Localising Support for Council Tax in England

TUC response to the DCLG consultation

Introduction

The document presents the TUC's response to the consultation by the Department for Communities and Local Government on the localisation of council tax support in England from 2013-14.

The TUC is the voice of Britain at work. With 58 affiliated unions representing more than six million working people from all industries and occupations, we campaign for a fair deal at work and for social justice at home and abroad. We negotiate in Europe, and at home, build links with political parties, business, local communities and wider society.

The TUC appreciates the importance of this consultation and we are grateful for this opportunity to contribute our views.

Summary of the consultation document

The government plans to replace Council Tax Benefit with "localised schemes" in which local authorities decide "who should pay less council tax and how much less they should pay".

Many vulnerable groups may be threatened by this change. The Government plans to protect pensioners from "any change in award as a direct result of this reform" and the consultation document asks whether other groups should also be protected.

The "localised schemes" will also be required to "support the positive work incentives that will be introduced through … Universal Credit". The consultation

document hints that schemes in which "council tax support is withdrawn quickly on entering work" will not be approved.

The localisation of council tax support must be considered with the government's planned 10 per cent reduction in central government spending. The consultation document indicates that "localisation is intended to help deliver savings of around £500m a year on the current council tax benefit bill across Great Britain."

Most of the questions asked by the consultation document relate to the administration of schemes and to joint schemes that groups of local authorities might choose to set up. These issues are outside the TUC's area of expertise, and will not be addressed in this response. This response will focus on the questions asked in sections 5 and 6 of the consultation document.

Consultation Questions in Section 5:

5a: Given the Government's firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?

5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?

The TUC is very concerned that the parameters set by the government (10% cut, protect pensioners, do not undermine work incentives) will leave local authorities with very little option but to create significant hardship for working age families, including those with children.

DWP figures show that, in June 2011, 38 per cent of Council Tax Benefit recipients were aged over 65:

	Number of recipients		
	All CTB recipients	**Aged under 65**	**Aged 65 or over**
	5,868,550	3,655,910	2,212,470
Average weekly award (£)	15.79	15.74	15.87

2009/10 spending on CTB, in 2011/12 prices was £4,974 million, so a 10 per cent cut in spending on all recipients will amount to £497 million.

The average weekly award of CTB recipients hardly differed for those under and over pension age, so we can estimate spending on those under pension age at £3.1 billion. A £497 million cut taken only from their benefits will amount to a 16 per cent cut, not 10 per cent.

What is more, in June 2011, 708,880 CTB recipients were in employment, most of whom will be under pension age. It will be very difficult to reduce their entitlement without affecting their work incentives, so it seems likely that working age people not in employment will face a cut that is even higher than 16 per cent.

This group includes 250,520 people passported to CTB because they receive Employment and Support Allowance as disabled people.

All but 17,750 of the 1,673,310 families with children currently receiving CTB are under pension age. There is no breakdown of these families by employment status, but it seems very likely that more than one million families with children will face a cut of more than 16 per cent. This will inevitably increase the number of children in poverty.

Everyone who receives CTB at present is, at the very least, on the verge of poverty – excluding children and disabled people from this cut will simply exacerbate the problem for those remaining. The planned reforms will force local authorities to push vulnerable families deeper into poverty: the TUC strongly believes that the best way to protect vulnerable groups is to withdraw the planned ten per cent cut.

Consultation Questions in Section 6:

6b: What forms of external scrutiny, other than public consultation, might be desirable?

6c: Should there be any minimum requirements for consultation, for example, minimum time periods?

6e: How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?

The TUC's responses exclude those relating to administrative matters.

External scrutiny

There is an extremely high risk that these reforms will increase the number of children in poverty and lower the incomes of other vulnerable groups. The TUC believes that it is important that there should be *independent* scrutiny of the new system as a whole and of individual local authorities' schemes.

One way to do this would be to give an independent body responsibility for approving local authorities' schemes and for producing a periodic report to Parliament on the operation of these schemes. The new Child Poverty and Social Mobility Commission could undertake both these tasks; alternatively, the Commission could approve these schemes and the Social Security Advisory Committee could report on their operation.

Whatever organisation is given the responsibility for these tasks, it is important that it should report to Parliament and that Parliament should debate the report.

Minimum requirements for consultation

The possible implications of this reform are such that it is necessary to go further than consultation; local authorities should have a responsibility to facilitate the engagement of groups likely to be affected in the design of their schemes. A model for this could be the Public Sector Equality Duty (which will, of course apply to the design and implementation of the new schemes.)

Work incentives

The simplest way to guarantee that work incentives are not undermined would be to integrate support for Council Tax into the Universal Credit. Even if different local authorities all produce schemes that guarantee that people are no worse off when they move into employment or increase the different rates at which support is withdrawn may well interfere with incentives to move to take up new employment opportunities.