



Localising support for Council Tax - background

Standard Note: SN/SP/6101

Last updated: 21 June 2013

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As part of the 2010 Spending Review the Government announced an intention to localise support for Council Tax from 2013-14 and to reduce expenditure on this benefit by 10%.

The *Welfare Reform Act 2012* provided for the abolition of Council Tax Benefit (CTB). Provisions for the localisation of Council Tax support were included in the *Local Government Finance Act 2012*.

A one-off transition to the new localised schemes of support took place in April 2013. The move to localised assistance, coupled with the 10% reduction in expenditure, is expected to deliver savings of £410m in England. The Government has stressed the importance of the measure to its deficit reduction programme.

This note provides background to the introduction of Council Tax Reduction schemes and the abolition of CTB. It includes a summary of comment on the proposal and attempts to amend the Act as it progressed through Parliament.

This note will not be updated after June 2013. For developments in relation to Council Tax Reduction schemes see Library Note, [Council Tax Reduction Schemes](#) (SN/SP/6672).

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1 Summary of key publications and announcements

As part of the 2010 Spending Review the Government announced an intention to localise support for Council Tax from 2013-14 and to reduce expenditure on this benefit by 10%. The *Welfare Reform Act 2012* provided for the abolition of Council Tax Benefit (CTB). Provisions for the localisation of Council Tax are included in the *Local Government Finance Act 2012*. A one-off transition to new localised schemes of support took place in April 2013. The move to localised assistance, coupled with the 10% reduction in expenditure, is expected to deliver savings of £410m in England (£470m nationally).

The Government published a consultation document in August 2011, [Localising Support for Council Tax: England](#). Consultation closed on 14 October 2011 and the Government's response was published in December 2011, [Localising support for council tax in England: Government's response to the outcome of consultation](#).

The Communities and Local Government Select Committee held an inquiry on localisation issues in the Government's welfare reform programme, including localisation of support for Council Tax; its [report](#) was published in October 2011. The Government [response](#) (Cm 8272)

was published in January 2012. An [Equality Impact Assessment on localising Council Tax Benefit](#) was also published in January 2012.

On 12 May 2012 the Government published a new consultation paper, [Localising Support for Council Tax: Funding arrangements consultation](#) with a closing date of 12 July. May 2012 also saw the publication of [Localising Support for Council Tax: A Statement of Intent](#) in which the Government set out proposed policy for key regulations to be provided under the *Local Government Finance Bill*.

The Institute of Fiscal Studies published research into the impact of localisation in May 2012, [Reforming Council Tax Benefit](#).

An updated [impact assessment on localising support for Council Tax](#) was published in June 2012.

July 2012 saw the publication of draft regulations for the default scheme and the elements of Council Tax reduction schemes still prescribed by Government, together with [explanatory notes](#). A further [statement of intent](#) was published on information sharing and powers to tackle fraud.

On 28 August the Government published [Localising support for council tax - Council tax base and funding for local precepting authorities: Consultation](#). This paper built on the May 2012 consultation and set out the Government's proposals to provide certainty to local precepting authorities¹ by allowing the council tax base for those areas to be calculated excluding localised council tax support reductions. Consultation closed on 9 October.

September 2012 saw publication of revised versions of the draft regulations.

The New Policy Institute (NPI) published its findings on the types of schemes being proposed by local authorities in September 2012: [Localising Council Tax Support: A Briefing Note On Local Authorities' Plans](#).

On 16 October Baroness Hanham announced that £100m in new funding would be available for local authorities "to help support them in developing well-designed council tax support schemes and maintain positive incentives to work."²

On 18 October the Department of Work and Pensions (DWP) published a document looking at the methodology of Council Tax Benefit forecasts and trends in receipt and expenditure: *DWP: Council Tax Benefit - Forecasts and assumptions*.

November 2012 saw publication of [DCLG: Localising support for Council Tax - Update on funding arrangements](#) and an analysis of consultation responses on funding arrangements: [DCLG: Localising support for Council Tax - Council Tax base and funding for local precepting authorities - Government response to the outcome of consultation](#).

The [Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) Regulations 2012](#) (SI 2012/2885) came into force on 27 November 2012.

¹ A precepting authority is one with the power to instruct another local authority (the billing authority) to collect an amount from Council Tax on its behalf.

² CLG, [Localising Council Tax support](#), 16 October 2012

Local authorities were given revised guidance on how to take work incentives into account when devising their local schemes of assistance: [Localising Support for Council Tax - Taking work incentives into account](#) (December 2012).

The final regulations in respect of the default scheme came into force on 18 December 2012: [Council Tax Reduction Schemes \(Prescribed Requirements and Default Scheme\) \(England\) Regulations 2012](#) (SI 2012/2886).

[Information on the transitional grant scheme](#) (announced in October 2012), including actual allocations, was issued in January 2013.

A [further analysis of responses to funding arrangements](#) was published in February 2013.

In March 2013 DCLG published a guidance note on administrative matters: [Localising support for Council Tax: guidance note](#).

2 Council Tax Benefit: the “old” system

2.1 Entitlement – an overview

Council Tax Benefit (CTB) was an income related benefit which could be claimed by an eligible individual who was liable to pay Council Tax in respect of their sole or main residence.

CTB was a national benefit with policy and rules set by central Government but administered by local authorities in England, Scotland and Wales. Administration was linked to the Council Tax billing arrangements and usually took the form of a reduction to the Council Tax a person would otherwise be liable to pay. Council Tax is a devolved matter in Scotland and Wales, whereas CTB was reserved to the UK Government.

The amount of CTB entitlement was calculated on a weekly basis according to a person's daily liability for Council Tax after deducting any disability reductions, discount or transitional relief. Entitlement took into account the means of the person claiming and their partner.

The means test for CTB followed the rules for other income related benefits such as Income Support and income-based Jobseeker's Allowance, and was based on a system of applicable amounts for living expenses set according to the circumstances of the family unit. The person's applicable amount was compared to their income and capital, including that belonging to any partner.

People with income at, or below, the level of the applicable amount were entitled to maximum CTB. This was the whole of their weekly eligible Council Tax less any set contributions assumed in respect of non-dependant adults who lived in the household but who were not liable for Council Tax. People not claiming income related benefits, including working people could get CTB subject to an income taper. Income in excess of the applicable amount was taken into account against Council Tax liability by 20 pence for every one pound of excess income.

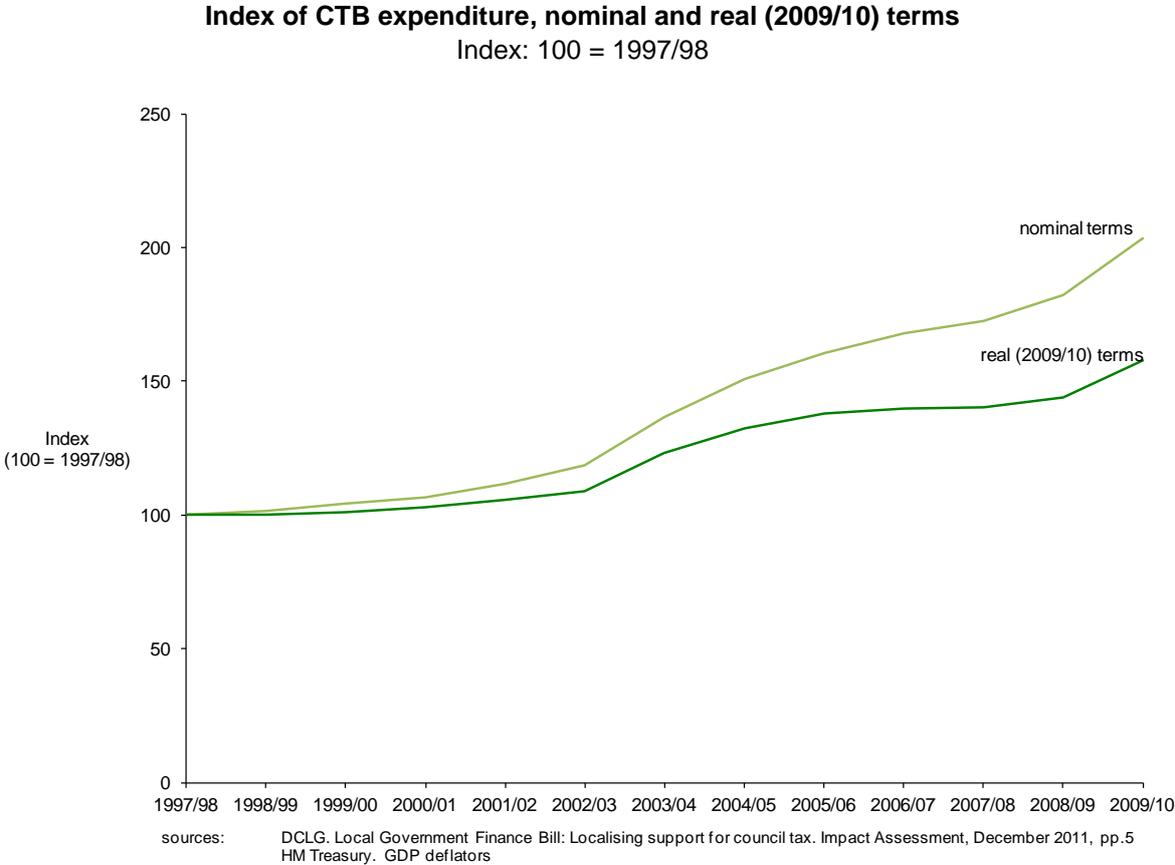
In CTB there was a lower capital limit – £6,000 for people of working age and £10,000 pension age – above which an assumed income was taken into account. CTB was not payable to people with capital above the upper limit of £16,000 unless they were entitled to one of the income-related benefits.

Alternative maximum CTB, more commonly known as the 'Second Adult Rebate', could be awarded to the claimant if they would be better off with this than with CTB under the main rules. Second Adult Rebate applied when the claimant, as the owner or tenant of a property, shared their home with a non-dependant person(s) (aged 18 or over) who had no responsibility to pay Council Tax and was not on the list of disregarded persons. The amount was based on the gross income of the non-dependant person(s) excluding any income related benefits, Attendance Allowance or Disability Allowance. The claimant's own income was ignored. The maximum amount of Second Adult Rebate was limited to 25 per cent of Council Tax liability.

2.2 Funding

The cost of CTB was met by the Department for Work and Pensions (DWP) out of their Annually Managed Expenditure. It was paid to local authorities in reimbursement of their expenditure according to nationally-set criteria. Local authorities were reimbursed at 100% for correctly processed claims which they incurred on behalf of eligible claimants. Payments were made to local authorities on a monthly basis based on initial estimates submitted to the DWP during the year.

Expenditure on CTB more than doubled between 1997-98 and 2009-10 in nominal terms and increased by over half in real terms:



The key factor behind this increase was a rise in Council Tax levels:

Between 1997-98 and 2010-11, both council tax benefit expenditure and average Area Band D council tax have more than doubled. Even if the number of council tax benefit claimants was to remain unchanged, council tax benefit expenditure increases if

average council tax levels increase because council tax benefit depends on the overall council tax liability.³

2.3 Key statistics: May 2012⁴

Number of recipients

At May 2012 there were 5.9 million CTB recipients in Great Britain. The total number of recipients increased by 9% since May 2009.

Average claim

The average weekly award was £15.76. The average weekly award was higher for passported⁵ recipients (£16.83) and lower for non-passported recipients (£13.68).

Recipients over 65 years

2.2 million (37%) of CTB recipients were aged 65 or over; 3.7 million (63%) were aged under 65.

Households with dependent children

1.7 million (29%) recipients were families with dependent children; of these 1.1 million were single parent families.

Passported status

2.0 million (34%) of recipients were standard claims (non-passported); the remaining 3.9 million (66%) were passported. The passported benefit of recipients could be further broken down:

- 1.1 million receiving Income Support;
- 0.6 million receiving Job-seeker's Allowance;
- 0.5 million receiving Employment and Support Allowance; and,
- 1.6 million receiving Pension Credit.

3 The rationale for localising support

The rationale for localising assistance with Council Tax payments was set out in the August 2011 consultation paper, *Localising Support for Council Tax England*:

- To give local authorities a greater stake in the economic future of their local area, and so support the Government's wider agenda to enable stronger, balanced economic growth across the country.
- To provide local authorities with the opportunity to reform the system of support for working age claimants. In particular it will enable local authorities to align the system of support for working age households much more closely with the existing system of council tax discounts and exemptions, simplifying the complex system of criteria and allowances.

³ CLG, *Local Government Finance Bill: Localising support for council tax – impact assessment* (updated), June 2012 p6

⁴ DWP. *Housing Benefit and Council Tax Benefit caseload*, August 2012

⁵ Recipients of certain means tested benefits are "passporting" through to receipt of full CTB.

- To reinforce local control over council tax. Enabling decisions to be taken locally about the provision of support with council tax is consistent with a drive for greater local financial accountability and decision-making, including the Government's proposals for local referendums on council tax levels.
- To give local authorities a significant degree of control over how a 10 per cent reduction in expenditure on the current Council Tax Benefit bill is achieved, allowing councils to balance local priorities and their own financial circumstances. Reducing the costs of support for council tax is a contribution to the Government's vital programme of deficit reduction. Localisation is intended to help deliver savings of around £500m a year on the current Council Tax Benefit bill across Great Britain.
- To give local authorities a financial stake in the provision of support for council tax. This reform will create stronger incentives for councils to get people back into work and so support the positive work incentives that will be introduced through the Government's plans for Universal Credit.⁶

4 The Local Government Finance Act 2012 - overview

Section 10 has added a new section 13A to the *Local Government and Finance Act 1992* so that, in respect of dwellings in England, a person's liability to pay Council Tax will be reduced in accordance with the billing authority's Council Tax Reduction Scheme. Liability may be reduced "to such an extent as the billing authority thinks fit." Billing authorities can apply a reduction in particular cases or by determining a class of case. Liability for Council Tax can be reduced to nil.

Billing authorities are the default lead authorities for Council Tax support schemes although they are able, under their existing powers,⁷ to collaborate with other billing authorities to develop joint schemes, or develop schemes on behalf of one or more other authorities, or allow an upper-tier authority to develop a scheme on behalf of one or more billing authorities. They were required to have a Council Tax Reduction Scheme in place by 31 January 2013 for implementation in the 2013-14 financial year.

The framework within which billing authorities must devise their Council Tax Reduction schemes is contained in Part 1 of Schedule 4 to the Act. This Schedule provides that the following matters *must* be included in an authority's scheme:

- a description of the classes of person entitled to a Council Tax reduction;
- details of the reductions which are to apply to those classes (different classes of persons may be entitled to different reductions);
- the procedure under which a person may apply for a Council Tax reduction; and
- an appeals procedure covering decisions over entitlement to a reduction and the amount of any reduction due.

Authorities had to conduct a consultation exercise before preparing their Council Tax Reduction Schemes. Consultation had to involve any major precepting authority⁸ and such

⁶ CLG, *Localising Support for Council Tax England*, August 2011

⁷ Section 101 of the Local Government Act 1972

⁸ A precepting authority is one with the power to instruct another local authority (the *billing authority*) to collect an amount from Council Tax on its behalf.

other persons “likely to have an interest in the operation of the scheme.” A draft scheme had to be published.

The Secretary of State has prescribed (by regulation) classes of persons that must be covered by a scheme and the reductions that must apply to them: The [Council Tax Reduction Schemes \(Prescribed Requirements\) \(England\) Regulations 2012](#) (SI 2012/2885) came into force on 27 November 2012.

Responses to the August 2011 consultation exercise gave “broad support” to the retention of support for pensioners through a national “rules-based” approach. The Government said it did not intend to use its power to prescribe support for groups other than pensioners.⁹

Schedule 4 sets out the type of considerations an authority might take into account in deciding which classes of person are entitled to a reduction, including:

- capital and income levels of the person liable to pay Council Tax;
- capital and income levels of other residents in the dwelling;
- the number of dependents of the person liable or other residents; and
- whether the person has applied for a reduction.

A reduction may take the form of:

- a discount calculated as a percentage of the amount of Council Tax due;
- a fixed discount set out in the scheme or calculated in accordance with the scheme;
- an amount of Council Tax to be paid (lower than that payable if not for the reduction scheme) which is set out in the scheme or calculated in accordance with it; or
- the whole amount of Council Tax (so the amount payable is nil).

The Secretary of State has retained a power to prescribe (by regulation) “other requirements for schemes”. This may cover matters such as classes of persons which must or must not be included; the minimum/maximum level of reductions; and matters relating to the application procedure.

The Secretary of State has prescribed a default scheme which will have taken effect from April 2013 where a billing authority failed to make a scheme on or before 31 January 2013. The [Council Tax Reduction Schemes \(Prescribed Requirements and Default Scheme\) \(England\) Regulations 2012](#) (SI 2012/2886) came into force on 18 December 2012. This default scheme retains the criteria and allowances previously in place for CTB. Authorities had an incentive to avoid the imposition of a default scheme as “this will limit their ability to adjust awards to manage the funding reduction.”¹⁰

Authorities can revise or replace their schemes in preparation for the start of each financial year. They may not make in-year revisions. Transitional arrangements must be put in place where revisions result in a reduction or removal of assistance for a class or classes of

⁹ CLG, [Localising support for council tax in England: Government’s response to the outcome of consultation](#), 19 December 2011, para 3.9

¹⁰ *Ibid* para 3.18

persons. 55% of respondents to the consultation exercise agreed that it should be possible to adjust schemes annually.¹¹

Two or more authorities can work together to deal with deficits in the billing authority's collection fund. Arrangements can involve one billing authority making payments to another or variations in payments or instalments due.

The Secretary of State can require billing authorities to provide information. Authorities are required to have regard to guidance issued by the Secretary of State in exercising their functions.

5 Transitional Grant Scheme

On 16 October 2012 the Government announced new funding for local authorities of £100m to "support them in developing well-designed council tax support schemes and maintaining positive incentives to work."¹² The accompanying press release contained the following information about this scheme:

As councils draw up their local schemes, it is clear that many are delivering savings using their local flexibilities and discretion, without unfairly increasing the burden on those who are currently on benefits. Equally, there are some councils which are asking for very large additional contributions from those on benefits.

The new £100million transition grant will seek to encourage best practice. The voluntary grant will be available to councils (billing and major precepting authorities) who choose to design their local schemes so that:

- those who would be on 100 per cent support under current council tax benefit arrangements pay between zero and no more than 8.5 per cent of their council tax liability;
- the taper rate does not increase above 25 per cent;
- there is no sharp reduction in support for those entering work - for claimants currently entitled to less than 100 per cent support, the taper will be applied to an amount at least equal to their maximum eligible award.

In allowing flexibility over aspects of the scheme, we would not expect local authorities to impose large additional increases in non-dependant deductions. Councils will rightly want to avoid collecting small payments, and it may consequently be better value for money for councils to avoid designing schemes which seek to do so.

The amount of funding for which councils will be eligible to apply and the timescales and process for making an application will be published shortly. We anticipate that councils will make applications after 31 January 2013, and that funding will be paid in March 2013. The grant will be a simple one, easy to apply for and swiftly paid out, to help those councils who choose to do the right thing.¹³

The Institute of Fiscal Studies (IFS) criticised various aspects of this announcement:

Just last week - two years after the policy was originally announced, less than four months before local authorities have to finalise their new schemes, and only a week before the third reading of the bill in the House of Lords - new proposals have been

¹¹ *Ibid* para 3.15

¹² CLG, [Localising Council Tax support](#), 16 October 2012

¹³ *ibid*

forthcoming. In a ministerial statement a **£100 million package was announced**. This money – which amounts to a fifth of the total planned savings – will be available to councils whose schemes meet a particular set of criteria that the government considers “best practice”. It will, apparently, be available for one year only.

Councils will be eligible for the money if nobody currently on full CTB ends up paying more than 8.5% of their council tax liability (in practice, the costs of collecting such small amounts from very low income households who are not used to paying council tax mean that councils may well prefer to give a full rebate to such households); if the rate at which the benefit is withdrawn as income rises is no higher than 25% (compared with 20% at the moment); and if there are no “cliff edges” in the system.

Even with an extra £100 million to soften the blow, it is hard to see how most councils could design schemes that meet these criteria within the reduced funding intended for council tax support. So it looks as if the government is aiming to pay councils not only to design schemes that the government likes, but to design schemes that don't cut support as much as councils' funding is being cut, leaving them to make up the shortfall from elsewhere in their budgets.

It is hard to square this development with a policy whose stated aim was to devolve responsibility. And why the additional money should be appropriate in the first year of the policy and not later is unclear. But perhaps most worrying is what this says about the policy-making process. The potential downsides that the government seems to be trying to ameliorate – losses for the poorest households and weakening of work incentives – have been obvious to many observers for a long time. Yet this announcement has come very late in the process. The bill had already completed its passage through the House of Commons and scrutiny by a committee of the Lords had finished: last week's announcement came on the eve of a key Lords debate on amendments to the bill, and just a week before the third reading in the Lords. Many councils have already been running public consultations on draft proposals (as the bill requires them to do) yet are now being incentivised to change their proposals at the last moment – perhaps only to revert to their original plans when this extra funding is withdrawn a year later.

The case for well thought through reform of the welfare system is overwhelming. The dangers of less fully considered reform - as this one appears to be - are considerable.¹⁴

During the Report stage of the *Local Government Finance Bill* in the House of Lords Lord McKenzie criticised the timing of the announcement¹⁵ and asked about the implications for councils that were already consulting on their draft schemes. Baroness Hanham advised that councils would have to decide whether to re-consult:

It is very unlikely that that will be necessary because they will have a scheme that is slightly better than the one they were looking at, but it is up to them.¹⁶

6 Comment

6.1 Funding & financial risk

A great deal of concern around localisation of Council Tax support is focused on the fact that authorities are expected to deliver schemes of support with a reduced and cash-limited

¹⁴ IFS, *Late changes to Council Tax Benefit reforms*, October 2012

¹⁵ HL Deb 16 October 2012 c1387

¹⁶ HL Deb 16 October 2012 c1396

budget. The [impact assessment](#)¹⁷ identified a key risk around future need for Council Tax support:

If demographic changes or economic circumstances mean that eligibility for council tax support increases significantly then the consequence of switching from Annually Managed Expenditure to Departmental Expenditure Limits will be that authorities bear more of the risk of a shortfall in funds.¹⁸

The Chartered Institute of Housing (CIH) opposed localisation of support for this reason:

CIH is opposed to the localisation of Council Tax Benefit (CTB) as proposed in the consultation. We are extremely concerned that localisation will mean that funding for CTB is switched from Annually Managed Expenditure (AME) to Departmental Expenditure Limits (DEL). Although this is a technical change it is a very significant one: it means that spending will no longer rise to meet the demand from changes in the caseload as it rises and falls in line with the economic cycle. Funding for CTB will change from being a demand led system to one that is cash limited. In other words CTB awards will be squeezed precisely at the point at which there is the most need for help amongst low income households.¹⁹

The Local Government Association (LGA) supported localisation in principle but argued that councils were not being given discretion to influence the distributional impact of the Council Tax in line with local priorities:

On the contrary, it creates an almost impossible problem for councils by linking localisation to a 10% funding cut and severely limiting councils' discretion in how they pass that cut on to current Council Tax Benefit claimants by mandating the protection of current and future pensioners. For some councils, spending on non-pensioner, non-vulnerable claimants is less than a 10% spending cut would amount to: it is not clear how those councils are expected to be able to implement the policy at all.²⁰

The House of Commons Scrutiny Unit estimated the impact of a 10% cut to CTB with protection for over 65s using DWP figures²¹:

This simplified illustration is based on the average of monthly 2010–11 figures and assumes no changes to recipient numbers:

Annual CTB bill of £4.817 billion, with 5.8 million recipients:

- CTB recipients over 65: 2.2 million at average claim £835.33 per year = £1.857 billion
- CTB recipients under 65: 3.6 million at average claim £825.33 per year = £2.960 billion

If total CTB bill to be cut by 10% to £4.335 billion:

- CTB recipients over 65: 2.2 million at average claim £835.33 per year = £1.857 billion

¹⁷ CLG, [Local Government Finance Bill: Localising support for council tax – impact assessment](#) (updated), June 2012

¹⁸ *Ibid* p2

¹⁹ CIH [Response to Localising support for Council Tax](#), October 2011

²⁰ LGA [Response to localising support for Council Tax](#), October 2011

²¹ [House of Commons Scrutiny Unit](#) based on DWP figures at: http://research.dwp.gov.uk/asd/asd1/hb_ctb/hbctb_release_jul11.xls

- CTB recipients under 65: 3.6 million at average claim £691.02 per year = £2.478 billion

Non-pensioners would therefore face an average cut of 16% in their council tax support. Protection for other vulnerable groups, for example those who currently receive 100% Council Tax Benefit, would exacerbate this effect.²²

The LGA and other respondents asked for consideration to be given to the relief offered in the form of Council Tax exemptions and discounts and questioned what flexibilities councils might be given in these areas.²³ LGA concerns around funding were echoed in the responses of the District Councils' Network (DCN) and London Councils. Research by the latter concluded that London would have faced a shortfall in funding of £400m in the five year period up to 2009-10 had the proposals been implemented at that time.²⁴ The DCN and others called for the annual refresh of grant to include an uplift to reflect changes to Council Tax levels:

This would provide some protection against increased financial pressures and help provide stable schemes for those already faced with cuts in local support.²⁵

When asked by the Communities and Local Government Select Committee whether councils would be expected to pass on the 10% reduction to claimants or find the money from other budgets the Minister, Grant Shapps, said:

...that is old-school thinking in a sense, because it says that a local authority has no control over what happens in its authority boundaries, what economic activity is like, whether there is growth in the area, whether those business rates are kept, and the New Homes Bonus and the rest of it. [...] What we propose here is a way of achieving a 10% reduction and, at the same time, through giving local authorities a stake in the economic activity, and therefore in the welfare of their citizens, the opportunity to reduce that bill, not by unfairly not paying people who are vulnerable and need it— the White Paper makes very clear that they will be protected—but ensuring that there is a definite interest in starting up that new industrial estate, business park and getting economic activity going so there are jobs [...] if somebody is in work they will not be receiving the [CT] benefit because they will not need to. [...] The culture of 'Let them rot in the houses while we pay them benefit' must come to an end. We have to do this more intelligently and involve the local authorities in the economic activity and success of their areas. Bluntly, I do not think that is worth 10%; it is actually worth a lot more to local authorities, because suddenly they get something back for making sure they are looking after their residents.²⁶

The Select Committee was not persuaded by these arguments:

We have seen little evidence to support the hope that new and better-paying jobs for individuals, immediately sufficient to off-set the 10% reduction in the benefit budget, will inevitably follow from these incentives; the means of economic growth are never solely in the gift of individual local authorities. We have commented in a previous report that councils would have welcomed more involvement in the development of the Work Programme to improve their capacity to tackle worklessness. It is not at all clear that the supposed incentives of the new council tax support system will make local

²² HC 1406, October 2011, Table 1, p20

²³ Lord Best tabled amendments supported by the LGA to give authorities discretion to revise Council Tax discounts and exemptions in Grand Committee and on Report (see sections 7.8 and 7.9 of this note).

²⁴ London Councils, [Council Tax changes won't benefit Londoners](#), 14 December 2011

²⁵ District Councils' Network, [Response to localising support for council tax](#), October 2011

²⁶ HC 1406, October 2011, para 41

authorities feel that they are partners with central government in the achievement of economic development.²⁷

The Government response to the Select Committee's comments is reproduced below:

The Government believes that this reform will give local authorities a financial stake in the provision of support for Council Tax, and a strong interest in helping to move local taxpayers into work, and reduce dependence on support. It will therefore be in the interest of local authorities to ensure that local schemes support the improved work incentives to be delivered through Universal Credit, which will be crucial in supporting local authorities in their efforts to increase employment and drive local growth.

As the Government response to consultation sets out in more detail, local schemes of support for Council Tax will be implemented shortly before the introduction of Universal Credit begins in October 2013. Universal Credit will bring together different forms of income-related support and provide a simple integrated benefit for people in or out of work. It will provide a basic income for people out of work covering a range of needs including helping with housing costs and simplifying the welfare system to make work pay and combat worklessness and poverty.

The Government Work Programme providers are already working closely with local authorities in many areas to align support and ensure local strategic employment objectives can be met. Through active partnership working providers will be bringing in to their supply chains those who can best support individual need whilst looking to service the requirements of the local economy.

Research has indicated that areas with high numbers of benefit recipients will benefit from support through the work programme. The Government expects that the incentives for providers to achieve sustained job outcomes are such that higher numbers will in turn find and keep a job, having a knock on effect to the services they currently receive from their local authority.

Using funding from the European Social Fund, the Department for Work and Pensions has also recently let contracts in England for the delivery of support to families where there are multiple problems and a history of worklessness. The success of this work heavily depends on the Department for Work and Pensions providers working with local authorities who have the lead in identifying those families that would benefit from this provision.

The Government is also exploring how to enable closer working between Work Programme providers and local authorities, through improved data sharing.²⁸

The Government's [impact assessment](#) stated that authorities would have some discretion over how savings are to be realised in order to cope with the 10% funding cut.

As well as being able to choose – through the design of their scheme – whether some awards should be reduced, thereby increasing the amount of council tax the authority collects from some current welfare claimants, authorities may also choose to realise the saving in other ways. This could be through reconfiguring funding for other services through efficiency savings, using reserves, or using flexibility over council tax. The

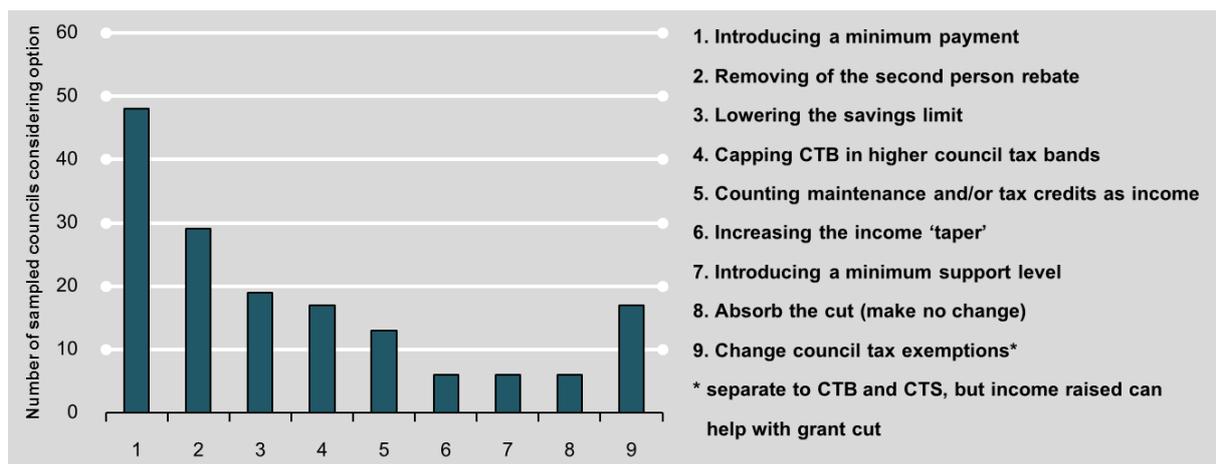
²⁷ HC 1406, October 2011, para 44

²⁸ CLG, [Localising support for council tax in England: Government's response to the outcome of consultation](#), January 2012, Cm 8272, paras 36-41

effect of any one of these decisions could enable local authorities to lessen the reduction in support to vulnerable working age claimants.²⁹

The [impact assessment](#) contained modelling information on potential budget pressures for local authorities and set out various scenarios assessing the impact on claimants and work incentives of the 10% cut in funding.

The New Policy Institute published some early findings on councils' approaches to tackling the 10% funding reduction in September 2012.³⁰ Having considered the proposed schemes published for consultation by 64 councils, the Institute found that three quarters were proposing that all working-age households would pay at least some Council Tax. Typically, councils were proposing a minimum contribution of 20% from all working-age adults claiming assistance with their Council Tax payments. The graph reproduced below shows how many of the sampled councils were proposing a particular option. The Institute advised that most councils were proposing to implement a mixture of several options, not just one:



During the Report stage of the Bill in the House of Lords, Lord McKenzie referred to a survey of 200 councils conducted by the LGA which found that 90% were seeking a minimum payment from working-age claimants with half seeking a minimum payment of 20%.³¹

A further area of risk for local authorities in a fixed funding environment, in addition to demographic changes, localised job shocks and the impact of a general economic downturn, is that of increased take-up. The DWP estimated that in 2008-09 between 57-66% of eligible pensioners actually claimed CTB compared with 74-88% of working age claimants.³² A system where relief is delivered through automatic entitlement may increase take-up rates, leading to further pressures on local authority budgets.

The Select Committee recommended that the Government provide some means of flexible funding "to ensure that increased take-up does not result in local authorities either rationing support or raiding other budgets in-year to fulfil the terms of their council tax support

²⁹ CLG, [Local Government Finance Bill: Localising support for council tax – impact assessment](#) (updated), June 2012

³⁰ New Policy Institute, [Localising Council Tax Support: A Briefing Note On Local Authorities' Plans](#), September 2012

³¹ HL Deb 16 October 2012 c1388

³² CLG, [Local Government Finance Bill: Localising support for council tax – impact assessment](#) (updated), June 2012, para 67

scheme.” The Committee concluded that fixed grant funding would act as a disincentive to councils to improve take-up rates for Council Tax support.³³

The Government response to the Committee stated:

To help whilst the localised schemes bed in, the Government proposes to set grant allocations on an annual basis for the first two years following introduction, allowing new allocations to be set for 2014-15 if required. This will balance the certainty requested by local authorities with the recognition that there is a need for flexibility in the early years.³⁴

Responses to the 2011 consultation exercise from local government organisations also raised the challenges they may face in collecting Council Tax from residents who have never had to pay it before:

The 10% reduction in Council Tax Benefit cost will be passed on to existing working age claimants who are not defined as ‘vulnerable’. All local authorities have difficulty collecting Council Tax from residents on minimal levels of income. There are similarities with the Community Charge where full rebate was removed for poorer residents and local authorities had to collect from people who had never had to pay before. Evidence shows that arrears levels are highest where residents are on minimal levels of income. The current proposals will result in an increase in Council Tax payers being taken to court and more use of bailiff powers to collect outstanding Council Tax. A potential solution to this problem would be to legislate to allow recovery powers for Council Tax to be expanded to other welfare benefits so that arrears can be deducted at source.³⁵

While representative bodies of local authorities acknowledged that there is scope for risk sharing across local authority boundaries, the overriding view was that there was a need for further debate around the sharing of risk between central and local government. The increase in claimant numbers in recent years was cited as evidence of the volatility of expenditure on this area. There was a view that if the overriding objective is to reduce the budget, a simpler way to achieve this would be to retain a national scheme which delivered the necessary savings but which would achieve consistency across council boundaries.³⁶

6.2 Localism in practice

Respondents questioned the level of central direction that would dictate the design of local schemes of support. The need to protect pensioners and work incentives at the same time as delivering a 10% reduction in expenditure would, it was argued, act as considerable constraints on scheme design.

London Councils commented on what it viewed as an “absence of true localism” within the proposals:

London Councils is a strong supporter of devolution and localism. It believes that boroughs should be at the heart of their local economies and communities and elected members with their democratic mandate are best placed to respond to the needs of their local communities. Whilst we believe that local government should strive for, and

³³ HC 1406, October 2011, para 48

³⁴ CLG, *Localising support for council tax in England: Government's response to the outcome of consultation*, January 2012, Cm 8272, para 44

³⁵ Association of North East Councils, *Response to localising support for council tax*, October 2011

³⁶ District Councils' Network, *Response to localising support for council tax*, October 2011

be given, greater devolved power and flexibility, new burdens and responsibilities must be transferred in a manner that is transparent, fair and “fully and properly funded.”

London Councils is concerned that these proposals do not meet these fundamental requirements. With so many of the scheme parameters fixed and protection dictated by central government for a number of groups, there will be little scope for local authorities to have truly responsive and local schemes. The consultation has a very narrow focus with many of the existing discounts and exemptions within the current council tax system excluded from the debate. London Councils believes that any consultation on council tax support should address each and every feature of the current system rather than the narrow range of features the Government has chosen to consider. Given these limitations, it remains very difficult to envisage how any local scheme will be truly local and differ significantly from the current national scheme and the status quo.³⁷

The Chartered Institute of Public Finance and Accountancy (CIPFA) called for authorities to have maximum discretion to manage eligibility and other criteria in order to enable them to mitigate some of the risks involved in localising Council Tax support with a reduced budget.³⁸

The Communities and Local Government Select Committee expressed scepticism over the level of local control that councils would actually have:

We agree that it is desirable for local authorities to be able to—in the Minister’s phrase—“control their destiny”, but the Government should not pretend that control over diminished resources, within centrally-imposed constraints, is unproblematic. Nor can it be considered a great advance for the policy of localism. The proposals for the localisation of council tax support seem to us to provide an illusion of delegation with a minimum of real discretion, virtually guaranteeing that the funds available to support working-age unemployed people will be squeezed.³⁹

The Government’s response repeated the statement in the impact assessment on local authority discretion over how savings could be realised in order to cope with the 10% funding cut and added:

In addition to this, as the Government response to [2011] consultation sets out, the Government is also minded to base grant distribution on previous shares of expenditure in the early years and will consider what, if any, provision needs to be made for authorities who may face the greatest pressures.⁴⁰

6.3 Links with Universal Credit

The decision to localise support for Council Tax instead of including it as part of Universal Credit was questioned. During the Commons Committee stages of the *Welfare Reform Bill* Stephen Timms, for the Opposition, described the omission of CTB from Universal Credit as a “serious blow to the prospects for effective welfare reform.”⁴¹ Baroness Hollis moved an amendment to the Bill in Grand Committee⁴² and at Report Stage (House of Lords) to provide for the inclusion of assistance with Council Tax payments within Universal Credit. Amongst other arguments, she stressed that having a separate system to determine help with Council Tax payments would undermine the work incentives within Universal Credit:

³⁷ London Councils, *Response to localising support for council tax*, October 2011

³⁸ CIPFA, *Response to CLG consultation on localising support for council tax*, October 2011

³⁹ HC 1406, October 2011, para 43

⁴⁰ CLG, *Localising support for council tax in England: Government’s response to the outcome of consultation*, January 2012, Cm 8272, para 35

⁴¹ PBC 28 April 2011 c557

⁴² HL Deb 6 October 2011 cc369-73GC

Finally, what you will get in CTB will, of course, be determined by your income. Families facing the means test of universal credit will now find that they also face a second means test—that of CTB. How on earth will the value of moving into work be calculated, which is what universal credit is all about, when people face two means tests, two tapers—one with national rules and one with 400 separate local rules—that are layered on top of each other? As the noble Lord, Lord German, rightly said in Committee,

"if you believe in a universal credit, and you have a postcode lottery for what that amount of money might mean to you, how on earth are you going to be able to judge whether or not work is beneficial for you?".-[*Official Report*, 6/10/11; col. GC 381.]

Exactly so; I could not have put it better.

UC was designed to bring all working-age benefits together into one so that every one of us would know what we would get and why work paid. Under the localism agenda, Council Tax Benefit—a social security benefit—is being plucked out of UC, thereby destabilising it and balkanising the system.⁴³

Lord Freud, responding for the Government, said that the time had passed for the inclusion of CTB within Universal Credit.⁴⁴ Baroness Hollis pressed her amendment to a division where it was defeated by 182 votes to 152.

The Communities and Local Government Select Committee considered the implications of keeping support for Council Tax separate from Universal Credit. Dr Peter Kenway of the New Policy Institute told the Committee that if localised schemes for Council Tax support were to preserve the 65% withdrawal rate of Universal Credit they would need to be designed by the Department of Work and Pensions.⁴⁵ Professor Paul Gregg of the University of Bristol was questioned on the impact of a separate taper for Council Tax support by the Public Bill Committee on the *Welfare Reform Bill*:

Professor Gregg: Yes, this is a bit ugly. The first point of it being outside and subject to a second taper is that you have a supplementary taper system on top, which is unhelpful. The second is that one of the key features of the universal credit is the idea of simplicity, relative transparency and a single system, and potentially we will have 150-odd different variants set by local authorities for the Council Tax Benefit. That jars with the fundamental logic of a universal credit. Taking part of the system, sticking it outside and making it highly diverse does not fit well with the idea of simplification and transparency. I think that that is a mistake and that you should try and get it inside. At the very least, you should have the same definitions of income, so that things can be transparent and to minimise the extra complexity that might arise out of having highly diverse local variations in a system.

Q 167 Stephen Timms: But what about if you were to fix the taper rate for local authorities at 65% or the same—

Professor Gregg: You would still have a problem of trying to integrate it with the universal credit. Does it come before the rest of the universal credit in terms of the taper? That is not easy when you have something assessed separately. That is occurring in other areas too, where you have things potentially outside, but there is a certain logic of replicating as much of the universal credit system as within the Council

⁴³ HL Deb 12 December 2011 c1061-62

⁴⁴ HL Deb 12 December 2011 c1067-68

⁴⁵ HC 1406, October 2011, para 35

Tax Benefit system to try and reduce the complexity. Obviously, the simplest one would be to get it inside and subject to the same rules as the rest of the system.⁴⁶

The idea that support for Council Tax should be part of the Universal Credit was not supported by all respondents. For example BenX, a group made up of a number of local authorities with a particular interest in benefits reform, said:

...if Council Tax Benefit were to be included with Universal Credit, a complicated process for paying direct to Local Authorities would need to be put in place, or if paid direct to the customer, Local Authorities would have to collect 100% of Council Tax, which would lead to soaring arrears.⁴⁷

6.4 Work incentives

In addition to the potential impact on work incentives of keeping support for Council Tax payments outside of Universal Credit, respondents commented on the likelihood of the 10% cut falling mainly on the “working poor”:

The proposals do not fit well with the Government’s wider objectives to make work pay, especially the policy to take the lowest paid out of tax. Under the CTB reform proposals cuts will be made to benefits payable to individual households, but pensioners and ‘vulnerable’ households will be protected from these cuts. This means the whole of the 10% saving which local authorities must make will fall on the unprotected group – who are mainly the working poor. If we assume that ‘vulnerable’ includes all those currently on passport benefits then those households who are not protected will face at least a 40% cut in their CTB. In many cases the gains made by the working poor from the recent £1000 increase in the personal allowance for income tax will be completely wiped out by the reduction in CTB. We firmly believe that taxation should be based on the ability to pay. Therefore the criteria for relief should be set on a national basis rather than being determined by where you live.⁴⁸

London Councils questioned the extent to which local authorities would be able to create stronger incentives to get people back to work:

Government has removed many of the direct levers local authorities have over employment programmes. The Government has centralised the commissioning and delivery of mainstream employment programmes such as the Getting Britain Working initiatives and the Work Programme. In the latter, large private sector providers have been commissioned to deliver programmes across large areas. In London, each Contract Package Area covers 16 and 17 London boroughs respectively. Local flexible funding from Government, such as Working Neighbourhoods Fund, has ceased.

London boroughs remain committed to increasing employment locally and many still run local employment schemes using their own funding. However, these are much smaller in scale than the mainstream government initiatives over which local government has no direct influence. Should the Government go ahead with localising Council Tax Benefit, London Councils would like to discuss how boroughs can have more direct influence over mainstream employment programmes.⁴⁹

The Association of North East Councils said:

⁴⁶ PBC 24 March 2011 c96

⁴⁷ HC 1406, October 2011, Ev 21

⁴⁸ CIH *Response to Localising support for Council Tax*, October 2011

⁴⁹ London Councils, *Response to localising support for council tax*, October 2011

The consultation also appears to be based on the fundamental assumption that local authorities need an incentive to help get people back into work and that reducing levels of benefit offers the best mechanism to do so. This is a very simplistic view which does not fully acknowledge the complex reasons why people are not in work and the limits on local authorities in being able to address this matter. Some areas have difficulty in attracting investment due to location or other infrastructure issues, which in turn has an impact on the number of local job opportunities.⁵⁰

DCLG published guidance in December 2012 to aid authorities in designing schemes that support positive incentives to work: *Localising support for Council Tax: taking work incentives into account*.

6.5 Timescale

The Communities and Local Government Select Committee's report said that "the timescale of the change is the aspect of the reforms that attracted perhaps the most widespread criticism in submissions."⁵¹

The gap between the announcement in the 2010 Spending Review and the publication of the consultation document in August 2011 was criticised. Reference was made, during consideration of the *Welfare Reform Bill* in Parliament, to the problem of legislating to enable the abolition of CTB before any information on what might replace it was available.

The Select Committee emphasised the need for a robust replacement to CTB and recommended that consideration be given to a delayed introduction:

56. Consultation at a stage in the process where responses are genuinely able to determine outcomes is of course to be welcomed. But it is regrettable that so much time was allowed to pass between the initial announcement about localisation of council tax support and the publication of a document that invites views but gives very little additional detail about the changes ahead. **By the time the Department's response to the consultation is published, there will be little more than a year for local authorities to design and implement their council tax support schemes, which is an extremely challenging timeframe. Too much time has been lost. The Government needs to consider that, even if local authorities prove technically capable of establishing new schemes to the original timescale, it might not be wise to press ahead so hastily. Reform of Council Tax Benefit will affect a huge number of households, and it is vital that the systems used to deliver it are robust.**

57. Furthermore, it is unnecessarily risky to introduce a new system for council tax support at the same time as the introduction of Universal Credit and localisation of the discretionary Social Fund. Failure or delays in any part of the new welfare system could leave the most vulnerable households in a precarious position. **We recommend that the Government delay the introduction of the new council tax support system by a year or more, if consultation with local authorities indicates that this would reduce the risks inherent in introducing many complex changes concurrently.**

The Government's response emphasised the need to achieve the savings identified and rejected the suggestion of a delayed introduction:

⁵⁰ Association of North East Councils, *Response to localising support for council tax*, October 2011

⁵¹ HC 1406, October 2011, para 49

The Government is certain that the timescale for change is achievable whilst recognising that local authorities need as much time to implement this reform as possible.

The Government is committed to continuing to work with local government to ensure that schemes can be introduced by April 2013. In particular, it is keen to look at ways in which the implementation of new schemes in the short term can be made easier by using existing systems and processes, and making use of available data. The Government wishes to reduce the need for individuals to have to repeatedly provide the same information and evidence to various public sector bodies. Therefore, the Government will be seeking sufficient powers to facilitate the sharing of detailed information between the Department for Work and Pensions and local authorities and between local authorities, where appropriate and possible.

The Department for Communities and Local Government is engaging with local government on the implementation of this policy, and has two key partner groups made up of local authority representatives and professional bodies who are working through the policy elements of this reform and separately how the policy can be practically delivered.⁵²

Some respondents believed that the proposed timescale was unachievable and asked for a deferred implementation date (the legislation provided for the proposed commencement date to be amended). The challenge of getting an appropriate IT system in place in time was referred to in several responses to the 2011 consultation exercise:

The timescale is also very tight for getting an IT system in place. IT suppliers have already indicated that they need a minimum of 12 months to bring in any changes. To achieve this legislation must be brought in by the end of December 2011. However if all authorities opted for their own scheme, software suppliers would not be able to cope with the demand and implementation of 1 April 2013 would not be met. In reality existing systems would still need to interface together and would need parameters to be amended depending on the type of scheme introduced.

Development cannot start with any great certainty until model schemes have been published and that is not scheduled until early 2012. It would appear that the timescales available are not sufficient to fully develop a system to administer schemes.⁵³

CIPFA commented on the impact of uncertainty around local authority investment:

The timescale for localisation means that council tax localisation will impact on local authority resources at the same time as relocalisation of business rates which, taken together, transfer significant resource risk from central to local government. The uncertainty over resources will have an impact on local authority investment at a time when it is vital to local growth.⁵⁴

The timing of the announcement on the transitional grant scheme (see section 5) attracted criticism on the basis that councils were already well down the path of designing and consulting on their proposals for council tax reduction schemes.

⁵² CLG, *Localising support for council tax in England: Government's response to the outcome of consultation*, January 2012, Cm 8272, paras 45-47

⁵³ Association of North East Councils, *Response to localising support for council tax*, October 2011

⁵⁴ CIPFA, *Response to CLG consultation on localising support for council tax*, October 2011

6.6 Institute for Fiscal Studies Report (May 2012)

The Joseph Rowntree Foundation funded the IFS to carry out research into the localisation of support for Council Tax payments. The report, *Reforming Council Tax Benefit*, was published in May 2012 – the headline findings are reproduced below:

- While localisation of council tax support has advantages, it will create undesirable incentives for councils as well as desirable ones, and variation across the country will add to the complexity of council tax support.
- Faced with a funding cut on top of a tight Spending Review settlement, local authorities must choose whether to pass the cut on to working-age claimants of council tax support or to protect entitlements and find money elsewhere to fill the funding gap. If they decide to pass the cut on to claimants, there are trade-offs to be made and no easy options for where to reduce generosity. Any scheme which sees households with very low incomes liable for small amounts of council tax is likely to be extremely difficult to administer. That would seem to imply protecting most of those who are currently passported on to full CTB. But if that is done then either it will be very hard to find 10% savings or cuts for others will be very severe and negative consequences for work incentives will be substantial.
- Achieving coherence between council tax rebates and Universal Credit is complex. The need to make the new rebates fit with Universal Credit makes local authorities' task of designing schemes, already a difficult challenge given the tight timescale, into a truly formidable one.
- There is nothing in the Universal Credit system that will make it straightforward to identify those who should be passported onto a full council tax rebate. That could make running a council tax rebate scheme based closely on the current system extremely challenging for local authorities.
- Cutting support for council tax and localising it are two distinct policy choices: either could have been done without the other. Whether cutting council tax support for low-income families is the best way to reduce government borrowing by £500 million per year is a question that requires value judgements we are not in a position to make. But the advantages of localisation seem to be strongly outweighed by the disadvantages, particularly in the context of the welcome introduction of Universal Credit.⁵⁵

6.7 Commons Committee Stages of the Local Government Finance Bill

As noted in section 4 (above), the Act provides for a new section 13A in the *Local Government and Finance Act 1992* which means that, in respect of dwellings in England, a person's liability to pay Council Tax will be reduced in accordance with the billing authority's Council Tax Reduction Scheme.

During consideration of the Bill in Commons Committee Nick Raynsford moved amendment 79, which was taken with amendments 85, 80, 78 and new Clause 11. The amendment would have put council tax reduction schemes on the same basis as the local retention of business rates scheme, particularly by setting the baseline as the 2012-13 year. This would have had the effect of ensuring that no local authority would lose revenue when introducing the new scheme. Amendments 7, 80 and 85 would have had a similar effect. New Clause 11,

⁵⁵ IFS, *Reforming Council Tax Benefit*, May 2012

tabled by Helen Jones, would have protected local authorities from any additional costs that might fall on them during the course of the year.⁵⁶

A number of points were raised by Members during the ensuing debate:

- People in rural areas earn on average less than people in urban areas, pay £100 a head more in council tax and see urban areas getting 50% more in central Government grant than rural areas. There is also a higher average age of population in rural areas, so the impact on the rural poor of further skewing could be particularly profound. (Graham Stuart).⁵⁷
- In some areas, the cut will be far worse than £6 [LGA average figures] a week because the number of pensioners and others who are protected will be greater. In some local authority areas in my constituency, people could lose upwards of £10 a week. (Mike Hancock).⁵⁸
- Councils will find themselves bearing all the risks of the scheme, because there is to be a move from annually managed expenditure, whereby local authorities were reimbursed for correctly processed claims, to a grant—a grant, moreover, that has to come within the Government's expenditure totals. Any rise in benefit claims—any unforeseen problems such as the closure of a major employer—will mean local councils bearing potentially large costs, with no guarantee of reimbursement from the Government. (Helen Jones).⁵⁹
- At the moment, certainly in my constituency of Meon Valley, several parish councils take in council tax—or rather in precept—pretty much the same as the district council. As far as I can see from the Bill and the consultation on the Bill, there is no provision to pay any of the grant for reducing council tax to parish councils. There is mention of district councils, first-tier councils and precepting authorities such as fire authorities and the police, but as far as I can see there are no arrangements to compensate councils at parish council level for moneys they might forgo because people require council tax benefit. It seems to me that this issue needs to be dealt with. (George Hollingbery).⁶⁰
- Members noted that if pensioners are protected, the burden will have to be picked up by others, who may be on low incomes. That is not necessarily the case, because we do not know what the new freedoms will generate, and they may generate sufficient funds to make up the gap. As a result of the proposals, Bradford faces a £4 million loss in council tax. The figure for the funding that will be generated from the new-found freedoms, if they are extended to new areas, is actually very substantial, and it is not far off that £4 million figure. (David Ward).

Andrew Stunell responded:

The amendments have one fundamental problem: they make it impossible to secure a reduction in Government expenditure on council tax support. Even the Opposition have conceded that those savings must be made in order to tackle the deficit. Spending on

⁵⁶ HC Deb 31 January 2012 c716-7

⁵⁷ *Ibid* c722

⁵⁸ *Ibid* c722

⁵⁹ *Ibid* c730

⁶⁰ *Ibid* c735

council tax benefit has risen from £2 billion in 1997 to £4 billion, and it is essential to bring that back under control. The savings from localisation are a vital contribution to deficit reduction, and it is essential that we have a credible deficit reduction plan. I understand the points of view expressed. It would be much easier to have this scheme without deficit reduction, but it is an unavoidable part of the scheme.⁶¹

He said:

Amendment 85 would require the Government to carry out a new burdens assessment on their allocation of grant, but the Government have already committed to consult on their proposals for distributing the grant. We must be clear that local authorities have to make choices, but they will be able to choose whether to pass on the reduction to council tax payers, to use the flexibility over council tax, which my hon. Friend the Member for Bradford East mentioned, or to manage the reductions within their budgets.

To the best of my reckoning, 12 local authorities come within the constituencies of Members who have spoken in this debate, and 10 of those local authorities are in a position whereby if they were to take advantage of the new flexibilities over second homes and empty homes, they would achieve an income increase exceeding the 10% reduction in their council tax benefit grant.⁶²

The Committee divided on amendment 79; it was negated by 233 to 291.

Helen Jones moved amendment 66, which was taken with amendments 49, 59, 60, 67, 56, 68, 54, 57, 58, 70, and 71. This series of amendments would have required local authorities to carry out consultation exercises and to take account of various factors, such as the impact of recipients of council tax benefits, when devising their schemes. She explained:

This group of amendments deals with the impact of the proposed changes in council tax benefit on some of the poorest people in the country. One of the keys to this issue is something that we started to debate when discussing the previous group of amendments—the fact that people in the same circumstances will no longer receive the same type of benefit. Entitlement will depend on where a person lives and on the population of that area. That is a major change to the way that we treat people in this country. The circumstances of someone who lives in Birmingham could be exactly the same as those of someone living in Bradford, but their benefit could now be different. Someone who lives in Chichester could be treated differently from someone who lives in Carlisle.

The basic unfairness is staggering, especially when combined with a 10% cut in the funding available to local authorities. As we heard in respect of the previous group of amendments, there has been a switch from annually managed expenditure, whereby local councils were reimbursed for correctly processed claims, to grants that will have to come within the departmental expenditure limits. The impact is clear: far from achieving the Government's stated grand aim in the consultation—to "give councils increased financial autonomy and a greater stake in the economic future of their area"—the measure simply transfers the financial risks to local councils and hits the poorest people hardest, especially the working poor. What is frequently forgotten in this

⁶¹ *Ibid* c744

⁶² *Ibid* c745

debate, not least by the Government, is that many people receiving council tax benefit are in work.⁶³

A number of Members raised similar concerns:

- Does my hon. Friend agree that, contrary to the impression given by the Minister in his winding-up speech on the previous group of amendments—that use of the flexibility on second homes, and growing the economy, could make up the difference—the only option available to most councils is to raise council tax and that councils with a high proportion of band A properties will be at a severe disadvantage when it comes to the amount of money they will be able to raise? (Kevan Jones).⁶⁴
- The Institute for Fiscal Studies predicts that as a result of the changes in council tax benefit, individual councils could reduce the benefits to such an extent that it would encourage low-income people to move out of the area. The think-tank also points out that the changes would create a complex, two-tier benefit system, with both local and central Government setting policy. (Alex Cunningham).⁶⁵
- If people who find that they are not in receipt of council tax benefit after the measure is introduced feel that their local authority has discriminated against them, that will doubtless lead to court cases. Again, the costs will fall on local authorities. (Kevan Jones).⁶⁶

Annette Brooke suggested there was no need for the amendments:

The Child Poverty Act 2010 imposes a duty on local authorities to have regard to and address child poverty and, with their partners, to reduce and mitigate the effects of child poverty in their local area. The Disabled Persons (Services, Consultation and Representation) Act 1986 and the Chronically Sick and Disabled Persons Act 1970 include a range of duties relating to the welfare needs of disabled people. The Housing Act 1996 places on local authorities a duty to prevent homelessness, with special regard to vulnerable groups.

Given that local authorities have those duties on them, is there any need to propose the amendments? These issues are important for the very reasons that have been identified—the 10% cut, the different numbers and proportions of pensioners in different authorities and the different balances that mean that some authorities could get more money through the changes to discounts for second homes and empty homes. Some authorities will have great difficulty in protecting vulnerable people. The number could be quite small, but that possibility is there because of the different demographics of different areas.⁶⁷

David Ward rejected the Opposition's arguments:

I anticipate that any local authority worth its salt would have regard to all the things proposed in the amendments. In fact, that will differentiate good local authorities from bad ones, but it is not for the Secretary of State to specify those things, or indeed for us to do so through legislation, which frankly would be patronising and very centralist. As we said many times in relation to the Localism Bill, people have a right to judge at

⁶³ *Ibid* c753

⁶⁴ *Ibid* c754

⁶⁵ *Ibid* c762

⁶⁶ *Ibid* c769

⁶⁷ *Ibid* c761

the ballot box whether their authorities are doing what they should be doing—it is not for this House to tell them.⁶⁸

Responding to the debate, Andrew Stunell said:

... there is to be a reduction in the funding of council tax benefit support. That is not in dispute. My point—and the point the Government are making—is that local authorities have additional income streams open to them in later parts of the Bill. They also have the opportunity to tailor their schemes to suit their local circumstances, and if they choose to draw resources from other parts of their income streams, it is open to them to do that.⁶⁹

He noted that there were already ways of achieving the aims of the amendments; for example, in relation to amendment 67, he commented:

Amendment 67 would require authorities to publish, as part of the scheme, the steps that they would take to ensure that people were informed of their entitlement and what assistance they would be offered. That is a sensible requirement, but paragraphs 2(1) and 2(5) of new schedule 1A to the Local Government Finance Act 1992, inserted by schedule 4 to the Bill, already require the authority to set out the classes of persons who are entitled to a reduction, and the procedure for making an application. The provision that the amendment seeks to introduce is therefore already part of the legislation.⁷⁰

Responding to complaints that there was insufficient time to properly test the IT systems that would need to be in place, he said:

IT suppliers are considering possible changes to existing software and they are working with local authorities. I recognise, of course, that local authorities and suppliers need as much information as possible as soon as possible. For that reason, we intend to publish draft regulations while the Bill is still before the House. We shall shortly make available a design tool to make it easier for local authorities to model their case load and the impacts of any changes to the framework, which should also clarify the extent of any IT changes that the design of their scheme might require.⁷¹

On amendment 71, he noted:

...the Government have already made clear their intention to use the guidance to set out the importance of supporting work incentives through the design of local schemes and will consider how to ensure that local authorities are aware of their duties in respect of vulnerable groups. It is unclear whether amendment 71 would add to the Government's commitment in this regard.

There are things that councils can begin to do now to help in their preparation—in understanding the circumstances of those in their area who currently claim support, in ensuring that elected members are aware of the decisions they need to take and in engaging with precepting authorities such as police and fire authorities. The Government have been clear that local authorities must ensure that they are on the front foot in preparing for this reform.⁷²

The Committee divided on amendment 66; it was negatived by 233 to 294.

⁶⁸ *Ibid* c764

⁶⁹ *Ibid* c774

⁷⁰ *Ibid* c775

⁷¹ *Ibid* c777

⁷² *Ibid* c777

George Hollingbery moved amendment 72, which would have allowed local authorities to pool council tax reduction schemes. This was taken with amendments 52, 74, 55, 75, 53, 76 and 77, and Government amendments 86 and 87. He explained that the amendment would “avoid the strange situations where streets are split in such a way that there is one expectation of the scheme on one side of the street and a different expectation on the other.”⁷³ The Minister did not have time to respond.

The Committee divided on the stand part motion on clause 8, which was agreed by 305 to 227. Government amendment 86, relating to information about social security benefits held by the Secretary of State and consequential Government amendment 87, were made to schedule 4. The Schedule was agreed as amended and clause 9 was ordered to stand part of the Bill. A technical amendment (number 17) was made to clause 10, which was ordered to stand part as amended. Clauses 11 to 16 were also ordered to stand part of the Bill.

The Committee divided on new clause 11, which would have required the Secretary of State to pay an additional grant to a local authority if, at the end of any financial year, the total expenditure incurred by the authority under any scheme approved pursuant to Schedule 4 of this Act was greater than the amount of grant received from the Secretary of State to fund the scheme.⁷⁴ The new clause was negated by 309 to 225.

6.8 Grand Committee - House of Lords

Votes cannot be taken in a House of Lords Grand Committee. Any changes to the Bill would have had to attract unanimous agreement. This section briefly summarises the key amendments moved in Grand Committee.

Baroness Hollis of Heigham moved amendment 70A which would have inserted a new clause in the Bill to provide for the inclusion of Council Tax Benefit within Universal Credit.⁷⁵ She argued that localisation of support would create a “demographic lottery” and supported the creation of one set of rules governing means testing, the taper and backdating within Universal Credit.⁷⁶ Members raised the potential impact on work incentives of overlapping taper rates.⁷⁷ Responding for the Government, Earl Atlee referred to the desire of local authorities to continue to receive direct funding and to guidance on “how local schemes can support improved work incentives.”⁷⁸

Amendment 71, also moved by Baroness Hollis, would have provided for subsidy to meet the cost of Council Tax reduction schemes in full, or at least match the amount paid to authorities in the 2012-13 financial year.⁷⁹ She referred to the lack of scope for some authorities to raise additional revenue from removing discounts on empty and second homes and argued for continuation of a national benefit.⁸⁰

⁷³ *Ibid* c783

⁷⁴ *Ibid* c788

⁷⁵ Amendment 70A was considered alongside amendments 89, 90, and 91 which would have had the same effect.

⁷⁶ HL Deb 10 July 2012 GC516-20

⁷⁷ HL Deb 10 July 2012 GC530

⁷⁸ HL Deb 10 July 2012 GC535-6

⁷⁹ HL Deb 10 July 2012 GC541

⁸⁰ HL Deb 10 July 2012 GC541-4

Lord Jenkin of Roding asked about the Government's future funding intentions given the likelihood that demand for support would increase.⁸¹ Amendment 73A would have provided for the funding requirement to be assessed annually. Earl Atlee responded:

Funding for the first two years of localised schemes is derived from the Office for Budget Responsibility forecast for spending on council tax benefit, which reflects existing spending and therefore assumptions about underlying demographic changes and council tax increases. Thereafter decisions about overall levels of funding will be taken as part of the spending review process, which will provide an opportunity to consider cost pressures.⁸²

The Earl said that amendment 71 would make delivering the savings "impossible."⁸³

Lord McKenzie of Luton moved amendment 72⁸⁴ to delay the introduction of local schemes to April 2014 in order to give councils more time to devise sustainable schemes, consult residents and make the necessary administrative changes.⁸⁵ Earl Atlee expressed confidence in councils being ready to implement the changes in April 2013 and stressed the importance of the 10% cut in funding to the Government's deficit reduction plan.⁸⁶

Baroness Sherlock moved amendment 76 which would have required local authorities to have regard to the needs of disabled people when devising their council tax reduction schemes.⁸⁷ She also spoke to amendment 76A, concerning the treatment of carers under local schemes. Baroness Browning questioned how local authorities would be expected to fulfil their duties under the *Equality Act 2010* and *Autism Act 2009*.⁸⁸ Earl Atlee advised that there was no need to place a specific requirement on local authorities as they already have a public sector equality duty under section 149 of the Equality Act. He referred to DCLG guidance reminding authorities of the statutory framework in which they operate and their responsibilities towards vulnerable people. On carers, he said:

Currently council tax benefit makes provision for people who are carers through a specific income disregard and a premium towards their applicable amount. Local authorities will be free to do so under localised council tax support.⁸⁹

Lord McKenzie moved amendment 77 which would have made regulations made under paragraphs 2 and 4 of the new Schedule 1A to the *Local Government Finance Act 1992* subject to the affirmative procedure⁹⁰ in line with a recommendation of the Delegated Powers and Regulatory Reform Committee in its fourth report of 2012-13.⁹¹ Earl Atlee said he was "not persuaded that it is sensible"⁹² – Lord McKenzie said he would return to the matter on Report.⁹³

⁸¹ HL Deb 10 July 2012 GC545

⁸² HL Deb 10 July 2012 GC556

⁸³ HL Deb 10 July 2012 GC557

⁸⁴ Considered alongside amendments 78, 79, 85, and 88A.

⁸⁵ HL Deb 16 July 2012 GC1-4

⁸⁶ HL Deb 16 July 2012 GC12-13

⁸⁷ HL Deb 16 July 2012 GC26-30

⁸⁸ HL Deb 16 July 2012 GC30

⁸⁹ HL Deb 16 July 2012 GC39

⁹⁰ Regulations subject to the affirmative procedure must be approved by both Houses of Parliament.

⁹¹ [HL Paper 21](#)

⁹² HL Deb 16 July 2012 GC41

⁹³ HL Deb 16 July 2012 GC42

Baroness Hollis moved amendment 79A to insert a new clause placing a requirement on the Secretary of State to issue guidance on who should be considered to be eligible for a council tax reduction on grounds of vulnerability.⁹⁴ She argued that vulnerability is not a local issue and that assistance by way of a council tax reduction should not depend on where the claimant lived. Baroness Hanham, responding for the Government, advised that guidance had been published which contained no definition of vulnerability as “this needs to be dealt with at a local level.”⁹⁵

Baroness Sherlock moved amendment 79B to provide for Universal Credit to be treated as income when assessing eligibility for assistance with council tax payments. The ensuing debate covered the potential interaction between Universal Credit and council tax support schemes in terms of tapers and marginal tax rates.⁹⁶ It was made clear that if local authorities implement the default scheme Universal Credit, netted for childcare and housing costs, would be taken into account as income. Baroness Hanham explained that the default scheme was “as close as possible to the existing council tax benefit scheme.”⁹⁷ Lord Greaves probed the Minister on her claim that working age claimants receiving 100% Council Tax Benefit would continue to do so under the default scheme:

My noble friend the Minister seemed to say twice that under the default scheme people of working age who currently get 100% council tax benefit would continue to get the 100% reduction under the new scheme. Is that what she said? Under the default scheme, where is it proposed that that should be paid for, given that there is a 10% cut across board that does not apply to pensioners-and therefore it might be up to 20%? Then there are vulnerable people. If in addition to that people who currently get 100% council tax benefit continue to get that 100% reduction, will the cost of that fall on the remaining people of working age who are means-tested and get part council tax benefit, or does the council tax benefit assume that the council finds the money in some other way?⁹⁸

Baroness Hanham confirmed:

The local authority will have to make its decision based on its entire income as to how it funds and creates support for council tax benefit. It is not restricted only to the amount of council tax benefit support related solely to that, which will come from the benefit system.⁹⁹

She also confirmed that authorities would be free to take Universal Credit into account “as they see fit” in their local schemes.¹⁰⁰ Baroness Sherlock advised that she might return to this issue.

In moving amendment 80 Baroness Lister of Burtersett raised the issue of benefit take-up rates. The amendment would have placed a duty on authorities to include in their local schemes the steps they would take to estimate the numbers entitled and raise awareness of this entitlement.¹⁰¹ She also spoke to amendment 81, which would have required the Secretary of State to ensure that funding is made available for all eligible claimants so that if

⁹⁴ HL Deb 16 July 2012 GC42

⁹⁵ HL Deb 16 July 2012 GC60

⁹⁶ HL 19 July 2012 GC127-44

⁹⁷ HL 19 July 2012 GC137

⁹⁸ HL 19 July 2012 GC138

⁹⁹ HL 19 July 2012 GC138

¹⁰⁰ HL 19 July 2012 GC135

¹⁰¹ HL 19 July 2012 GC144

take-up improves it does not pose a dilemma for local authorities.¹⁰² Baroness Hanham rejected need for the amendments:

In fact, local authorities will want to ensure that those who are eligible for support claim what they need to, so that they avoid going into arrears with their council tax, which would not help them or indeed the local authorities. Again, to stipulate how local authorities should do that is to put an unnecessary requirement on them when they are already responsible for the administration of council tax generally and the provisions that already exist.¹⁰³

She said that amendment 81 would prevent the Government from reducing funding and could “lead to an increase in Government expenditure.”¹⁰⁴ Baroness Lister said she would return to the matter on Report.¹⁰⁵

Lord McKenzie moved amendment 81A which would have triggered the Secretary of State to consider making additional funding available to an authority in-year “to support unpredictable claims on council tax support schemes” when a payment on account is made under the safety net provisions of the business rate protection scheme.¹⁰⁶ In response the Minister referred to authorities’ ability to design their council tax reduction schemes and the potential to share the effects of financial pressures between billing and major precepting authorities.¹⁰⁷

Lord Best moved amendment 82 and spoke to amendments 86 and 93ZA. This group of amendments, prepared by the Local Government Association, would have given local authorities discretion over the protection of pensioners in receipt of Council Tax Benefit and allowed authorities to cover the 10% reduction in funding by reducing the Council Tax discount for single person households:

Let me now cut to the chase and explain how the amendments work alongside my Amendment 93ZA to resolve the tough dilemmas created by the Bill. The amendment joins Amendments 82 and 86 in removing other central government constraints on council tax arrangements, this time relating to the single person discount. That discount is a concession that benefits all single person households including those on high incomes. Putting my own cards on the table, I hope that if councils have the power to take their own decisions in these matters, they would avoid cutting council tax benefit for the needy groups that currently receive it and consider cutting the single occupancy discount at present fixed at 25%, which goes to millionaires and the poorest alike.¹⁰⁸

Lord Best referred to work by the Institute of Fiscal Studies indicating that a reduction in the discount from 25% to 17.5%, while leaving all pensioners unaffected, would raise enough money to avoid the need for a reduction in Council Tax Benefit.¹⁰⁹

Peers discussed the apparent tensions between localising support for council tax while prescribing centrally certain classes of person who must be included in the schemes. Lord

¹⁰² HL 19 July 2012 GC147

¹⁰³ HL 19 July 2012 GC152

¹⁰⁴ HL 19 July 2012 GC153

¹⁰⁵ HL 19 July 2012 GC154

¹⁰⁶ HL 19 July 2012 GC155

¹⁰⁷ HL 19 July 2012 GC156

¹⁰⁸ HL 19 July 2012 GC160

¹⁰⁹ HL 19 July 2012 GC161

McKenzie argued for assistance to be part of Universal Credit or, failing that, for it to remain as a national scheme.¹¹⁰

Baroness Hanham said the Government had made its intention to protect pensioners clear from the outset and described the potential impact of giving authorities discretion over the single person discount as “a potential tax on 8 million people, hitting single parents and some lone pensioners the hardest.”¹¹¹

Lord McKenzie moved amendment 92 to insert a new clause in the Bill which would have required the Secretary of State to report on the effect of the Bill's provisions within three years of implementation with specific reference to take-up, administrative costs and the impact on work incentives.¹¹² Baroness Hanham responded:

The Government do not think that it will be necessary or helpful for local authorities to be asked to provide that a report be published in Parliament. There are transparency requirements on local authorities to make sure that all of what they do is understood and made clear and, where possible, put on the internet. We think that that will be sufficient to ensure that there is wide knowledge of what each local authority is doing.¹¹³

Government amendments to enable members of the First-Tier Tribunal to sit as members of the Valuation Tribunal for England were agreed. There is a single appeals process to resolve disputes over council tax support which is independent of local authorities – the expertise of First-Tier Tribunal members, who previously heard Council Tax Benefit appeals, is being utilised in this process.¹¹⁴

6.9 Report stage - House of Lords

Lord McKenzie moved amendment 98A to give billing authorities the option of retaining the existing national CTB scheme with full Government funding.¹¹⁵ Peers supporting the amendment drew comparisons between “wealthy” authorities that have decided to retain the existing CTB scheme and meet the funding shortfall themselves (e.g. Westminster, Kensington & Chelsea, West Oxfordshire DC) and “poorer” authorities lacking the option of raising money from a levy on second homes or from reserves.¹¹⁶ Baroness Hanham argued that the amendment “potentially removes any saving and as such would constitute a spending commitment.”¹¹⁷ Lord McKenzie pressed the amendment to a vote – the amendment was rejected by 242 votes to 201.

Lord Best moved that a new clause be added to the Bill to give local authorities discretion to vary the single person Council Tax discount (currently fixed at 25%). He said that this would “provide local authorities with the flexibility to raise money needed but to do so without taxing those who currently receive CTB.”¹¹⁸ Lord McKenzie raised the potential impact on single pensioners. He conceded that the proposition might produce a less regressive outcome when looked at in aggregate, but was unable to support the new clause because of

¹¹⁰ HL 19 July 2012 GC166

¹¹¹ HL 19 July 2012 GC172

¹¹² HL 19 July 2012 GC186

¹¹³ HL 19 July 2012 GC189

¹¹⁴ HL 19 July 2012 GC182-6

¹¹⁵ HL Deb 16 October 2012 cc1386-9

¹¹⁶ HL Deb 16 October 2012 cc1389-90

¹¹⁷ HL Deb 16 October 2012 c1397

¹¹⁸ HL Deb 16 October 2012 cc1403-7

“technical problems.”¹¹⁹ Baroness Hanham pointed out that, as drafted, the clause would not prevent an authority from reducing the discount to nil and argued that there had been no consultation on the reduction of Council Tax discounts.¹²⁰ Lord Best withdrew his amendment but reserved his right to return at Third Reading with a revised version.¹²¹

Baroness Lister moved amendment 102 to include carers in the list of classes of persons considered to be in financial need for the purpose of drawing up council tax reduction schemes.¹²² Baroness Hanham said local authorities were expected to consider appropriate provision for carers as part of their public sector equality duty – she said she would “clarify this point for the record and bring it to the attention of local authorities.”¹²³ Baroness Lister withdrew her amendment but asked the Minister to not to “lose sight” of the needs of carers.¹²⁴

Baroness Meacher moved amendment 103ZA to provide for 100% Council Tax rebates (fully funded by central Government) for people in receipt of Income Support or Income-based JSA, or the maximum award level of Universal Credit (when introduced).¹²⁵ Baroness Hanham argued that it is up to local authorities to take account of the needs of vulnerable groups and explained:

Under our proposals for the default scheme, universal credit income will be assessed as part of the means test for council tax support. Therefore the level of income, whether from universal credit or earnings, will be calculated in the means test determining the level of award. It is open to local authorities to take a similar approach in their own schemes.¹²⁶

Baroness Meacher pressed her amendment to a vote – it was rejected by 185 votes to 139.¹²⁷

Lord Jenkin moved amendment 105 to remove the Secretary of State's power to make regulations about the procedure for preparing a local scheme and spoke to amendment 106 concerning the timing of local authority revisions to their local schemes.¹²⁸ Baroness Hanham responded:

Local authorities will need to take account of the potential impact on council tax when designing their schemes. They will already know their provisional funding allocations, and the Government expect to have published the proposed referendum principles at the same time as the provisional local government finance settlement. [...] I confirm that any referendum that took place would have to take place in May, after the setting of the council tax should have taken place. In Committee, I went on to say:

"The need to consider the affordability of the proposed scheme and its impact on council tax is no different to taking decisions about the level of funding for other services and their potential impacts on council tax".-[*Official Report*, 19/7/12; col. GC 171.]

¹¹⁹ HL Deb 16 October 2012 cc1420-22

¹²⁰ HL Deb 16 October 2012 cc1422-26

¹²¹ HL Deb 16 October 2012 c1426

¹²² HL Deb 16 October 2012 c1429

¹²³ HL Deb 16 October 2012 c1431

¹²⁴ HL Deb 16 October 2012 c1432

¹²⁵ HL Deb 16 October 2012 cc1432-4

¹²⁶ HL Deb 16 October 2012 c1434

¹²⁷ HL Deb 16 October 2012 c1435

¹²⁸ HL Deb 16 October 2012 cc1462-3

Any authority that considers that it might breach the referendum principles must prepare a shadow budget setting out how it would carry on its services under a lower rate of council tax.¹²⁹

Amendment 105 was withdrawn; Lord Jenkin said that further clarification may be sought on the matters covered by amendment 106.¹³⁰

Lord Smith of Leigh moved amendment 106A to provide for authorities to hold a level of reserves to deal with “shortfalls in council tax receipts as agreed by their auditors.” He also asked whether the Government intended to freeze council tax support.¹³¹ Baroness Lister spoke to amendment 108 which would have placed a duty on councils to improve take-up rates and provided for the reimbursement of expenditure exceeding 10% of the 2012 grant.¹³²

Baroness Hanham argued that amendment 106A was not necessary because authorities are free to determine the level and use of reserves as part of their overall financial risk management. It would not be appropriate for auditors to agree a level of reserves as they are independent. She rejected the other amendments on grounds that they would require additional Government funding in certain circumstances.¹³³ Amendment 106A was withdrawn.

Lord Beecham moved amendment 107ZA to insert a new clause which he described as “an amendment of last resort” to provide for the Bill’s provisions in relation to CTB to lapse in three years “to be replaced by a national scheme compatible with Universal Credit.”¹³⁴ Baroness Hanham said the Government would resist the amendment and Lord Beecham “very reluctantly” withdrew it.¹³⁵

Several technical Government amendments to the Bill were agreed.¹³⁶

6.10 Third Reading – House of Lords

Baroness Hollis moved amendment 1 to insert a new clause into the Bill to provide for an independent review of all council tax reduction schemes within three years to consider “their effectiveness, efficiency, fairness and transparency and their impact on the localism agenda; and to make recommendations as to whether such schemes should be brought within universal credit.”¹³⁷ Baroness Hanham said it would be for local councils to review their schemes:

I am not convinced that a major independent review as a set stage is required or, indeed, that it would be particularly helpful for local councils. Therefore, noble Lords will not be surprised when I say that I cannot accept the amendment. However, I recognise that it is right and proper for the Government to keep the framework in which councils operate under review. I can confirm that we will take steps to do this. We are already considering with local government what minimal data we will require from councils to enable us to keep this policy under review. I have no doubt at all that local councils will keep us informed of how it is progressing.

¹²⁹ HL Deb 16 October 2012 c1464

¹³⁰ HL Deb 16 October 2012 c1465

¹³¹ HL Deb 16 October 2012 cc1466-7

¹³² HL Deb 16 October 2012 c1467

¹³³ HL Deb 16 October 2012 cc14673-4

¹³⁴ HL Deb 16 October 2012 c1475

¹³⁵ HL Deb 16 October 2012 c1478

¹³⁶ HL Deb 16 October 2012 cc1460-2, c1465 and c1466

¹³⁷ HL Deb 22 October 2012 c12

[...]

Furthermore, as we have debated at each stage of the Bill's passage, the Government do not believe that council tax support should be part of universal credit. Indeed, it was deliberately separated from it. Therefore, I cannot accept the requirement to consider the integration of council tax support with universal credit, nor am I in a position to accept on behalf of the Government a wide review across welfare provision.¹³⁸

The amendment was pressed to a vote and accepted by 203 to 165 votes.

Lord Tope returned to the issue of Council Tax discounts. He moved amendment 2 to give councils discretion to amend the single person discount by 5% (so it could not go below 20%) and to exempt all pensioners from any reduction in discount.¹³⁹ Baroness Hanham reiterated the Government's opposition to any changes in the single person discount.¹⁴⁰ The amendment was rejected on a division of the House by 299 votes to 64.

Lord McKenzie moved amendment 3 to insert a new clause requiring the Secretary of State to:

issue guidance to local authorities as to what persons or category of persons shall be deemed to be vulnerable for the purposes of ... council tax support.¹⁴¹

He prayed in aid the transitional grant scheme:

Surely the lesson, even at this early stage of the new arrangements, is that unless some authoritative guidance is provided by the Secretary of State, some vulnerable people will be further disadvantaged. The transitional grant criteria may not endure as authoritative when grant disappears or when those individual benefits are replaced by universal credit. The Government have effectively crossed the Rubicon and accepted that central guidance and/or encouragement to drive good practice has proved to be essential. Clearly, many councils will strive to protect vulnerable people but the financial pressures on them, now and in the immediate future, will be overwhelming. Keeping national markers is one way of helping to avoid the voices of the most disadvantaged being lost.¹⁴²

Baroness Hanham said again that authorities were well aware of their responsibilities and did not need "further hand holding" by central Government. The amendment was withdrawn.¹⁴³

Baroness Sherlock moved amendment 4 to prevent taper rates within council tax reduction schemes withdrawing assistance at a rate greater than that in the default scheme. She illustrated her point with the following example:

At present, the taper rate for council tax benefit is 20%. In other words, for each additional £100 of income somebody has, they lose £20 in council tax benefit. That does not sound much, but it comes on top of a series of other tapers. If someone is on a low income but pays tax and national insurance and gets tax credits, after a certain point, for every £100 she earns, she will lose £32 in tax and national insurance, and another £41 in lost tax credits, leaving her with £27 out of the £100. The housing benefit taper is set at 65%, so she will be left with £17.60. The council tax benefit taper

¹³⁸ HL Deb 22 October 2012 c19

¹³⁹ HL Deb 22 October 2012 cc23-5

¹⁴⁰ HL Deb 22 October 2012 c32

¹⁴¹ HL Deb 22 October 2012 c37

¹⁴² HL Deb 22 October 2012 c38

¹⁴³ HL Deb 22 October 2012 cc41-3

is set at 20%, so she will have about a fiver left out of the £100 extra that she has earned. That is what is called a maximum taper of 96%.

That may sound bad, but it could be about to get a lot worse. The National Policy Institute found that some councils were either proposing an increased taper or were consulting on increasing the taper from the current 20%. For example, I looked up the draft scheme proposed by Trafford Council. It includes a proposal to increase the taper from 20% to 30%. Interestingly, the text of the paper outlining the draft scheme states in paragraph 6.6:

"The draft scheme is designed to underpin the principle 'Encouraging and supporting people back into work' and the Government's welfare reform principles below ... People should get more overall income in work than out of work ... People should get more overall income from working more and earning more".

Is this what will happen? With a 30% taper on council tax, that person will face a combined taper of 99%. Of the extra £100, she will get to keep little more than £1.¹⁴⁴

In response, Baroness Hanham explained how the default scheme would support work incentives:

First, universal credit will be tapered away by 65% before it is taken into account as income under council tax support schemes. This means that the 20% taper under the default scheme will apply only to residual income once universal credit has been tapered away, and helps to control the overall withdrawal rate. For people below the income tax and national insurance thresholds, the combined marginal deduction rate would be 72%, which for many households would be a significant improvement on the current system. Secondly, the default scheme reflects the fact that universal credit will allow people to earn more income before it starts to be withdrawn. The default scheme allows for council tax support to be withdrawn earlier, minimising the extent to which the means tests interact. Local authorities will not be required to treat universal credit cases in the way provided for in the default scheme, but there are very good reasons why they should want to use this framework as a starting point.¹⁴⁵

She went on to explain that the Government could not accept the amendment but would be "happy to revise and reintroduce guidance in order to set out clearly the approach that the department is taking to provide for the treatment of universal credit in the default scheme and to emphasise the benefits of this approach to local authorities."¹⁴⁶ Baroness Sherlock withdrew her amendment.

Lord Beecham, in seeking an amendment to Schedule 4 to the Bill, returned to the issue of effective consultation over changes to proposed schemes where an authority was successful in applying for transitional grant:

The purpose of the amendment is to seek from the Secretary of State regulations that would allow for a proper consultation to take place in terms of the change that the Government have introduced at this late stage in relation to the transitional grant. That might mean extending the period by which the scheme has to be settled.¹⁴⁷

¹⁴⁴ HL Deb 22 October 2012 cc43-5

¹⁴⁵ HL Deb 22 October 2012 c47

¹⁴⁶ HL Deb 22 October 2012 c47

¹⁴⁷ HL Deb 22 October 2012 c58

Baroness Hanham reiterated the Government's position – the decision over whether or not to re-consult lay with local authorities.¹⁴⁸

¹⁴⁸ HL Deb 22 October 2012 c59