50% No

Do you agree with removing the SDP when another person receives the carers element of UC for them?

- 75% Yes
- 25% No

Alternatives to reducing the amount of help provided by the CTS scheme:

Increase the level of Council Tax?

4 respondents Yes

3 respondents No

Find savings from cutting other Council services?

1 Yes

5 No

Use the Council's savings?

2 Yes

4 No

Other comments received:

- 2017 after Brexit will prove to be a tough year. Around 2% increase will be good.
- Transitional protection for existing CTS recipients should be provided.
- Council tax in Chorley has not been raised for a while.
- Would you like the Council to consider any other options:
- Savings can be made on street lighting. Turning off alternately.
- Council need to get active in the Solar Panel field.
- Putting properties into higher tax bands at lower prices say a 10% reduction in banding values.

Care Leavers summary of results:

- The consultation was made available on our website.
- The consultation went live during November 16 and closed 6 Dec 16

Care leavers are considered to be one of the most vulnerable groups in society.

A care leaver is defined as:

1. a person aged 25 or under, who has been looked after by a local authority for at least 13 weeks since the age of 14;
2. and who was looked after by the local authority at school-leaving age or after that date.

Local authorities can use discretionary powers to award 100% relief from payment of council tax in specific circumstances set out within their guidelines.

Only 1 response was received in the consultation.

That respondent agreed that Chorley Council should award 100% relief from payment of Council Tax in specific circumstances set out within the guidelines.

Appendix B

Council Tax Base Calculation 2017/18

	2 0 1 7 / 1 8		2 0 1 6 / 1 7		C H A N G E	
	Band D Equivalent	Precept/ Income	Band D Equivalent	Precept/ Income	Band D Equivalent	Precept/ Income
Band D equivalent properties at count date	39,655.90	63,256,712	39,161.70	62,468,394	494.20	788,318
Add provision for new properties	524.84	837,193	369.38	589,213	155.46	247,980
Add increase in long term empty premium	0.00	0	36.90	58,861	(36.90)	(58,861)
Income before local scheme discounts	40,180.74	64,093,905	39,567.98	63,116,468	612.76	977,437
Local scheme discounts	(3,699.90)	(5,901,858)	(3,813.60)	(6,083,226)	113.70	181,368
	36,480.84	58,192,047	35,754.38	57,033,242	726.46	1,158,805
Provision for non-collection	(547.20)	(872,861)	(572.66)	(913,473)	25.46	40,612
Sub total	35,933.64	57,319,186	35,181.72	56,119,769	751.92	1,199,417
Rounding difference from precepts			0.00	158	0.00	(158)
Council Tax Base 2016/17	35,933.64	57,319,186	35,181.72	56,119,927	751.92	1,199,259
Average Band D Council Tax						
Chorley Council	177.41	6,374,987	177.41	6,241,589	0.00	133,398
Parish Councils	15.15	544,395	15.15	533,160	0.00	11,235
Lancashire County Council	1,174.86	42,216,996	1,174.86	41,333,596	0.00	883,400
Police & Crime Commissioner for Lancashire	162.22	5,829,155	162.22	5,707,179	0.00	121,976
Lancashire Combined Fire Authority	65.50	2,353,653	65.50	2,304,403	0.00	49,250
Total average Band D (if no tax change from 2016/17)	1,595.14	57,319,186	1,595.14	56,119,927	0.00	1,199,259

Appendix C

Estimated Collection Fund Balance At 31 March 2017 (Council Tax Only)

	£
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Actual Balance B/F 1 April 2016 re Council Tax	(753,822)
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Distribution of Estimated 2015/16 (Deficit) or Surplus (Jan 2016 Estimate)

Lancashire County Council	483,015
Police & Crime Commissioner	67,973
Lancashire Combined Fire Authority	27,705
Chorley Council & Parish Councils	82,519
	661,212
Additional 2015/16 surplus to allocate 2017/18	<hr style="width: 20%; margin-left: 0; border: 0.5px solid black;"/> (92,610)

Precepts 2016/17

Lancashire County Council	41,333,596
Police & Crime Commissioner	5,707,179
Lancashire Combined Fire Authority	2,304,403
Chorley Council & Parish Councils	6,774,749
	56,119,927

Council Tax Income 2016/17

Council Tax Income before CTS discounts	(63,192,544)
Council Tax Support expenditure	5,901,817
Net collectable debit 2016/17	(57,290,727)
Provision for Non-Collection @ 1.05%	602,698
	(56,688,029)

Estimated (Surplus)/Deficit attributable to Council Tax 31 March 2017	(660,712)
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