

Report for: Cabinet – 17th October 2017

Item number: 11

Title: 2018 Haringey Care Leavers (Council Tax) Relief Scheme Policy

Report authorised by: Clive Heaphy, Chief Finance Officer and s151 Officer

Lead Officer: Oladapo Shonola, Lead Officer – Budget & MTFS Programme

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Key decision

1. Describe the issue under consideration

- 1.1. The government transferred the responsibility for council tax benefit to local authorities in April 2013 and also reduced funding for these benefits. Since then, Haringey has run the Government approved Council Tax Reduction Scheme (CTRS) which provides relief for pensioners, vulnerable people and certain individuals on low income and in receipt of state benefit. The scheme provides 100% relief for pensioners/vulnerable people and up to 80.2% for other groups.
- 1.2. A recent study highlighted the fact that as care leavers transition to independent living they are particularly vulnerable to council tax debt. Different studies have also concluded that care leavers have to contend with other issues and are at greater risk of unemployment, self-harming, teenage pregnancy, likelihood to be in contact with the criminal justice system and homelessness - all adding up to increased likelihood of care leavers having poor social outcomes later in life.
- 1.3. The Council under section 13A(1)(c) of the Local Government Finance Act 1992 has the discretion to reduce council tax liability for individuals or class(es) or cases that it may determine. Given care leavers are particularly vulnerable to council tax debt and also given the Council's duty as corporate parent to care leavers, it is proposed that from 1st April 2018, the Council exercises its discretionary powers to provide 100% council tax discount to care leavers that reside in the borough until their 25th birthday.

2. Cabinet Member Introduction

- 2.1. The government decided to abolish the council tax benefit and reduce its funding by 10% as a way to incentivise work. Although, there is no evidence to date that suggests that this policy has resulted in an increase or decrease in employment, a direct consequence of this policy is that care leavers transitioning to independent living are now at greater risk of falling into debt.
- 2.2. We know that some of our residents are struggling. Evidence from the Children's Society shows that care leavers in particular are at considerable risk of falling into debt. A key recommendation of their report was for care leavers to be exempted from paying council tax up until the age of 21.
- 2.3. The Council agree that young people transitioning out of care can often face a myriad of challenges. They are often for the first time having to manage money which can prove extremely difficult without the assistance of family.
- 2.4. The Council's statutory role as a corporate parent to care leavers has been strengthened by legislation, with responsibilities now extending from age 21 to 25. We should seek the same outcomes for young people in care that every parent would want for their own children. The Council is committed to keeping care leavers safe, ensuring their experiences moving into independent living are positive, and improving their life chances.

3. Recommendations

- 3.1. Cabinet agree:
 - i. That for the purposes of reducing council tax, the Council should agree to the creation of a new class of council tax charge payers to be known as 'Care Leavers';
 - ii. That the Council exercises its discretionary power to provide 100% council tax discount to 'Care Leavers' that reside in Haringey until their 25th birthday;
 - iii. The Care Leavers (Council Tax) Relief Scheme policy;
 - iv. That from 1st April 2018, reduction to care leavers council tax liability should be applied in line with the Haringey Care Leavers Relief Scheme policy as set out in Appendix 1 of this report; and
 - v. The amendments to the "Policy for the Award of Discretionary Reductions in Council Tax Liability..." attached at Appendix 2.

4. Reason for Decision

- 4.1. Haringey Council now has responsibility for council tax benefit following the Government's decision to transfer responsibility to local authorities in April 2013.
- 4.2. Outside the CTRS, the Council has discretionary powers to reduce council tax liability in individual cases, under section 13A(1)(c) of the Local Government Finance Act 1992. These powers have been used to create a discretionary council tax discount policy that allows the council tax charge for residents facing financial hardship to receive relief. However, this policy is not specific to the needs of care leavers which the CLRS seeks to address.
- 4.3. A report by the Children's Society shows that care leavers who are looked after by a local authority rather than their parents are amongst the most vulnerable groups in society and are more likely to be behind with council tax payment.
- 4.4. The Children's Commissioner for England has written to the leader of the Council to make the case for exempting care leavers from payment of council tax as part of the Council's parenting responsibility and as a means of helping this group of young adults to get the best start in life.
- 4.5. The Council takes its parenting responsibility toward care leavers seriously and, where possible, the Council is prepared to intervene in order to ensure that care leavers are not disadvantaged compared to their peers.

5. Other options considered

- 5.1. The Council could choose to do nothing or chose to support care leavers in other ways and therefore not use its discretionary powers to provide council tax charge relief to care leavers in the borough. However, the Council as a corporate parent is expected to ensure where possible that care leavers under its care are not disadvantaged compared to their peers.
- 5.2. The Council could have opted to exclude care leavers from other boroughs from the relief scheme and limit the benefit to Haringey care leavers only. However, this would have raised issues of equal treatment of care leavers and also the proposal would have fallen short of the recommendation made by the Children's Society and the Children's Commissioner for England.
- 5.3. The scheme has been designed to offer 100% discount to care leavers. Instead, the discount available could have been restricted to 80.2%. However, a partial discount would not completely eradicate the possibility that care leavers will accumulate council tax debt. Also, the indications are

that the cost of collecting the reduced council tax amount may exceed the residual amount to be collected.

6. Background information

- 6.1. The Government in 2013/14 transferred the responsibility for council tax benefit to local authorities. The transfer came with a 10% funding cut and all local authorities were required to design a scheme that protected pensioners and find the savings necessary to offset the 10% funding cut.
- 6.2. Furthermore, as part of the funding announcement for the Council in 2014/15, the Government also announced that council tax benefit grant would be rolled into the Settlement Funding Assessment (SFA), the Council's formula grant allocation. As the SFA has reduced over the years, so has the underlying central government funding of council tax benefit. The reduction is masked by the fact that council tax funding now forms part of overall local authority funding making it difficult to directly match funding cuts to reduced financial resources to fund council tax benefit.
- 6.3. Beyond the reduction under the current council tax benefit system, care leavers have been shown to be particularly vulnerable to council tax debt given the myriad of issues that they have to contend with when transitioning to independent living.
- 6.4. For council tax payers that are experiencing financial hardship due to extenuating circumstances, the Council currently provides support by using powers under section 13(A)(C) of the Local Government Finance Act to reduce their council tax charge. This report seeks to use the same powers to provide relief to all council tax payers that are care leavers currently residing in Haringey.

The Case for Exempting Care Leavers from Paying Council Tax

- 6.5. The situation for care leavers in relation to council tax debt has been highlighted most notably by the Children's Society in their report 'The Wolf at the Door', which identified care leavers as being especially susceptible to council tax debt because they are exposed to a range of disadvantages related to having to live by themselves so early in life. The charity recommended that care leavers should be exempt from paying council tax until they are 21 years old (this recommendation predated the new legislation that make local authorities corporate parents to care leavers until their 25th birthday).
- 6.6. The Children's Commissioner for England also highlighted the need for local authorities to exempt care leavers from paying council tax. The Commissioner wrote to the Leader of the Council urging Haringey to join 19 other local authorities (including 3 London Boroughs – Greenwich, Hammersmith & Fulham and Islington) that have already implemented this policy.

- 6.7. Specifically, the Commissioner encouraged Haringey to support the Government's Care Leavers' Strategy *Keep on Caring* by using their corporate parenting responsibility to give children leaving care the best start in adult life. The communication also noted that "The Children and Families Act ... encourages Councils to do all they can to support care leavers", and that this legislation "...has been further enhanced by Section 2 of the Children and Social Work Act which places a statutory duty on Councils to make a clear offer to care leavers."
- 6.8. It is clear that care leavers who are looked after by a local authority rather than their parents are amongst the most vulnerable groups in our community. However, in some respects, Haringey's looked after children have comparatively good academic outcomes. Haringey's looked after children have excellent educational outcomes compared to the rest of London and the rest of the country. In 2016 Haringey's looked after children achieved the second best results in the country at GCSE (measured as 5 A*-C grades including English and Maths), and the top results in the country using the Attainment 8 measure (tracking average results across eight key subjects).
- 6.9. The good work that the Council does with its care leavers at this stage of their development can be easily undone by them being trapped in debt due to not having much prior experience of money management when transitioning to independent living. As well as problems with managing their finances and a greater risk of being unemployed, care leavers are faced with other challenges too.
- 6.10. Recent studies have shown that 50% of young people are still living with their parents after their 22nd birthday. However, young people leave care at 18 years and some end up moving into independent living before they are ready to do so. As a consequence, care leavers are more likely than their peers to have poor social outcomes in later life, including a higher tendency to be homeless, some of which can be linked to their difficulties in managing their finances. They are also more likely to come in contact with the criminal justice system, and self-harm later in adulthood. Female care leavers are more likely to become teenage parents.
- 6.11. The proposed change to exempt care leavers from paying council tax, supported by the Children's Society and the Children's Commissioner for England, is in line with and complements a review of our wider support to this vulnerable group taking place in response to the change in the law on Local Authority corporate parenting responsibility for care leavers. This includes extending local authority responsibilities to care leavers from 21 to 25 years of age. Therefore, the policy of exempting care leavers from payment of council tax would extend to the 25th birthday of care leavers.

Financial Implications

- 6.12. There are financial implications to awarding any discounts in addition to those already available. The granting of council tax relief to any group reduces income from council tax, but the total cost of the relief proposed cannot be determined precisely, as some of this can be offset against the cost of pursuing such debt by the Council and the Council's role as a corporate parent. Additionally, the cost of providing council tax relief to care leavers from other boroughs that reside in Haringey cannot be determined due to not having the relevant information needed to undertake the necessary financial analysis.
- 6.13. Owing to the fact that council tax is a tax on residential properties within the borough boundaries, the relief provided under the CLRS cannot be extended to Haringey care leavers that reside outside the borough. This is because the discretionary power that is being used to bring about this relief can only be applied to council tax payers that reside in Haringey which includes care leavers that were not originally looked after by Haringey but now reside in the borough.
- 6.14. Based on the latest figures for care leavers resident in the Borough, it is estimated that exempting care leavers from council tax payment would cost a maximum of £233,851 (£204,937 after discounts), if all care leavers resident in the borough are solely liable for council tax at their place of residence, do not currently claim single person discount, and that 100% of those entitled as care leavers actually make a claim.
- 6.15. A detailed analysis of the information on care leavers shows that there are 350 care leavers under the Council's care, with 178 of them living out of the borough. However, of the 172 that reside in the borough, only 44 are liable to pay council tax.
- 6.16. After adjusting for single person discount and other national discounts currently available to care leavers in the borough under the existing council tax benefit system, and assuming that all eligible care leavers apply for and receive the discount available under the current system, the likely cost of implementing this policy is estimated at £36,427.
- 6.17. Although not likely, it is possible that care leavers that are not currently liable for council tax take action that results in them being liable for council tax at their place of residence, and by doing so increase the cost of this exemption to the Council.
- 6.18. An analysis of care leavers in relation to council tax liability is set out below.

Table 1 - Care Leavers Council Tax (CT) Analysis

Description	No of Care Leavers	Council Tax Amount (£)
Total Number of Care leavers	350	N/A
Care leavers not resident in Haringey	178	
Care leavers resident in Haringey	172	233,851
Care leavers not liable for CT	128	183,075
Care leavers liable for CT	44	50,776
Care Leavers CT Liability Adjusted for Existing Discounts		
Original Total CT Liability	44	50,776
Single Person Discount	30	8,245
CTRS Discount	9	6,104
Care Leavers CT Liability		36,427

6.19. The care leaver council tax liability figure of £36,427 is based on all eligible care leavers (currently 44) submitting a claim. The number of care leavers have fluctuated over the years and will continue to do so, but the overall change in these numbers has not been significant. There is also the possibility that circumstances for some care leavers who do not currently pay council tax could change resulting in increased claims and further council tax revenue loss from the implementation of this new policy.

6.20. By way of further analysis, sensitivity testing has been undertaken to further assess the forecast cost of this proposal to the Council. Based on current information, 128 care leavers that reside in the borough are currently not liable for council tax. If 25% of this group of care leavers somehow become liable for council tax, it is estimated that this would result in overall council tax revenue loss of £78,555.

6.21. Although, it is not envisaged that the cost of providing council tax discount to care leavers will be significantly more than the estimated £37,000 per annum, the below table shows potential council tax revenue losses if the number of claimants rose by 25%, 50%.

Table 2 – Care Leavers CT Liability Sensitivity Analysis

	25% Change (£)	50% Change (£)
Care Leavers (NOT) Liable for CT	45,769	91,538
Single Person Discount	1,620	3,239
CTRS Discount	2,022	4,044
Net Liability after discounts applied	42,128	84,255
Care Leavers CT Liability	36,427	36,427
Total CT revenue Loss	78,555	120,682

7. Contribution to Strategic Outcomes

- 7.1. The proposal to exempt care leavers from payment of council tax contributes to priority 1 – Enable every child and young person to have the best start in life.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance and Procurement

- 8.1. This is a report of the Chief Finance Officer, so finance comments are reflected throughout the report. There are no procurement comments arising from this report.

Legal

- 8.2. Section 13(A)(1)(c) of the Local Government Finance Act 1992 gives the Council the power to reduce liability for council tax in relation to particular cases or by determining a class of a case in which liability is to be reduced. The proposal to exempt young people leaving care who live in the borough supports the Council's corporate parenting role, and is a lawful and reasonable proposal.
- 8.3. A decision to establish a class known as "Care Leavers" to reduce their council tax liability by 100% is not part of the CTRS and so does not need to go through a consultation process. Further, there is no specific statutory timetable for section 13A(1)(c) decisions.
- 8.4. The Council needs to have due regard to comply with its equality duty under section 149 Equality Act 2010, in the exercise of its functions. In line with this duty, and to demonstrate compliance, the proposal has been subject to an initial equality impact screening tool which indicated that there is no requirement to carry out a full EqlA to identify whether there would be any significant negative equality impacts.

Equalities

- 8.5. The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:
- tackle discrimination, harassment and victimisation of persons that share protected characteristics;
 - advance equality of opportunity between people who share those protected characteristics and people who do not; and
 - foster good relations between people who share those characteristics and people who do not.

The protected characteristics are: age, disability, gender reassignment pregnancy/maternity, race, religion/fait, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.

- 8.6. This decision is seeking permission to exempt care leavers from paying council tax by providing 100% discount against their council tax charge. Care leavers are amongst some of the most vulnerable young people in the community. BAME communities and disabled young people are likely to be disproportionately represented amongst care leavers and experience inequalities in employment, education and health outcomes. Therefore, this proposal will benefit some of the groups the Equality Act seeks to protect and tackle inequalities.
- 8.7. As corporate parent to care leavers, the Council seeks to ensure where ever possible that its care leavers have comparable outcomes in life to their peers. Given evidence that show that care leavers are vulnerable to debt and recommendations by the Children's Society and the Children's Commissioner for England, the Council is proposing to exempt care leavers from council tax payment from 1st April 2018.
- 8.8. As part of the process that led to the recommendation of the policy of exempting care leavers from paying council tax, an initial EqIA screening tool was completed which indicated that there is no requirement to carry out a full EqIA.
- 8.9. The report recommends that the existing local council tax support to residents be extended with the introduction of the CLRS. The adoption of the CLRS will not impact on existing claimants of council tax benefit under the CTRS scheme or any other council tax support scheme – the CLRS is additional to all other council tax support initiatives (national or local).

9. Use of Appendices

Appendix 1 – Haringey Care Leavers Relief Scheme

Appendix 2 – Amendments to the "Policy for the Award of Discretionary Reductions in Council Tax Liability under Section 13A(1)(c) Local Government Finance Act 1992"

10. Local Government (Access to Information) Act 1985

- 10.1. For access to the background papers or any further information please contact Oladapo Shonola, Lead Officer – Budget and MTFS Programme.