
**Manchester City Council
Report for Resolution**

Report To: Resources and Governance Scrutiny Committee –
7 December 2017

Subject: Revenue and Benefits - Council Tax Support Scheme and
Changes to Council Tax Support update

Report of: City Treasurer

Summary

This report provides an update on the following areas as requested by the committee:

1. An explanation of Local government funding in relation to Council Tax and Council Tax Support and the impact of student exemptions and other key areas.
 2. The impact to date of the changes to the Council's Council Tax Support Scheme introduced in April 2017 for the 2017/18 financial year.
 3. The progress made on the Council Tax exemption for care leavers introduced by the Council on 26 July 2017.
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Recommendations

Committee is requested to note the contents of the report.

Wards Affected:

The functions and services covered in the report are provided to all wards in the city.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

Council Tax Support Scheme

http://www.manchester.gov.uk/info/500181/council_tax_support

Localised Council Tax Support Scheme

Resources and Governance Scrutiny Committee - 5 January 2017

Executive - 11 January 2017

<http://www.manchester.gov.uk/meetings/meeting/2624/executive>

Council Tax Discount for Care leavers

Resources and Governance Scrutiny Committee - 20 July 2017

Executive - 26 July 2017

<http://www.manchester.gov.uk/meetings/meeting/2991/executive>

The Wolf at the door. How council tax collection is harming children. The Children's Society, March 2015

[https://www.childrenssociety.org.uk/sites/default/files/wolf-at-the-door_council-](https://www.childrenssociety.org.uk/sites/default/files/wolf-at-the-door_council-taxdebt-)

[collection-is-harming-children_PCR027a_WolfAtTheDoor_Web.pdf](https://www.childrenssociety.org.uk/sites/default/files/wolf-at-the-door_council-taxdebt-collection-is-harming-children_PCR027a_WolfAtTheDoor_Web.pdf)

Department for Education, Keep on Caring, July 2016

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/535899/Care-Leaver-Strategy.pdf

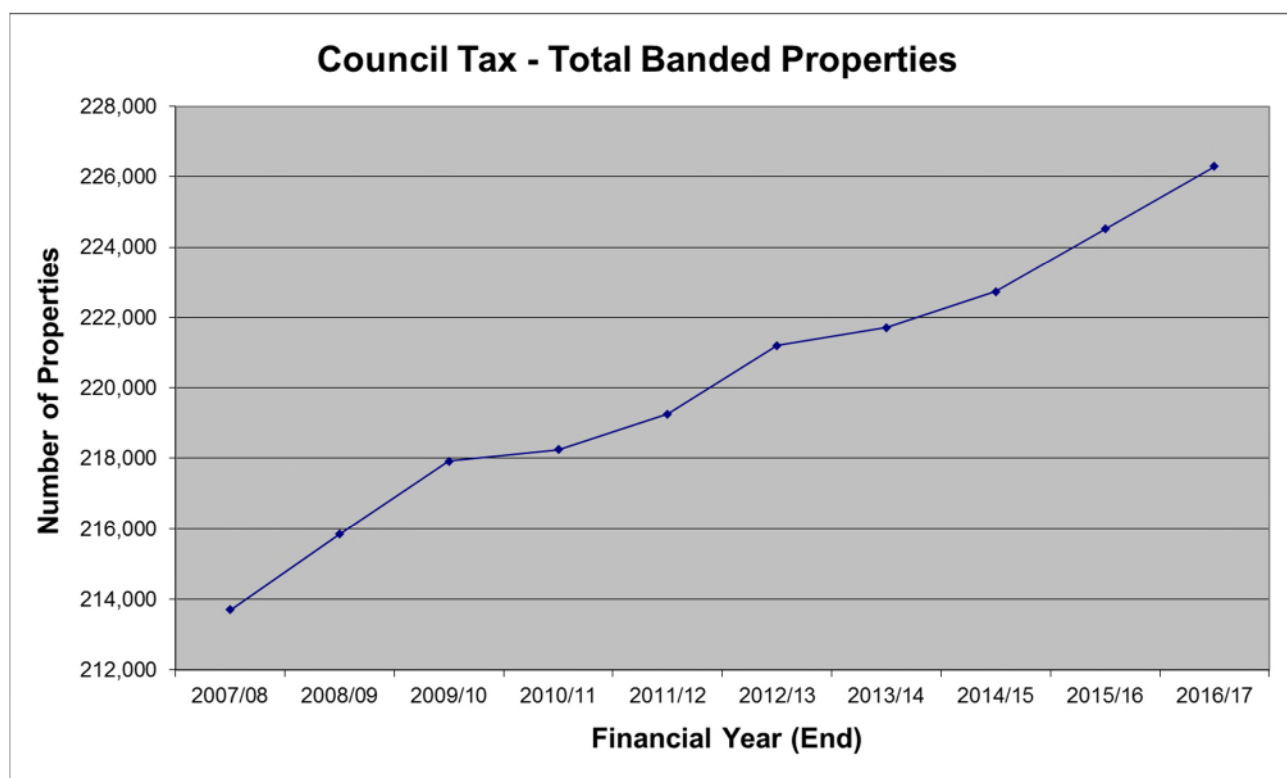
Council Tax Information Letter: 21 December 2016, DCLG

<https://www.gov.uk/government/collections/council-tax-information-letters#2016>

1. Introduction and background

Council Tax is essentially a property tax which is levied on the broad capital value of domestic properties. The Valuation Office split all domestic properties into eight bands from A to H, with an amount charged linked to each band. Calculation of the amount payable follows a weighted calculation set by central government. Properties in Band A pay two thirds of the tax levied on Band D properties; those in Band H pay twice the tax levied on Band D.

The number of properties within the city has been increasing annually and has increased from 192,500 in 2000, to 226,299 at the end of March 2017, an increase of 17% in this period. This had risen further to 226,739 by the beginning of August 2017.



58% of the properties in the city are in Band A, with 89% being in Bands A-C (inclusive) and less than 1% (909 properties) are in the top two Bands of G and H.

Council Tax Support (CTS) is a local means tested support scheme funded by the Council that provides financial support to working age residents towards their Council Tax liability. The Council's scheme provides means tested support towards 82.5% of the Council Tax that is due (changed from 85% in April 2017).

Government has determined that pensioners must still be assessed for means tested support towards their Council Tax based on 100% of the Council Tax that is due, resulting in a more generous scheme for residents of pension age. Of the £40m paid in Council Tax Support during 2016/17, £14.5m, 36% was paid to pensioners and £25.5m, 64% was paid to working age households.

The changes to CTS described in this document relate to working age, CTS claimants only.

2. Local government funding in relation to Council Tax and Council Tax Support and the impact of student exemptions and other key areas.

2.1 Student Exemptions & Council Tax Revenue

Up to 2013/14 the resource equalisation formula, used to determine local government finance settlements, included an element to recompense local authorities for the loss in funding arising from the Council Tax exemptions given to students.

In 2013/14 all government compensation for students was rolled into the Revenue Support Grant (RSG). At this point it was estimated Manchester received c£9.0m, while the total loss of Council Tax Revenue due to student exemptions was £13.7m, giving a net loss of £4.7m.

Since 2013/14 it is assumed student compensation has reduced year on year in line with the cuts to the authority's Settlement Funding Assessments (SFA).

In 2017/18 student compensation is estimated to be worth only £5.9m while the total loss of Council Tax Revenue due to student exemptions is £14.9m, giving a locally calculated net loss of £9m to the Council.

The table below models the assumed loss in funding from 2013/14 to 2017/18 due to student exemptions.

Student Council Tax	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Formula Funding Gained	8,985	8,166	6,910	6,375	5,909
Council Tax Lost	13,657	12,988	13,320	13,838	14,915
Net Loss / Gap	(4,671)	(4,822)	(6,411)	(7,463)	(9,006)

Based on Financial Settlements and CTB forms

2.2 Council Tax Support

The localisation of Council Tax Support (CTS) was announced in the 2010 Spending Review and in April 2013, Government transferred administration and responsibility of any Council Tax Support system from the DWP to local authorities. Their stated aim was to support the localism agenda, including cutting fraud, promoting local enterprise and getting people back into work.

The Council Tax Support scheme (CTS) was funded with a 10% reduced budget in 2013/14. Each authority was required to design and implement a localised scheme and hold responsibility for any shortfall or surplus in the CTS budget. To manage the scheme within budget, Manchester's CTS scheme has required all working age claimants to contribute to their net Council Tax liability (ranging from 8.5% in 2012/13 to 17.5% in 2017/18).

In April 2014, CTS was rolled into Revenue Support Grant (RSG), where it has been assumed CTS has reduced year on year in line with the cuts to Manchester's Settlement Funding Assessments (SFA).

In 2017/18 notional CTS funding from government is estimated at £24.6m, while the cost of the scheme is £39.3m, giving rise to a locally calculated funding gap of £14.7m.

The table below models the assumed loss in funding from 2012/13 to 2017/18 due to CTS.

Council Tax Support Scheme	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000	£'000
CTB / CTS Scheme Funding	42,310	37,390	33,983	28,753	26,530	24,591
CTS Transition Grant	-	997	-	-	-	-
Total funding	42,310	38,387	33,983	28,753	26,530	24,591
Council Tax foregone	-	39,849	38,763	40,301	40,048	39,275
Net Loss / Gap	-	(1,462)	(4,780)	(11,548)	(13,518)	(14,684)

Based on Revenue Outturn and CTB Form

3. Changes to the Council's Council Tax Support Scheme introduced in April 2017 for the 2017/18 financial year.

The Council's CTS scheme changed again in April 2017 and funding of the scheme was considered as part of the three year budget strategy.

3.1 Changes to the Council tax Support Scheme from 2017/18

At the meeting of 11 January 2017 Executive agreed to:

- i. Note the impact of the government announcement to changes to Council Tax to help fund adult social care services that, if approved by the Council, would mean that Council Tax bills would be increasing by 4.99% across the board.
- ii. Note the outcomes of the consultation process and the Equality Impact Assessment (EIA) both of which have informed the final recommendations. Both the consultation and the EIA have supported the Council's preferred approach which was to provide a maximum level of support against the Council Tax bill rather than other options that require differential rates based on Council Tax property bands.
- iii. Agree that the CTS scheme funding will be reduced by £1million rather than £2million so as to mitigate the impact on working age CTS claimant households in the city.
- iv. Agree that the Council's local CTS Scheme will be based on the following:
The core scheme is amended and the Council would pay CTS based on all working age claimants receiving a maximum of 82.5% of the Council Tax

charge for the property (This means that the maximum a household could receive would 82.5% of the Council Tax due).

All households will have to pay a minimum of 17.5% of the Council Tax due.

- v. Agree to align the CTS scheme to Housing Benefit and other DWP means tested benefits. The effects of which is:
- When working out entitlement to CTS the Council will disregard capital relating to payments made directly to a parent for the purposes of meeting their child's special educational needs
 - The Council will use the date of change rather than Monday after for any award or increase of a DWP benefit
 - The Council will increase the length of time that a claimant has to notify us of a beneficial change from three weeks to one month. If we are told after a month, we will pay any extra from the Monday after the date we are told.
 - When working out entitlement to CTS the Council will no longer include a family premium in the applicable amount for all **new** claims with dependents or for existing claims without children where a first child is born or a child joins the household, aligning to Housing Benefit rules.
 - When deciding eligibility for CTS the Council will reduce the period of time where a person is outside Great Britain for any reason and still treated as occupying the property from thirteen weeks to four weeks.
 - When working out entitlement to CTS the Council will only take into account two children in the calculation. This will only affect anyone who has a child or responsibility for a new child after 1st April 2017, aligning to Housing Benefit rules.

3.2 Scrutiny

As part of the committee and scrutiny process, Resources and Governance Scrutiny Committee requested an update after six months in terms of the numbers affected as a result of the changes, the financial impact on residents and the impact on Council Tax collection. This would lead into a full review after twelve months.

Specific reference was made in relation to the changes made to align the CTS scheme to the Housing benefit rules especially in relation to the changes affecting families with children in relation to the removal of the family premium and limiting premiums for children to two children when working out CTS entitlement.

The Chair said he noted that an Equality Impact Assessment had been carried out but that he would like to see the impact that these changes to the scheme would have on different groups of people in practical terms.

4. The impact of the changes to the Council's Council Tax Support Scheme introduced in April 2017 for the 2017/18 financial year.

4.1 CTS based on all working age claimants receiving a maximum of 82.5% of the Council Tax charge for the property – Financial impact on residents

This change decreased the maximum amount of CTS from 85% of the Council Tax to 82.5% of the Council Tax bill. This was combined with a 4.67% increase in the standard level of Council Tax due before any CTS is awarded.

The following tables show the impact of these changes on both, residents not in receipt of benefits and residents in receipt of benefits.

- The first table shows the increase for residents not in receipt of benefits
- The second table shows the increase for resident in receipt of benefits modelled on maximum CTS.

Table One - Amount to pay with no Council Tax Support in payment							
Band	Multiplier	2016/17			2017/18 + 4.67%		
		Annual	Weekly	Weekly SPD	Annual	Weekly	Weekly SPD
Band AR	5/9	£797.29	£15.29	£11.47	£834.51	£16.00	£12.00
Band A	6/9	£956.74	£18.35	£13.76	£1,001.1	£19.21	£14.40
Band B	7/9	£1,116.19	£21.41	£16.05	£1,168.30	£22.41	£16.80
Band C	8/9	£1,275.65	£24.46	£18.35	£1,335.21	£25.61	£19.21
Band D		£1,435.12	£27.52	£20.64	£1,502.12	£28.81	£21.61
Band E	11/9	£1,754.04	£33.64	£25.23	£1,835.93	£35.21	£26.41
Band F	13/9	£2,072.95	£39.76	£29.82	£2,169.72	£41.61	£31.21
Band G	15/9	£2,391.86	£45.87	£34.40	£2,503.53	£48.01	£36.01
Band H	18/9	£2,870.24	£55.05	£41.28	£3,004.24	£57.62	£43.21

Table Two Amount to pay with maximum Council Tax Support in payment							
Band	Multiplier	2016/17 (Maximum 85% CTS)			2017/18 + 4.67% (Maximum 82.5% CTS)		
		Annual	Weekly	Weekly SPD	Annual	Weekly	Weekly SPD
Band AR	5/9	£119.59	£2.29	£1.72	£146.04	£2.80	£2.10
Band A	6/9	£143.51	£2.75	£2.06	£175.25	£3.36	£2.52
Band B	7/9	£167.43	£3.21	£2.41	£204.45	£3.92	£2.94
Band C	8/9	£191.35	£3.67	£2.75	£233.66	£4.48	£3.36
Band D		£215.27	£4.13	£3.10	£262.87	£5.04	£3.78
Band E	11/9	£263.11	£5.05	£3.78	£321.29	£6.16	£4.62
Band F	13/9	£310.94	£5.96	£4.47	£379.70	£7.28	£5.46
Band G	15/9	£358.78	£6.88	£5.16	£438.12	£8.40	£6.30
Band H	18/9	£430.54	£8.26	£6.19	£525.74	£10.08	£7.56

4.2 Impact on the caseload

The Council Tax Support caseload has been gradually falling from its peak of 71,849 in 2012. At this time the split was broadly two thirds working age (47,420) and one third claimants aged over 60 (23,999).

Based on an end of March 2017 snapshot, 59,035 claimants were receiving some Council Tax Support towards their bill, of which 40,223 (68%) were working age and 18,812 (32%) were classed as pensioner households.

During 2017/18 all working age, CTS claimant residents have had an increase in the amount payable. This is made up of the 4.67% increase in Council Tax along with the changes to the CTS scheme that have made it less generous.

In respect of pensioner, CTS claimant residents, only those claimants that receive partial CTS would have an increase in Council Tax payable and this is linked to the 4.67% increase in Council tax. Those pensioner CTS claimant residents who received maximum CTS still receive CTS based on 100% of the Council Tax due and therefore still do not have anything to pay towards their Council Tax.

Residents' benefits will be changing all the time as their circumstances change, this includes coming on and off benefits. Examples of other changes include address changes, family composition and income details and work status. The levels of transience within the caseload and the number of people going on and off benefits, along with the high levels of deprivation in the city make the administration of Council Tax Support and the collection of Council Tax challenging and complex.

The following table models the change in caseload across the working age and pensioner caseload between March 2017 and the most up to date snapshot of October 2017.

CTS Caseload comparisons March 2017 to October 2017			
	March 2017	October 2017	variance
Total working age	40,223 (68%)	38,552 (68%)	-1671 (- 4.15%)
Max CTS 85%	31,951	30,702	-1249 (- 3.7%)
Partial CTS	8,272	7,850	-422 (-5.1%)
Total Pensioner	18,812 (32%)	18,298 (32%)	-514 (-2.7%)
Max CTS 1005%	13,956	13,557	-399 (-2.85%)
Partial CTS	4,856	4,721	-135 (2.7%)
Total caseload	59,035	56,850	-2,185 (3.7% drop)

The number of live CTS claims has fallen by 2,185 in the seven months between April and October 2017. This represents a 3.7% drop in caseload and reflects a similar 3.6% fall in the Housing Benefit caseload over the same period. There is a higher percentage drop of working age compared to pensioner at 4.15% compared to 2.7%.

The reductions are the result of a naturally falling caseload and a drop in CTS claims due to some people failing to claim CTS when they claim Universal Credit.

The most recent DWP figures available indicate that around 30% of Universal Credit claimants are not claiming CTS. We are taking a range of actions to ensure that UC claimants are aware of the need to claim CTS. DWP staff are expected to make claimants aware and we have provided them with a leaflet that they can hand to people when they are claiming UC. We have developed a short online CTS claim form to encourage take up and are soon to use texts and emails as new methods of alerting people.

4.3 Impact on Council Tax recovery

It is not possible to identify payments, current year debt and arrears by benefit claimants and those residents who pay full Council Tax. However there are trends in terms of recovery levels, including the numbers of reminders and summons that have been issued as well as the numbers of attachments of benefits that demonstrate impacts of changes on Manchester residents. Historically when the amounts of CTS have changed and become less generous there has been a spike in recovery activity and a drop in performance relating to in year recovery of money owed.

4.3.1 Recovery action

The following table shows the trends over several years of recovery levels followed by the current financial and half yearly performance in comparison. The table below shows how many summons have been issued and how many accounts were referred to external enforcement agents (previously called bailiffs) for collection.

Council Tax recovery activity- summons				
2012/13	2013/14	2014/15	2015/16	2016/17
50,000	84,800	85,800	63,300	59,000
Council Tax recovery activity- enforcement activity				
2012/13	2013/14	2014/15	2015/16	2016/17
33,600	27,000	26,900	22,000	15,700

The above table shows that there was a significant spike in recovery activity during 2013/14 and 2014/15 as a direct result of the changes to Council Tax Support when more than 36,000 residents on low income had to pay something towards their Council Tax for the first time as well as many others that had to pay more. Although the percentage amount due to be paid from this in receipt of CTS increased from 8.5% to 15% in 2015/16, this did not lead to a further increase in volumes of either summons or accounts to the enforcement agents.

As at the end of September 2017 the Council had issued

- 77,250 reminders. This is a drop of around 3,500 at the same point last year.
- 11,084 summons. This is a drop of around 1,100 at the same point last year.
- 10,200 accounts to enforcement agents, This is a drop of around 800 at the same point last year

The use of Enforcement Agents by the Council for Council Tax collection has been falling steadily for several years. This has been caused by several factors, including:

- Improved in year collection, means fewer referrals
- Changes to the activity of bailiffs as a result of changes to legislation,
- Smarter use of other recovery methods,
- Vetting of accounts and intervention to prevent some automated escalation and referral to enforcement agents; and
- A conscious decision not to send maximum CTS cases to Enforcement Agents where we are able to request an attachment of benefits.

4.3.2 Attachment of Benefits

One of the Council's options for recovery, post Liability Order (LO), is to apply to the Department for Work and Pensions (DWP) for deductions to be made from certain benefits the debtor receives and have this money paid direct to the Council to pay off the money owed.

Deductions are at a standard rate (currently £3.70) which is increased annually by around five pence per year. A council can only make one attachment for Council Tax arrears at any given time even if there are debts for several different years. Further attachments can be 'pended' to start once the existing attachment to benefits has cleared.

Based on a band A property on a full charge for 2017/18, the amount of Council tax payable from a resident in receipt of maximum benefits is now £175.25. If this is not paid costs of £82 are added on to the account. The total amount due is £257.25. If this is taken as a deduction from benefits at £3.70 per week this takes 69 weeks to clear and collection will now virtually always carry forward across financial years. This can be much longer for accounts where the resident lives in a higher banded property or there are other amounts due to be paid, for example non-dependent deductions (where CTS is reduced because other adults in the household are expected to contribute towards the bill).

The table below shows a snapshot at the end of the financial year of the number of live and 'pended' attachments to benefits and the increasing amount of money covered by those attachments. The cash collected as an attachment to benefits is then included as part of the total collection figure for either current year or arrears.

	2012/3	2013/4	2014/5	2015/16	2016/17
No. of live attachments	6,088	12,169	12,228	10,975	10,687
Debt covered	£1.53m	£1.92m	£2.13m	£1.82m	£1.88m
Cash collected	£0.67m	£1.05m	£1.44m	£1.52m	£1.46m
No. of pending attachments	8,152	11,202	16,196	18,858	19,993
Debt covered	£2.62m	£3.11m	£4.11m	£4.56m	£4.7m

The significant increase between 2012/13 and 2014/15 stems from the requirement of working age residents in receipt of CTS to make a payment for the first time. Although the number of 'live' attachments stabilised during 2015/16 and 2016/17, this is still almost double the number of attachments that were in place in 2012/13.

As at the end of September the number of live attachments of benefits had risen to 11,393 covering £1.88m of money owed and the pending accounts had risen to 24,403 with an associated debt of £5.96m.

Although this does suggest an incremental increase, in both volumes and debt covered, when compared to the same point in previous years there is a pattern of attachments rising through the year as payment are made and accounts cleared.

	Q2 2014/15	Q2 2015/16	Q2 2016/17	Q2 2017/18
Number of AOBs	10,226	12,520	11,381	11,393
Debt covered	£1.97m	£2.26m	£1.91m	£2.24m
Pending AOBs	9,106	15,284	20,707	24,403
Debt covered	£4.01m	£4.01m	£4.90m	£5.96m

The volume of pended accounts continues to rise. This is mainly because residents are still clearing a previous year's account and the Council can only take one attachment at a time.

The sums of money collected by attachments to benefit are not as significant as other methods with regular small amounts collected. Nearly half of the attachments will be in respect of previous years, so the impact on the current year collection rate reduces as time goes on. It is expected that the number and value of pended attachments will increase especially in the short term.

The impact of collection from UC will need to be carefully monitored as although there is the potential to recover a higher weekly amount, Council Tax is 6th in priority order and other debts would take priority e.g. DWP money owed including UC advances, rent and utilities.

4.3.3 Attachment of Earnings

A further recovery option for the Council is to apply to the debtor's employer for deductions to be made from their wages and paid over to the Council. The table below shows a snapshot of the number of live and 'pending' attachment of earning orders and the amount of money owed within those attachments.

	2012/3	2013/4	2014/5	2015/16	2016/17
No. of live atts	2,459	2,786	3,187	3,563	2,685
Debt owed	£0.93m	£1.02m	£1.29m	£1.366m	£1,034m
No. pending	3,520	4,208	5,326	5,936	5,248
Debt owed	£1.57m	£1.8m	£2.26m	£2.45m	£2,135m

As at quarter 2 the position is as follows

	Q2 2017/18
No. of live atts.	2,619
Debt owed	£1,120m
No. pending	5,780
Debt owed	£2,561m

While the number of live attachments has reduced, the debt owed and the number of pending attachments has increased. This implies that a number of those with attachments in place have not paid their current year's Council Tax and an additional pending attachment has been put in place. It is not expected that the change in the maximum CTS payment will have a significant effect on this area of recovery.

4.3.4 Council Tax recovery to date in 2017/18

The collection rate measures the percentage of Council Tax (after the award of CTS) that was raised and collected in the same financial year (between 1 April and 31 March). The performance indicator does not recognise how generous a council's CTS scheme is, any late property increases or billing changes or any money paid after the end of the financial year.

Council Tax in year collection performance				
2012/13	2013/14	2014/15	2015/16	2016/17
92.9%	91.7%	91.8%	92.4%	92.7%
+0.6%	-1.2%	+0.1%	+0.6%	+0.3%

Council Tax collection does not stop at the end of the financial year but continues for as long as it is cost effective. In the long term, collection is expected to be around 97%. However, this takes several years to achieve and has to be considered in the context of, where possible maximising current year's collection, and considering what is affordable cognisant of a household's financial circumstances.

Details of arrears collection over several years are as follows:

Amount of Council Tax arrears collected by year				
2012/13	2013/14	2014/15	2015/16	2016/17
£5m	£4.2m	£5.9m	£6.7m	£6.2m

Current year cash collection stands at £103.4m compared to £95.4 m at the end of October 2016. The increase is accounted for by the Council Tax increase, less CTS being paid and around 1,500 more domestic properties in the city.

The headline collection rate is 57.26% as at the beginning November 2017. This is 0.08% behind the same point last year. Cash collection was £900k up on last year after allowing for the Council Tax increase.

At this stage we do not believe that the slight decrease in in-year collection is down to changes in CTS, as when we have factored in movement and student exemption activity we expect to be at around the same performance level as last year. The delay is due to a slight time difference in terms of activity from last year to this on the Council Tax database.

Arrears collection stands at £4.58m, £320k ahead of last year.

4.4 Discretionary Council Tax Payment Scheme

The Discretionary Council Tax Payment Scheme provides support in cases of exceptional hardship. Awards of Discretionary Council Tax Payments focus on anomalous and complex situations and on enabling people to deal with short term financial crises that mean they are unable to pay their Council Tax. Awards are normally for defined periods following which the resident will be required to resume their normal instalments.

The Council's policy expects that payments are made in unusual or extreme circumstances, where additional help with current Council Tax will have a significant effect in alleviating hardship or alleviating difficulties that may be experienced in the transition from long term benefit dependence into work. Claims can be made alongside requests for Discretionary Housing Payments if the resident is in receipt of Housing Benefit, or as a stand-alone claim.

For the first half of 2017/18 the Council has paid out £2,280 in support. This compares to £1,548 at the same time last year. There have been no changes to the way the scheme is being administered since last year.

An example of a household that has received support is as follows:

Mrs K had paid her Council Tax bill in full each year by Direct Debit up to August 2012. In August 2012 Mrs K had a change in circumstances and had to give up her job due to significant health issues. From then she struggled to pay her Council Tax liability and she was not entitled to maximum council tax benefit

because her adult son lived at the family home with her. Mrs K was getting into more debt year on year and by April 2017, Mrs K owed council tax arrears over a five year period.

In August we met with Mrs K and after she explained her circumstances we provided financial support towards the arrears on the basis that she committed to paying her 2017/18 council tax liability in full by March 2018.

Mrs K agreed to a payment arrangement of £100 per month which she said she could afford with the help of her son. Mrs K has made her first instalment payment of £100.

5. Changes to the 2017/18 CTS Scheme to align to other welfare benefits.

In addition to the significant change to the maximum amount of CTS that would be awarded as a percentage of the full Council tax bill, the Council also made changes to some other elements of the CTS scheme. The aim was to align the scheme to other means tested benefits, including housing benefit that is administered at the same time as Council Tax Support for those residents requiring support with both rent costs and Council Tax. For ease of understanding and system maintenance etc. the Council has always aimed to align the two schemes wherever possible.

It is becoming increasingly apparent that if the Council does not align the CTS scheme to government welfare benefit changes, the reduced entitlement in other areas of welfare benefits would actually mean that the amount of CTS paid by the Council would actually increase to compensate as households would qualify for more CTS.

As Universal Credit Full Service rolls out and becomes the primary means of providing welfare support to working age people, the Council will need to look again at the design of the Council Tax Support scheme. It is possible that the scheme will need to be significantly changed in order to enable prompt and efficient processing of CTS for residents claiming UC and also to insulate the Council from financial pressures that increased disparity between UC and the CTS scheme may create.

The roll out of the first phase of Universal Credit Full Service across Manchester is now expected to be complete in July 2018. The impact of this will be taken into account prior to any recommendations being put forward about redesigning the CTS scheme for 2019/20.

The changes made to the 2017/18 scheme were as follows:

1. When working out entitlement to CTS the Council will disregard capital relating to payments made directly to a parent for the purposes of meeting their child's special educational needs
2. The Council will use the date of change rather than Monday after for any award or increase of a DWP benefit
3. The Council will increase the length of time that a claimant has to notify us of a beneficial change from three weeks to one month. If we are told after a month, we will pay any extra from the Monday after the date we are told.

4. When working out entitlement to CTS the Council will no longer include a family premium in the applicable amount for all new claims with dependents or for existing claims without children where a first child is born or a child joins the household, aligning to Housing Benefit rules.
5. When deciding eligibility for CTS the Council will reduce the period of time where a person is outside Great Britain for any reason and still treated as occupying the property from thirteen weeks to four weeks.
6. When working out entitlement to CTS the Council will only take into account two children in the calculation. This will only affect anyone who has a child or responsibility for a new child after 1st April 2017, aligning to Housing Benefit rules.

Due to the nature of these changes in that they were based on un-modelled future activity and links to other benefits it was not possible to accurately model either the volumes or the broad financial impact at the point of making the change.

As the changes have now been in operation for six months from April to September further information is now provided and where possible, numbers of residents and the financial impact has been provided.

5.1 When working out entitlement to CTS the Council will disregard capital relating to payments made directly to a parent for the purposes of meeting their child's special educational needs

When working out whether households get any Council Tax Support we look at a needs allowance (applicable amount) that the Government say that a household (based on their specific circumstances) needs to live on.

We then assess entitlement to CTS by comparing the actual income against this needs allowance. If a household receives more than this 'needs allowance', they then have to pay a contribution towards their rent and Council Tax support up to a maximum threshold where they would no longer qualify. For every £1 above their needs allowance a household is expected to pay 20 pence towards their Council Tax and 65 pence towards their rent.

Since 2014, parents of children and young people with special educational needs have been able to ask for them to be assessed and provided with an Education, Health and Care (EHC) plan. These parents also have the option of a personal budget to purchase services which would normally be provided by the council. Before the recent changes this money was counted as income and capital when working out Council Tax Support.

The Council's scheme changed so that this income is now not taken into account when working out Council Tax Support. This made the Council's scheme the same as the housing benefit rules for these families. At this time we have no cases recorded with this income so there is nothing to disregard from the entitlement and assessment. We will continue to monitor this situation and have contacted Children's services examine what information they have that can be shared, subject to data protection rules.

There could be several explanations why we do not have any households receiving the new disregard and this could be that current recipients are not benefit claimants or that there are some claimants who have started receiving a personal budget for an EHC plan but these families have not advised the Benefits Service of the change to their income. It is worth noting that had any households notified us that they were receiving this income prior to April 2017, this would have counted as income as part of the benefit calculation and would have reduced entitlement.

5.2 The Council will use the date of change rather than Monday after for any award or increase of a DWP benefit

If a household is getting Council Tax Support and then gets benefit from the DWP or gets an increase in these benefits we will now reassess and update their Council Tax Support from the date of that change, rather than the Monday following.

This is a technical change made to align the Council's CTS scheme with Housing Benefit rules. The amounts involved are small, relating to part week awards of CTS entitlement. The system does not hold data that would allow us to extract the number of claimants impacted by this change but is likely to be a relatively large number as it relates to any award or increase. An example would be, based on a band A property with maximum CTS at 82.5%, each day's award is worth around £2.27.

This change has a positive financial impact on the vast number of claimants who make their claim part way or have a change part way through a week.

5.3 The Council will increase the length of time that a claimant has to notify us of a beneficial change from three weeks to one month. If we are told after a month, we will pay any extra from the Monday after the date we are told.

If a household is getting Council Tax Support and they have a change that means that they would get more, they now have a month, rather than three weeks, to tell us otherwise we will only pay any extra from the date that we were told.

Our system does not hold sufficient data to extract the number of claimants affected by this. This change would affect those claimants who may have told us about a beneficial change between 21 and 28 days after the change, for example the birth of a child or a reduction in earnings. Before this change to the CTS rules we would have paid from the date of notification for anyone who told us after day 21. They now have until a month (same as housing benefit rules) and we will go back and award the increase award from the effective date rather than the date of notification. Given the volume of changes it is not possible to identify the households that have benefited from this.

5.4 When working out entitlement to CTS the Council will no longer include a family premium in the applicable amount for all new claims with dependents or for existing claims without children where a first child is born or a child joins the household, aligning to Housing Benefit rules.

Our calculation of Housing Benefit and Council Tax Support compares the claimant's income (including that from other welfare benefits) with a needs allowance (applicable amount) that the Government say that a household (based on their specific circumstances) needs to live on. This 'needs allowance' has historically included a Family Premium where there are one or more children in the household.

We work out entitlement by comparing the actual income against this needs allowance. If a household receives more than this 'needs allowance', they then have to pay a contribution towards their rent and Council Tax Support up to a maximum threshold where they would no longer qualify. For every £1 above their needs allowance a household is expected to pay 20 pence towards their Council Tax and 65 pence towards their rent.

Until April 2017, when we worked out the needs allowance for Council Tax Support we included the Family Premium where there was one or more child in the household (£17.45 per week in 2016/17). From April 2017, in order to align with the wider welfare system and ensure the change is neutral for Council Tax Support where the family element is not in payment in Child Tax Credit, we no longer include the Family Premium in the assessment. This affects residents making new claims with dependents, and people with existing claims without children where a first child is born or a child joins the household, from 1 April 2017.

This a complex and technical alignment that reflects similar changes made in the wider welfare system. It is required in order to ensure the removal of the Family Premium has a neutral impact on the CTS scheme where the family element is not in payment in Child Tax Credit. If this was not implemented, many of the households impacted by the removal of the Family Premium would have seen an increase in Council Tax Support entitlement over and above the levels had the Government not introduced this change.

As at 01/10/17, out of 17,739 working-age CTS cases with children there are 633 (3.6%) claims in payment where the removal of the loss of family premium has resulted in a reduction in CTS entitlement but the claimant is still receipt of some CTS, with a total weekly reduction in CTS paid out of £2,011.15 and an average weekly loss per claim of £3.18 across these claims.

Most of these claimants, 532, (80.04%) saw a reduction in CTS of lost £3.49 per week in CTS (20% of the £17.45 premium), due to the 20% excess income taper which applies to the reduced 'needs allowance' (applicable amount)), and 105 claims saw a reduction in CTS of lost between and £0.03 and £3.37 per week.

5.5 When deciding eligibility for CTS the Council will reduce the period of time where a person is outside Great Britain for any reason and still treated as occupying the property from thirteen weeks to four weeks.

If a person is outside the UK for any reason for four weeks or less we will carry on paying Council Tax Support. This used to be 13 weeks.

Since April 2017, we have terminated 19 CTS awards due to the claimant being absent from Great Britain for more than four weeks. 13 of these cases were absent from Great Britain for under 13 weeks meaning that they would not have been affected if the previous rule had applied.

5.6 When working out entitlement to CTS the Council will only take into account two children in the calculation. This will only affect anyone who has a child or responsibility for a new child after 1st April 2017, aligning to Housing Benefit rules.

From 6 April 2017, the Government limited welfare support provided through Child Tax Credit to two children. This only affects anyone with responsibility for a new child born after 1st April 2017. Any subsequent children born on or after this date will not be eligible for further support.

Our calculation of Housing Benefit and Council Tax Support compares the claimant's income (including that from other welfare benefits) with a needs allowance (applicable amount) that the Government say that a household (based on their specific circumstances) needs to live on. This 'needs allowance' has historically included additional amounts for each and every child in the household. We work out entitlement by comparing the actual income against this needs allowance. If a household receives more than this 'needs allowance', they then have to pay a contribution towards their rent and Council Tax Support up to a maximum threshold where they would no longer qualify. For every £1 above their needs allowance a household is expected to pay 20 pence towards their Council Tax and 65 pence towards their rent.

In order to align with central government's two child restriction, the Housing Benefit rules were amended from April 2017 to limit the 'needs allowance' to two children in the same way as for Child Tax Credit. This was done to ensure the two child limit in Child Tax Credit had a neutral effect in Housing Benefit, so that both calculations included 'needs allowance' based on the same number of children. This prevents Housing Benefit awards over and above the amount payable before the Government introduced the two child change.

As with Housing Benefit, when we work out the needs allowance for Council Tax Support we allow an amount for each child in the household (£66.90 per child per week in 2016/17). From April 2017, in order to align with the wider welfare system and ensure the change is neutral for Council Tax Support, we now only allow an amount for up to two children. This will only affect residents who have a child or responsibility for a new child from April 2017. This ensures that the Council Tax Support calculation allows for the same number of children as in Child Tax Credit and Housing Benefit.

This alignment reflects similar changes made in the wider welfare system. It is required in order to ensure the two child limit has a neutral impact on the CTS scheme. If this was not implemented, households impacted by the two child restriction in Child Tax Credit would have seen an increase in Council Tax Support entitlement over and above the levels had the Government not introduced the two child limit in the welfare system.

As at 1 October 2017 out of 17,739 working-age CTS cases with children, 130 (0.7%) have had entitlement aligned with the wider welfare system for this change. This has resulted in a total saving of CTS paid out of £988.04 per week, an average of £7.60 per claim per week.

6. The progress made on the Council Tax exemption for care leavers introduced by the Council on 26 July 2017.

6.1 Summary of decision

The Council agreed to offer the following Council Tax discount for care leavers effective from the 2017/18 financial year.

The Council will:

- Provide a discount of up to 100% discount of the Council Tax that is due, to care leavers who live in the city aged 18, 19 and 20 years, up to the date of their 21st birthday.
- Create a local discount (s 13 A (1) (c) Local Government Finance Act 1992) policy to support this provision
- The discount will be awarded after all other discounts, exemptions (for example student discount) and Council Tax Support have been awarded.
- Where there is a shared liability for the Council Tax due the discount will only be paid to cover the share that the looked after person would be liable for.
- That any discounts should be awarded with immediate effect with the discretion to backdate to 1 April 2017. This discretion should be delegated to the Head of Revenues and Benefits on behalf of the City Treasurer

That the Council monitors the costs of the scheme during the first year of implementation and provides delegated responsibility to the City Treasurer to amend as required to support a Greater Manchester approach and policy.

6.2 Eligibility

The Council agreed the following eligibility criteria.

1. For the purposes of this discount a care leaver is defined as a person who is currently resident in the city with a Council Tax liability and has been in the care of a local authority (looked after) for a period or cumulative periods equalling at least 13 weeks since the age of 14 and which ended on or after their 16th birthday

2. Local authorities must plan for looked after children so that they have the support they need as they make their transition to the responsibilities of adulthood. The local authority's responsibility to some care leavers extends until they reach the age of 21.
3. The Local Authority has further responsibilities to those young people who are in full time education until the age of 25. However, this group would not be responsible for Council Tax and are not included in this proposal.

6.3 Action to date

The Revenues and Benefits Service is working with Children's Services to establish an effective channel for care leavers to access and apply for the care leavers' discount. An online form is available to complete on the council's website. It is our understanding that all young people leaving care are assigned a Personal Assistant and that they have been told about the care leavers' discount. The Personal Assistant will signpost the young person to the online form and assist them to complete it if necessary to ensure that their entitlement to the care leavers discount is maximised.

We have also been working to identify young people who have already left care and who may have an entitlement to a Care Leavers discount from April 2017. To do this we have had to rely on data held and provided by Bernardo's. The data has not been as accurate as we would have hoped due to the transience of care leavers, however it has helped to identify a number of young people who have now been awarded a care leavers discount.

6.4 Volumes

To date we have awarded a care leavers discount to nine young people at a total cost of £998.61.

There is an entitlement to CTS for all the accounts where the care leavers discount has been applied. For seven of the accounts where a care leavers discount has been awarded it has only been awarded for part of the 2017/18 council tax liability because the care leaver has reached their 21 birthday part way through the year. The remaining two accounts have had their liability paid in full and court costs removed from their council tax account.

There have been three applications that have been made directly to the council for a care leavers' discount. The council has made payment on one of the applications and has had to write to the care leaver for further information before we are able to award the discount.

As part of this exercise we have identified that some care leavers have returned to the family home. In some cases there is an entitlement to Housing Benefit and CTS at the address, the council should be notified if there is a change in circumstances as this may affect the family's entitlement to HB and CTS, however this has not happened. The Benefits Service will be contacting the families to ensure that their entitlement to benefits is correct.

7. Conclusions

As we are only half way through the financial year, it is not possible to reach firm conclusions on the impact that the reduced maximum Council Tax Support is having on those affected by it. However, the in year collection rate is virtually the same as last year despite £1.3 million less in Council Tax Support being paid in 2017/18. In addition, 500 fewer summons have been issued to those in receipt of Council Tax Support compared to the same time last year. On this basis, the early indications are that those affected are managing to pay the increase caused by the reduction in maximum benefit paid.

As stated earlier in this report, as Universal Credit Full Service rolls out and becomes the primary means of providing welfare support to working age people, the Council will need to look again at the design of the Council Tax Support scheme. It is possible that the scheme will need to be significantly changed in order to enable prompt and efficient processing of CTS for residents claiming UC and also to insulate the Council from financial pressures that increased disparity between UC and the CTS scheme may create.

The roll out of the first phase of Universal Credit Full Service across Manchester is now expected to be complete in July 2018. The impact of this will be taken into account prior to any recommendations being put forward about redesigning the CTS scheme for 2019/20.

Carol Culley
City Treasurer