

# Managing the challenges of localised Council Tax Support

What are the options for councils?

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By Theo Barry Born, Sabrina Bushe, Tom MacInnes and Adam  
Tinson

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## Summary

This research examines the various Council Tax Support (CTS) schemes brought in across England since April 2013. The study sought examples of best practice, and how schemes can be designed to protect both the revenue of local authorities and the incomes of their least well-off residents.

The report consists of three chapters. In the first, we have classified CTS schemes by their impact on council finances and on claimants. In the second, we present examples of what makes a good CTS scheme, how it can be delivered effectively, and what are the major challenges facing councils today. In the final chapter, we discuss the various implications of trying to make CTS work alongside Universal Credit (UC).

## Key findings

- Schemes varied in type and the minimum payments expected of claimants. There were no obvious patterns by political control, demography or location.
- Among those local authorities choosing to bring in a new system rather than absorb the cost of their 10 per cent cut in funding for CTS, approaches varied significantly. Some opted for a transition scheme in the first year. Others felt that the schemes they had devised were the best available.
- Some councils had opportunities to recoup costs by, for instance, removing exemptions on second homes. These options are not available to all councils, but should be pursued where possible.
- While the design of the schemes may now be settled, implementation is ongoing. There were several examples of innovative working both within councils and with the third sector to ensure that residents were informed of changes and made aware of how they would be affected.
- While many councils have so far resisted using bailiffs or court summons for CTS debts, many now have residents with two or more years' outstanding payments. The sustainability of the current mix of scheme design on the one hand and collection and enforcement policy on the other is therefore under question.
- As it stands, it is hard to see how CTS can be integrated with Universal Credit (UC). The variation at local level is the opposite of the national standardisation in UC.

## Designing a scheme

Councils had various options when designing a scheme. Most common was a minimum payment, set as a percentage of the Council Tax due. In the first year, many chose a transition scheme of a minimum payment of 8.5 per cent or less for all CTS claimants. All councils can raise or lower minimum payments according to how much they want to recoup and the anticipated effects on CTS recipients. But certain councils have options that others do not. For instance, two of the councils interviewed had removed exemptions on second or empty homes. This was a viable option for them, but large urban areas have few second homes and could not raise revenue in this way.

Councils have brought in special protections, for instance for working-age disabled people. Some of those interviewed chose to protect disabled people's incomes; others did not. Some councils not opting for this protection said that the cost would be a greater burden on other less well-off, if less vulnerable, groups. In some cases, councils had to recoup the costs of CTS from other parts of the scheme rather than other parts of the council budget. They saw central government passing on CTS costs while restricting the ability to raise revenue through Council Tax as unfair.

Several councils were worried about the overlapping effects of welfare reform, including localised CTS, the bedroom tax and benefit caps. Some pooled resources across departments and shared information on the likely impacts of changes.

## Outreach and advice

Those councils who chose not to absorb the costs had to reach out to residents who would now pay Council Tax for the first time. Councils adopted different approaches, from mail-outs to targeted interventions and one-stop shops. All felt they were at least partially successful in collecting more revenue and avoiding court summonses or bailiffs later on. Councils also worked with advice services provided internally or by other organisations. Braintree funded a post with the local Citizens' Advice Bureau; another council helped produce a bid for more local funding.

## Collection

For councils setting the harshest schemes, the anticipated increase in arrears and fall in collection rates were mostly not as bad as expected. Public attention has at times turned to the economic and social costs of implementing stringent rules for non-payment of Council Tax, issuing court summons and calling in bailiffs; some councils sought to avoid this.

Some councils decided not to issue court summons initially, with 2013–14 as a transition year. Thanet agreed before introducing its scheme not to take anyone claiming CTS to court, as the cut in support was only £40–50; court costs would have far exceeded this. However, councils now have residents owing two or more years' of Council Tax, and costs are beginning to mount. The cost-benefit equation on using summonses is starting to change.

## Incorporating Universal Credit

Universal Credit (UC) was originally intended to incorporate CTB, but does not incorporate CTS. Nor is it obvious how it would do so. Administration is the primary issue: UC is a national system, CTS a set of local ones. The technicalities of integration would be substantial. The systems' aims are also very different. UC is about simplification and standardisation; CTS is about local choice. UC is about improving work incentives; CTS almost always weakens work incentives. None of the literature this study reviewed was able to square these circles, though the changes in work incentives under most CTS schemes are not large.

This may prove academic. Councils currently receive funding to deliver and process Housing Benefit and CTS schemes. As UC replaces Housing Benefit, this funding may reduce, so the capacity to design and run local schemes may diminish. Necessity may result in integrating CTS and UC. Local variation may then reduce to setting minimum payment levels, much like local authorities setting overall Council Tax levels.

## Conclusion

The design of CTS schemes should be largely settled by now, the third year of operation. However, over 100 councils have changed their schemes in the last two years. Minimum payments have mostly risen; the most common is now 20 per cent. However, a few councils have reduced their minimum payment.

This situation where minimum payments are mostly increasing, but decreasing where authorities initially set high minimum payments (over 20 per cent), relates to what councils reported concerning arrears, collection and recovery. Some with a minimum payment of around 20 per cent anticipated that requiring CTS claimants to pay more Council Tax would backfire, resulting in higher arrears and lower collection. Others anticipated 'hidden' costs of administration, collection and recovery when they designed their schemes and absorbed the cut. These hidden costs are now being revealed in councils that have cut support for three years.

While scheme design may be settled, implementation is ongoing. As councils wrestle with increasing payment backlogs, the lessons on outreach and advice may become relevant again.

One big unknown relates to Universal Credit. There is no central guidance on how to integrate CTS, though it may be forthcoming later this year. But it is hard to see how schemes would integrate in their current form without placing a huge administrative burden on a new, untested system for benefit payments.

Some councils have looked to contain the costs within their CTS scheme; some have used other budget areas to subsidise part of it. Some councils are fortunate: their demography or geography has allowed them to make savings others cannot. Some councils felt there was no 'good' system of CTS for them or their residents. Best practice can only go so far when the need to cut costs is coupled with restrictions on raising revenue.

## About the project

The study reviewed literature and examined English local authorities' CTS schemes. In then focusing on one-third of authorities, the study chose councils with different types of political control and in different parts of the country. Interviews with staff from 14 councils, mainly in revenue and benefits departments, discussed why they chose their particular schemes, what challenges they faced, which aspects worked and which needed changing.

# 1. Classifying schemes by their impact

## Background

In April 2013, Council Tax Benefit (CTB) was replaced with Council Tax Support (CTS). CTB was not a benefit as such, but gave low income households a discount on the amount of Council Tax they had to pay, often reducing this amount to zero. The change marked a historic move from a nationally devised system to one of 326 different local schemes in England. Alongside this restructuring, the money provided by central government to fund CTS was cut by 10%. Each local authority is now responsible for devising its own scheme within the reduced budget. They are also responsible for any shortfall or surplus in the CTS budget. The change from CTB to CTS was designed to increase local authorities' financial autonomy, give local authorities a greater financial stake in the economic future of their area, and save £410 million a year across England.

Apart from one major requirement – that pensioners are fully supported as they were in 2011/12 – councils have near full autonomy to create and amend the new local schemes. They have been advised to devise schemes that encourage work and protect the vulnerable, but defining the vulnerable is at the discretion of each local authority.

This chapter provides an overview of the various types of Council Tax Support (CTS) scheme introduced by local authorities across England and their impact on council finances and claimants. The analysis in this chapter formed the basis for how we selected councils for interview in our qualitative analysis of what makes a good CTS scheme.

We present a matrix of schemes, whereby councils are grouped on the basis of how good their scheme was for the council (how much of the cut was recouped) and how good it was for claimants (how little support was cut).

## Where to find individual local authority data

The matrix is a summary of several large tables, one for each category (e.g. schemes that are good for the council and good for claimants, or schemes that are best for the council but worst for claimants) which go into detail for each local authority on local area characteristics, the scheme chosen by the council, how much of the cut to CTS was recouped by the council, and the impact on claimants. These tables have not been included in this report but are available from our website.

Each table is preceded by a profile of each impact category. Here we include a breakdown for each category of the urban/rural composition of the area, political control, the type of changes introduced, and whether protections were introduced for specific groups. An outline of each criterion included in the analysis is also included in Appendix 1 at the end of the report.

The analysis in this chapter uses data previously collected by the New Policy Institute for the Joseph Rowntree Foundation on the components of CTS schemes in England in 2013/14 as well as more detailed data on the presence and type of protections introduced by each local authority in England in 2013/14.<sup>1</sup> We also draw on official council tax statistics published by the Department for Communities and Local Government in July 2014.

## Matrix of schemes

In assessing the impact of the scheme on claimants we have focused on two variables: the monetary hit on claimants and the presence of protections for vulnerable groups. The schemes are coded as follows:

- 5: no cut in support (all protected)
- 4: low cut in support, protections
- 3: low cut in support, no protections OR medium cut in support, protections
- 2: medium cut in support, no protections OR large cut in support, protections
- 1: high cut in support, no protections

In assessing the impacts of the schemes on councils we have estimated the proportion of the Council tax Support funding shortfall that has been recouped. The schemes have been coded as follows:

- 4: 95%+ of funding shortfall recouped
- 3: 65-95% of funding shortfall recouped
- 2: 5-65% of funding shortfall recouped
- 1: 0-5% of funding shortfall recouped

When classified in this way, we are able to group schemes on the basis of their impact on both claimants and the council as the following table shows.

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<sup>1</sup> For more information, including a component by component breakdown of schemes and their monetary impacts by local authority, visit [www.counciltaxsupport.org/](http://www.counciltaxsupport.org/)

## Scheme classification by impact on council and claimants

Impact on council/Impact on claimant	1 – Least £ support for claimant	2	3	4	5 – Most £support for claimant	Total
1- Recoups least for council			2	1	76	<b>79</b>
2		8	46	21		<b>75</b>
3	5	29	35	6		<b>75</b>
4 – Recoups most for council	31	56	9			<b>96</b>
<b>Total</b>	<b>36</b>	<b>93</b>	<b>92</b>	<b>28</b>	<b>76</b>	<b>325</b>

Inevitably, the schemes that offer most financial support to the claimant tend to recoup the least money for council and vice versa: 86% of schemes that offer least support for the claimant recoup the most for the council.

However, a small proportion of schemes are good/average for both. These are located at the top of the chart towards centre/right. For instance, just over 20% of schemes that are ‘good’ for claimants are also ‘good’ for councils. Meanwhile, of the schemes that are ‘average’ for claimants, around 10% are ‘best’ for the council and just under 40% are also ‘good’ for councils.

There was little relationship between councils’ political control and the schemes they devised, nor any obvious pattern by geography or demography. That is not to say that such factors did not affect any decision making – we will see examples later in the interviews – but that it was not systematic.

## 2. Local design and delivery of Council Tax Support

### Introduction

Here we focus primarily on why councils chose the schemes they did, how they delivered them effectively, and the challenges faced by councils in terms of the sustainability of both their scheme and their recovery and enforcement policy. This analysis draws on interviews with fourteen councils (see Appendix 2).

The overall picture – of lots of different schemes, even across broadly similar council types – should not obscure certain similarities in the way that some councils designed and delivered their schemes in ways that both saved them money and supported or protected claimants.

This chapter aims to do three things. First, it makes a case for councils to design their scheme appropriately with an informed and measured approach that takes into account local particularities in the demographics, housing stock and financial constraints. Not all options open to a district council located in a southern coastal town like Thanet – discounts and exemptions for second homes – would be open to an inland city in the north of England. This chapter will not provide a typology of councils, but it is useful to have these differences in mind.

Second, it affirms certain measures and approaches taken by councils to support and supplement the components as defined within the scheme. While the appropriate choice of what to do and where to allocate resources may again be highly contingent, elements of ‘best practice’ can be detected in a number of key areas. These include outreach, advice, working with third sector organisations and approaches to collection, recovery and enforcement.

Third, it suggests that councils are going to have to make tough decisions in the future about schemes and other policies. Councils are still tweaking things, with over one hundred having changed their scheme more than once since April 2013. In the third year of CTS, there is some sense of schemes converging, with fewer councils able to absorb the cut to local CTS over time and some councils making their scheme less harsh due to increasing arrears and the cost of collection.

Clearly then, there are some limits on how far ‘best practice’ can get you when resources are being squeezed, in addition to when there are vast differences between two areas. There remains a question, also, as to how to address increasing arrears. At some point for some councils, do recovery and enforcement strategies have to become more punitive? Most councils expressly don’t want to do this, but

with finances increasingly squeezed and lacking options to raise money in other ways, do they have a choice?

## Why did the council choose the scheme it did?

Financial viability was the most important factor shaping a council's scheme, given the need to address the funding cut to local CTS. However, councils did bear in mind how changes to a scheme interacted with their budgeting process in different ways. There is a tendency both within councils and as an observer to view the budgeting decision as being wholly contained within the budget previously allocated for CTB, meaning the cut either has to be absorbed, absorbed partially and partially passed onto claimants, or completely passed onto claimants.

These are not the only options. Other councils thought about additional costs they could incur if changes were made or savings that could be made through other policy changes. Some, for instance, considered the high costs associated with administering a new scheme, collecting small amounts of money from households that previously paid no council tax, and the recovery process. Others sought to reduce their overall CTS costs by incentivising work, both through income disregards within the scheme and alongside it, through outreach and campaigning.

The second consideration facing councils was how to protect vulnerable groups. Some councils identified particular groups, such as single parent families, war veterans, war widows, and families with a disabled person, and made them exempt from changes to CTS. Others considered all groups affected by cuts to CTS to be vulnerable and did not want to pass a higher cut onto non-protected groups by protecting some.

This section also considers how timing, financial burden, local demographics, geography, council type, political control, and internal management affected the decisions councils made.

## Balancing financial necessity with protection

For the first year of localised CTS, councils were offered a grant if they did not reduce maximum entitlement to CTS by more than 8.5% for claimants. The table below explores different ways councils treated the offer of transition grant funding.

As the table illustrates, transition grant funding helped clarify for councils how they wanted to manage the challenge of balancing financial viability of a scheme, both short term and long term, with protecting claimants from too heavy a hit.

## The different paths taken by councils with regards to transition grant funding

### Transition grant funding: a temporary solution?

One option to ease the transition to localised CTS for councils trying to cope with the financial burden while minimising the impact on claimants was transition grant funding, offered in October 2012.

The transition grant offered for councils setting a minimum payment (reduction in maximum entitlement) under 8.5% offered a partial, temporary solution to this dilemma.

In total, 209 of 326 English councils were eligible for this grant in April 2013.

### Postponing the agreed scheme until next year

South Norfolk and Newcastle had already devised a scheme involving a minimum payment of 15% and 20% respectively, but each also chose to avail of the transition funding in April 2013. In April 2014 both councils implemented the scheme they had previously devised.

Teignbridge also availed of the grant in April 2013, making up the £1 million shortfall with changes to discounts and exemptions and a reduction of the second adult rebate. With the withdrawal of the grant in April 2014, the savings limit was reduced from £16,000 to £6,000 and a cap introduced at Band D to make up the shortfall.

### The right compromise

Both Islington and Liverpool estimated that a 10% overall cut actually meant a cut of almost 20% for working-age claimants, given that support for pensioners is not affected by changes to CTS schemes.

Neither council wanted to pass on the entire cut to claimants, given concerns about vulnerability and hardship. Ultimately, the transitional grant provided 'the right compromise'. In Liverpool it reduced the funding shortfall by £1.5 million.

### Sticking to the agreed scheme

Prior to the offer of transition funding, Leeds and Wiltshire devised schemes with minimum payments of 19% and 20% respectively and protections in place for vulnerable groups.

Despite the appeal of the transition grant, both councils decided to deliver the previously agreed scheme in April 2013.

In Leeds this was the result of the council administration having shown interest in the likely impacts of the new budget constraints as early as following the first emergency budget in 2010. Consequently, the council was keen to pre-empt anticipated cuts.

## Vulnerable groups

Protection tends to take the form of exempting these groups from particular components of the local CTS scheme, for instance by allowing them maximum entitlement. Councils took various routes when deciding whether to introduce protections for specific groups. In general, councils sought to protect groups for three reasons.

The first reason is because they are part of a group that would tend to find it difficult to improve their situation, for instance by finding work or better paid work. This might be the case for people with severe disabilities, or for lone parents with young children. These were two groups singled out by Leeds Members, who protected among other groups single parents with children under 5, and people with a disability or enhanced disability premium.

A second reason was if a group was likely to be particularly badly affected by other welfare reforms. For instance, Lambeth were precise in seeking to protect families affected by the benefit cap.

A third reason was less calculated and more principled. In Lambeth, carers were seen by the council as ‘unsung heroes’ and therefore protected. In this case, some sort of judgement about who represents a vulnerable or important group precedes a monetary analysis of the additional income for that group and the costs incurred elsewhere.

In contrast, in certain cases councils will have undergone quite extensive monetary evaluations that would form the basis of who they seek to protect. There are two parts to this calculation. The first is how badly is a group going to be affected? Different stances could be taken here, such as how much of their income is going to disappear as a result, or are the changes going to push them into poverty. This could also be the result of a judgement about who is vulnerable.

The second is how much is introducing protections going to cost? Perhaps more significantly, how much of the additional cost is then going to be passed onto other claimants? Lambeth estimated the cost of exemptions for protected groups at £700,000. The case of disability is revealing for how councils have struck a balance.

### Why did councils decided to protect or not protect disabled people?

<p><b>Protecting disabled people</b></p> <p>Protections for disabled people came as the result of top-down or bottom-up lobbying for their protection, often as a matter of principle. In Leeds and</p>	<p><b>Higher cut would be passed on to other claimants</b></p> <p>In other cases, the cost of introducing protections was too much due to local demographics and councils did not</p>
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Wiltshire, Members and the Council Leader played an important role in shaping the scheme so that protections were introduced.

In Newcastle, protecting disabled people was the outcome of widespread agreement among residents who took part in the consultation and was incorporated into the scheme.

want to pass on a higher cut to non-protected claimants.

The councils in Braintree and Thanet reasoned that the additional cut would likely have been fairly large due to a large proportion of disabled people who were most likely to benefit from protections.

### **Not the most vulnerable group**

Elsewhere, councils reasoned that disabled people and others with protected characteristics were not the most vulnerable groups. Along these lines, Islington had the highest DLA take up in London but decided against taking specific protections.

In one council, the council deemed that the financially most vulnerable in the borough were single people, particularly those with two bedrooms who already had low applicable amounts and in some cases were also affected by the bedroom tax.

### **Most claimants fall into vulnerable groups**

Liverpool, meanwhile, asserted both that the majority of claimants (around 80%) were receiving the biggest rebate – an indicator of low income – and a majority of claimants (around 65%) fell into one or more of the categories of vulnerability identified: parents with children, disabled people, working people on low incomes, and war veterans.

Alongside this, measures of vulnerability were seen to be flawed by the council. DLA as a measure for disability was taken to be likely to underestimate of the number of disabled people.

## **Other approaches**

### **Anticipating ‘hidden’ costs**

58 councils qualified for transitional funding in April 2013 by retaining the same components of the old Council Tax Benefit (CTB) scheme. These represented some of the best schemes for claimants, among them Norwich and Tower Hamlets. Both councils drew attention to anticipating additional costs related to the administration of the new scheme and collecting small amounts from low income claimants.

Tower Hamlets council estimated that in order to fully recoup the cut through passing it on to claimants this would like mean an average of £3 per week per household for former claimants of CTB. However, the council also anticipated that this would result in ‘hidden costs’ – a decrease in collection and an increase in associated costs of recovery, the cost of collecting small amounts from more people, the costs of a bespoke ICT solution and administrative costs associated with designing, delivering and testing the scheme. Administrative complexity and the additional cost that was likely to be incurred vis-a-vis billing people on low incomes also dissuaded Norwich.

Despite not absorbing, Newcastle also experienced limitations in what they could do with respect to ICT and administration. There was enough flexibility to introduce a minimum payment and tweak a few other parameters in the software they were using, but an overhaul of the system was not possible.

These considerations about administration, complexity and practicality bear even more relevance to our discussion of the interaction between localised CTS and Universal Credit in the following chapter.

### **Incentivising work**

Some councils measures in their scheme to incentivise work. The idea behind this would be to reduce the council’s benefit spend in the long run by increasing employment. Although quite a different idea from anticipating ‘hidden’ costs, the similarity is in thinking beyond the scheme as a zero-sum question of either absorbing the cut or passing it onto claimants.

Braintree decided against specific protections for vulnerable groups given the additional cut this would impose on other claimants. However, in order to alleviate the financial burden across the council, the scheme included a £40 per week earnings disregard in order to incentivise work. Chelmsford also introduced a £10 per week earnings disregard. This means that the first £10 of income earned through work by a potential claimant would be ignored in calculations about their actual income.

More can be done to incentivise work than a basic income disregard. In Newcastle, in addition to a £5 per week earnings disregard, claimants are entitled to 4 weeks extended CTS at the unemployed rate as they go in to work, mirroring Housing Benefit extended payments.

South Norfolk also wanted to ensure that the scheme was supportive of those in work on low incomes. By April 2014 they incorporated into their scheme a 13 week protection period for those who were recently out of work but who had had not received JSA in the last year. To ensure that the South Norfolk local scheme delivered on the Government’s policy intention of “making work pay” a further part of

the calculation was that (after imposition of the 85% cap in April 2014) the entitlement was reduced by a further 15% (less than the 20% reduction originally planned) for those on passported out of work benefits (Income Support, Job-Seekers Allowance, Employment Support Allowance) – leaving those in work relatively better off. Similarly the non-dependant deduction was implemented at a flat-rate of £5 per week (less than the £7.50 per week originally planned).

## Differences between councils

### Local area characteristics

When seeking to protect poor and vulnerable families, some councils considered other options for saving money elsewhere. Given that councils face restrictions on increasing council tax, one way in which this could be done was to look at housing ownership and the housing stock and tinker with discounts and exemptions.

In Thanet, it was possible to introduce a relatively low minimum payment because they were able to make changes to discounts and exemptions. Now all empty properties are subject to council tax. Thanet had a 10% discount for second homes which has also been removed. Through these changes they managed to raise £1 million, with a further £500,000 outstanding to make up the funding shortfall.

Teignbridge also removed the 10% discount for second homes to make up part of their £1 million shortfall. Both Teignbridge and Thanet are fairly rural, coastal areas, where there are likely to be lots of second homes. This is less likely in large metropolitan areas. However, Newcastle was also able to use discounts and exemptions keep the minimum payment relatively low. Following April 2014 it was raised from 8.5% to 20%, whereas it would have been between 25-30% had they not made the changes.

### Political control

Ideology and politics did not shape responses to the cut to local CTS in a straightforward way, with, say, Labour-led and Conservative-led councils taking completely different stances. In general, there was a mix of councils with different political control both absorbing the cut and recouping it by passing it onto claimants in April 2013.

The real difference was between how much was made of politics in our interviews. In our interviews, Labour councils tended to be more explicit about how politics might have shaped their stance, but diverged in their thinking about what this meant. Some reasoned that they should not have to bear the brunt of a cut passed onto them by a Conservative led central government. For others, it was out of the question to pass on the cut to claimants, or not to protect particularly vulnerable groups. National politics did not feature as prominently in interviews with Conservative councils.

## Working with other councils

District councils often worked closely together under the county council umbrella and often had similar components in their schemes. Unitary councils, meanwhile, often communicated via associations and working groups that had either a regional, city or political basis, but these did not necessarily lead to similar schemes.

The Essex districts worked together and shared some components amongst their CTS schemes. For instance, many had a band cap at Band D. Braintree and Chelmsford both introduced minimum payments of 20% in April 2013. Later, following campaigning by Gingerbread on disregarding child maintenance payments from the means-test for CTS, many councils in Essex did so. The districts also chose schemes that differed in some ways. For instance, Braintree was the only Essex council to include child benefit income for second and subsequent children.

Similarly, in East Kent, schemes were devised concurrently for Thanet, Dover and Canterbury district councils by EK services. All made use of transition grant funding in the first year, with reductions in maximum entitlement under 8.5%. Meanwhile, Teignbridge worked in partnership with the Devon districts, unitary authorities, county, police and fire to agree a framework for council tax support within which each council could choose elements appropriate to their local circumstances and needs. Ultimately, 7 passed the cut on to claimants in some way, essentially by introducing a minimum payment while the other 3 made use of discounts and exemptions to avoid the need for introducing a minimum payment.

In comparison, Leeds and Newcastle each discussed their schemes with other unitary authorities in Yorkshire and the Humber and the North East respectively, but had fairly variable schemes. Newcastle attributed this to differences in what councils could afford. Labour-led London Boroughs such as Islington, Lambeth and Tower Hamlets also engaged with each other. The councils chose different schemes, however, with Tower Hamlets the only Labour-led London borough to absorb the cut.

Norwich, as a Labour-led unitary authority with few similar councils nearby, approached councils of a similar political persuasion further afield.

## Working within councils

Councils also sought to maximise the potential to achieve the right scheme through collaborations and information sharing between departments within the council, and between council staff and Members.

South Norfolk set up a working group of the council leader, members, officers and an ex-Job Centre Plus manager. Scheme design benefited from information sharing and brainstorming within the working group. The working group's priorities were to address budget constraints at the same time as looking at options for a progressive scheme that did not involve a flat rate cut.

In neighbouring Norwich, a range of meetings were convened which looked at options around empty homes, and advice and recommendations were sought from across departments including welfare and revenues. The council pointed to this collaborative approach, which included a cross-party working group, as key to gaining political consensus on the scheme.

Tower Hamlets, meanwhile, set up a cross-departmental working group with a broader objective, in this case how to address welfare reform across the local authority. In this way rather than departments worked together to achieve a common objective, rather than operating as competing silos with distinct aims.

## How did the council ensure effective delivery?

Once a scheme has been designed, the next step is to ensure effective delivery, particularly around collection and recovery. In most cases, this has been the key challenge since April 2013, although all councils are also required to carry out consultation on their scheme each year and many have in fact redesigned theirs since April 2013.

Outreach was a key aspect of much of the best work done by councils in delivering their schemes effectively, retaining high collection rates and preventing excessive costs associated with recovery. This could involve utilising and improving existing advice services within the council, enhancing the effect of these by working alongside local third sector organisations, publicising changes to the scheme and likely impacts on claimants, and investing in new services such as local outreach workers.

Although all outreach has tended to have a positive effect in assisting claimants and thereby assisting the council in collection, here we draw attention to two ways that outreach approaches have differed. The first is the difference between pre-emptive outreach and on-going advice services. Pre-emptive outreach works to disseminate information and communicate with residents in advance of changes being made. Advice services help claimants when they are already struggling to pay their bills.

The second is about where outreach is happening. One theme here is how often councils have had to divert resources away from face-to-face communications, including home visits, due to limited time and resources. Increasingly councils are turning to phone and internet based advice services. Another strategy employed by some councils has been to extend their work to places where people affected by welfare reform are likely to spend time and congregate in larger numbers, for instance food banks, and coordinate with organisations working in these areas.

A further challenge facing councils has been how to approach recovery and enforcement in cases of non-payment. Having a progressive rather than punitive approach to recovery and enforcement in cases of non-payment has eased the transition. Councils found that engaging proactively in this regard could have a positive impact on collection over time.

However, there remains a question mark over how to deal with cases where people carry over arrears from previous years and still cannot pay. This raises a question of the sustainability of the current mix of scheme design and recovery and enforcement policy.

## Encouraging work

South Norfolk and Norwich both actively sought to encourage work, not directly through their schemes but through outreach campaigns and fairs. South Norfolk worked closely with Job Centre Plus and set up a buddy system. In South Norfolk, this sits alongside employing work incentives as part of their scheme.

The overall approach of Norwich has been to try to get as much money as possible into peoples' pockets with a focus on jobs and homes. Alongside choosing not to pass on the cut to claimants, the council set up job fairs to help find and secure people work. They also campaigned to promote the living wage across the city (linked to Living Wage Norwich) and to require contractors to pay the living wage.

## Outreach

Councils used a range of devices to reach out to people who were now required to pay at least some of their council tax.

In August 2012 Chelmsford wrote as part of consultation package to residents about options for changes to scheme, which included pictorial representations of how the scheme would change. In addition, in January 2013 a mock Council Tax bill was sent to CTS claimants to prepare them for what an actual bill would look like. South Norfolk also noted the importance of the Council Early Help Hub, which focused on early intervention and pre-empting problems.

Further to this, Chelmsford hired two outreach workers in 2013 to help with CTS recipients, for instance by signposting to debt advice. The outreach work also involved some home visits. It was extended in April 2015 to approach all people falling behind with payments to prevent people from going into court summons, although the emphasis is less on home visits and more on phone conversations and signposting further advice.

Outreach can also be used to address the problems of a specific group. South Norfolk have worked very closely with families that have been capped and/or hit by the bedroom tax. As the number of families in this position was relatively small (33 families on potential list for being capped) it was easier to reach out. The number of families in this position dropped to 11 after the council's intervention.

## Advice services

In addition to preparing residents for changes to CTS schemes, councils also supported them during its delivery through existing advice services.

Islington were well served in terms of debt advice and there were teams to deal with LHA changes and set up a policy around Local Welfare Provision. Their resident support scheme is a needs-based referral scheme and is a combination of support schemes given how issues that necessitate support often intersect. Alongside this, they connected employment support through the Islington Working programme which has taken over 250 referrals.

Other councils emphasised how they improved advice services. Wiltshire introduced debt advice training for frontline benefits staff, improving the quality of advice services for claimants. South Norfolk also invested in staff and training to ensure a consistent service, including developing scripts to deal with a variety of scenarios.

Having a clear strategy on how to communicate with people struggling with paying was important. One council used texts to reach those that had not paid within 8 weeks, outbound telephoning to gather insight and encouraged anyone with issues or questions to get in touch with the council directly. They made home visits to all those people that had not paid.

## Working with third sector organisations

A further way to strengthen the delivery of the scheme has been working with local advice organisations, such as the local Citizens Advice Bureau. This is more than just filling in gaps. Working alongside each other, councils and third sector organisations have been able to enhance their impact.

One way of doing this has been for councils to assist local advice services with funding or funding applications. Braintree funded a money advisor at the local Citizens Advice Bureau to assist people referred from the council with financial assessments and budgeting advice. If the person was deemed to still be in financial need at the end of this process, then they were referred to the hardship fund. One council assisted its local CAB branch with a funding bid for £500,000 to help with conditional support. Leeds council provided grants to advice organisations such as Leeds CAB and put contracts in place with the Leeds Advice Consortium.

Although Tower Hamlets has absorbed the cut to CTS, the council's approach to welfare reform both informed their decision to absorb as well as their decision to run one-stop shops and to work alongside existing housing providers, tenant and landlord forums and third sector organisations such as food banks (for more detail, see Appendix 2). This model could be usefully employed by other councils, to extend the reach of outreach and advice by working alongside and supporting the work done by other third sector organisations.

## Recovery and enforcement

For most of the councils approached during this research, the increase in arrears and fall in collection rates anticipated by the councils setting the harshest schemes were not as bad as expected. Some have sought to work alongside CTS claimants who are new council tax payers to find ways to help them to pay rather than using enforcement measures. Others viewed it as important to allow some time for new council tax payers to adjust, marking 2013/14 as a transition year, just as central government had for councils with the grant funding. In these cases councils implemented recovery and enforcement strategies that have become more stringent since April 2014. Councils have employed a range of recovery and enforcement strategies as the following examples illustrate.

Public attention has at times turned to the economic and social costs of implementing stringent rules regarding non-payment of council tax, issuing court summons and calling in the bailiffs, and some councils said they sought to avoid this. For instance, amongst those who did not pay in Lambeth, the council actively intervened, using enforcement action only as a last resort. Lambeth was clear about not wanting to use bailiff action.

Leeds also pointed to the additional financial hardship that recovery could cause claimants. The impact of recovery processes are significant and can dramatically increase the amount of money someone owes. For instance, for a Band A property in Leeds, someone who owes £180 would see this increase to £250 with bailiff fees.

South Norfolk introduced a separate recovery approach for CTS recipients, which included taking a holistic customer focused approach that deviated from the automatic recovery model (which they recognised was probably easier to implement in a smaller local authority), allowing for 12 month instalments, and quashing summons costs when payments were made.

Some councils decided that they would not issue court summons initially, with 2013/14 as a transition year. Thanet, for instance, agreed in advance of the introduction of the scheme not to take anyone claiming CTS to court as the cut in support was only between £40-50 and court costs would have far exceeded this. However, since 2014/15, CTS debtors are treated the same as everyone else and are subject to the full range of recovery methods.

One of the biggest challenges for councils now is when there are people who are still in arrears for their council tax payments from the first year of localised CTS, as the example from Chelmsford below illustrates. As debt mounts up among poor households, this raises serious questions about the sustainability of both localised CTS given the funding cut, and more lenient recovery and enforcement strategies.

## Recovery and enforcement in Chelmsford

When devising schemes for future years, Chelmsford will have to ensure that they don't put off people who are currently paying their contribution by presenting them with a bill so large that they feel that they can't possibly pay it and stop making the payments that they are currently making. The council would rather collect 90% of a smaller contribution than 0% of a larger one.

As an indication of the problems that people are already having with respect to paying Council Tax, Chelmsford has 500 people who are still subject to attachments of benefits in respect of their 2013/14 liability; they are having a small amount deducted each week from their other social security benefits in respect of outstanding Council Tax. This means that they haven't even started paying their 2014/15 liability and will now have a bill for their 2015/16 liability.

Chelmsford didn't start the formal recovery process (summons, liability order) in respect of 2013/14 until October 2013 to give the council a chance to make contact with as many people as possible, so the attachments of benefits didn't start as early as they might otherwise have done, which partly explains why so many are still paying 2013/14 liabilities. In order to get an attachment of benefit, the council has to obtain a liability order at the Magistrates' Court, which adds an additional £95 in Court costs to the liable person's debt. The council is currently considering requesting liability orders for 2014/15 and 2015/16 in one action to prevent the addition of two lots of £95 costs for each year individually.

## Lessons since April 2013 and challenges ahead

### Designing an appropriate scheme

While most of the focus has been on minimum payments as the major change affecting claimants, councils were conscientious in designing their scheme to address the needs of their local population. Some councils reflected that they could have been more ambitious in this regard.

Some highlighted the need to think of other ways to save money, for instance by changing discounts and exemptions if that option is open to the council. Others designed their schemes with particular vulnerable groups in mind. Impact modelling and a thorough understanding of local demographics, for instance overlapping impacts of other welfare reforms or the number of people claiming disability benefits, were both important in this regard.

### Minimum payments, collection and arrears

The impact of the scheme cannot simply be measured by the level of minimum payment introduced. On the surface a scheme with a minimum payment over 20% may seem like a bad scheme, but there may be a lot going on behind the scenes, such as close work with local advice organisations or putting a special emphasis on outreach and early publicity. Thinking beyond the scheme's design to its delivery has been crucial to the success of localised CTS, both in cases where councils absorbed and cases when they didn't.

Since April 2013, over 100 councils have changed their scheme, including 16 of the 58 that initially absorbed. In most cases, minimum payments have risen, with the most common minimum payment now at 20%. However, we have also seen several councils (2 in April 2014 and 5 in April 2015) that have reduced their minimum payment.

These two observations about how minimum payments are increasing in most cases but decreasing in areas where the council initially set a high minimum payment, normally above 20%, relate to what we have heard from councils during this research about arrears, collection and recovery.

Some councils that have set their minimum payment at around 20% anticipate that requiring CTS claimants to pay more council tax would backfire, resulting in higher arrears, associated costs of recovery and lower collection. Other councils anticipated additional costs associated with administration, collection and recovery when designing their schemes in April 2013 and absorbed the cut.

Three years into the delivery of localised CTS, councils now increasingly have to address the problem of claimants who have not paid their council tax for more than one year. In many cases, councils took an initial approach to recovery and enforcement that aimed to support residents, particularly former CTB claimants paying council tax for the first time. However, there is a question mark over how to handle these cases in April 2015.

## The intersecting effects of welfare reform

Several councils admitted to being worried about the overlapping effects of welfare reform, including localised CTS, the bedroom tax and the benefit cap. This is particularly relevant to the previous discussion of arrears and attachment of benefit. As we have seen, Tower Hamlets have proactively approached welfare reform as a set of intersecting circumstances affecting residents, most of all the poorest and most vulnerable.

Working across council departments is one way to ensure that the needs of people affected by welfare reform are properly addressed, and that changes to localised CTS do not have additional adverse economic and social effects on claimants. This model has been used elsewhere and also surfaced later in one of our case studies. Once the impacts of the welfare reforms began to be felt in Leeds, the council set up a Citizens & Communities Directorate with a clear focus on poverty and financial hardship.

## Councils tweak while the system creaks

In some senses, the cracks are beginning to emerge. In some cases the council simply does not have enough funding to maintain the current scheme, but increasing the minimum payment is likely to fuel greater debt among poor and vulnerable people.

While many councils have handled this with some care, aiming to minimise the amount they issue courts summonses and call bailiffs into action, there is increasing pressure to act on recovery and enforcement. In effect, this would amount to punishing people for something they simply cannot afford which they did not have to pay for three years ago.

Aside from the looming questions around the compatibility of CTS and Universal Credit addressed by the next chapter, this issue around claimant debt and council finances raises serious concerns about the sustainability of the current mix of scheme design and recovery and enforcement policy. One of the problems is having little to no control on raising funds elsewhere, for instance through increasing Council Tax. Can councils continue to tweak their schemes, or is localised CTS creaking?

## 3. Universal Credit and Council Tax Support

### Introduction

Whereas the last chapter was concerned with the factors behind localised Council Tax Support (CTS) scheme design, and the challenges associated with continuing to deliver CTS, here we investigate an imminent challenge for councils rolling out Universal Credit (UC), namely how to integrate it with CTS (if at all). This chapter is a technical note grounded in considering the various changes encompassed by the change from Council Tax Benefit (CTB) to CTS and the challenges faced in the interaction of CTS with UC.

The main claims made in favour of UC are that it improves work incentives, reduces complexity, and reduces administration costs. Following a review of the literature on UC, the chapter proceeds by mapping out the effect of various changes to components of CTS from CTB, such as introducing a minimum payment, a minimum level of support or change to the rate at which income is tapered, and how these affect work incentives, by focusing on how the marginal tax rate changes for each hour worked under each system.

It then assesses the first two claims made about UC in light of the challenges presented by the interaction with CTS, namely what it means for work incentives and for complexity. We conclude by arguing that CTS does make work incentives worse under UC, but not by a significant amount. The more important thing is that it is difficult to see how the integration between one system that is administered nationally and another that is devised and administered locally is going to work in practice. This undermines one of the central claims behind UC, that it reduces complexity.

### Background to CTS and UC

Under the original plans for UC designed by the Centre for Social Justice, Council Tax Benefit CTB was intended to be included along with every other means-tested benefit. The principles UC is hoped to instil in the benefit system – simplicity and improving work incentives – were not considered to be served by excluding the most widely received piece of state support.

As Finch *et al* note, the government's original consultation document on UC included CTB, but by the October spending review it was announced that CTB was being localised and by November it was dropped from UC (2014: 21).

Currently under the Local Government Finance Act 2012, a review into whether the new local Council Tax Support schemes (CTS) should be included in UC is required by October 2015.

## Evidence review

In the November 2010 consultation document that excluded CTS from UC, the decision was made in order to ‘sweep away some of the centrally imposed complexities of Council Tax Benefit that make it difficult to understand’ (DWP, 2010:20) and that it would ‘complement Universal Credit’ (DWP, 2010:23).

Most analysis of the decision to exclude CTS has disagreed with DWP’s appraisal. According to the IFS it ‘severely undermines’ several of the objectives of UC, a view shared by the Resolution Foundation and the Centre for Economic and Social Inclusion (Adam & Browne, 2012:8; Finch *et al*, 2014; Tarr & Finn, 2012).

The criticisms are related to the key principles behind UC; improving work incentives, reducing complexity, and reducing administrative cost.

### Work incentives

Having a means-tested benefit outside of UC raises the possibility of overlapping withdrawal rates creating high marginal effective tax rates. Reducing these was one of the primary objectives of UC, as the high marginal rates were thought to pose a disincentive to working, or working more hours. How this works in practice depends on how UC and CTS interact: as Adam and Browne point out, there is no precedent as some parts of what will become UC are currently treated as income whereas others are not. The IFS note that if UC is not counted as income for the purposes of the CTS means-test, the effective marginal tax rate could reach 90%. This rate would reach 81% if CTS was counted as income. Contrast these rates with a maximum of 76% under UC excluding CTS and bear in mind that this is before additional complexities are added, such as different types of minimum payment and the higher taper rates in some councils.

### Reducing complexity

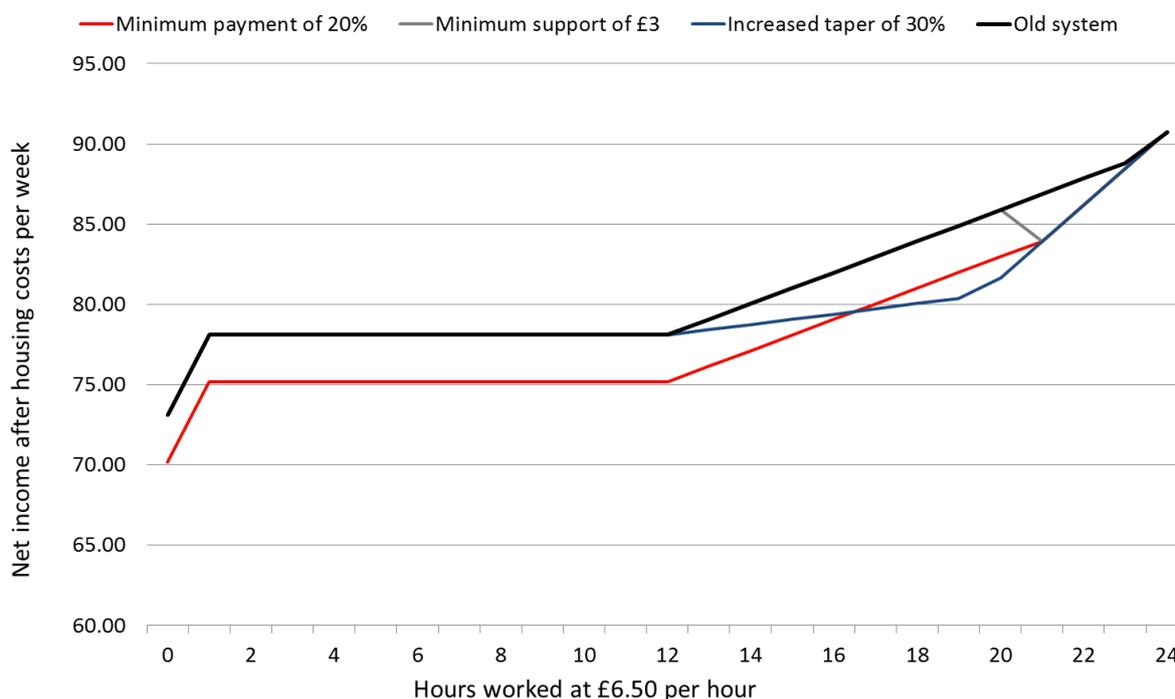
One of the great advantages of UC was to be its simplicity - with all means-tested benefits combined into one with one benefit with a single work allowance and steady rate of benefit reduction at 65%. By keeping CTS separate, there is one more administration process for service users to navigate (Tarr & Finn, 2012: 36). Localisation, with a potential 326 different schemes across England, adds to the complexity. In addition to this spatial difference, in which “better off in work” calculations might vary between local areas, NPI research indicates that over 100 councils have changed their scheme more than once in the three years since localisation. Both of these factors to some extent undermine the simplicity of UC.

## Reducing administration costs

The complexity of the pre-UC benefits system was thought to bring additional costs in terms of administering multiple benefits. Keeping CTS outside of UC no doubt contributes to this, through requiring each local authority to design its own scheme. Previous NPI research has found an increase in administration costs, particularly those authorities with the largest cuts to support (Bushe & Aldridge, 2014).

## How does CTS work under the current system?

Under the current system, CTS can be received through a qualifying benefit, in which case the maximum amount of support is received, or through a low income means test in which the amount received is calculated through tapering eligible income from the maximum amount of benefit. Many schemes now vary individual elements of these: for example, reducing the maximum amount of CTS that can be received (a minimum payment) or increasing the rate at which the benefit is reduced when income increases. Others have increased the scope of what counts as income (including, for example, child benefit).



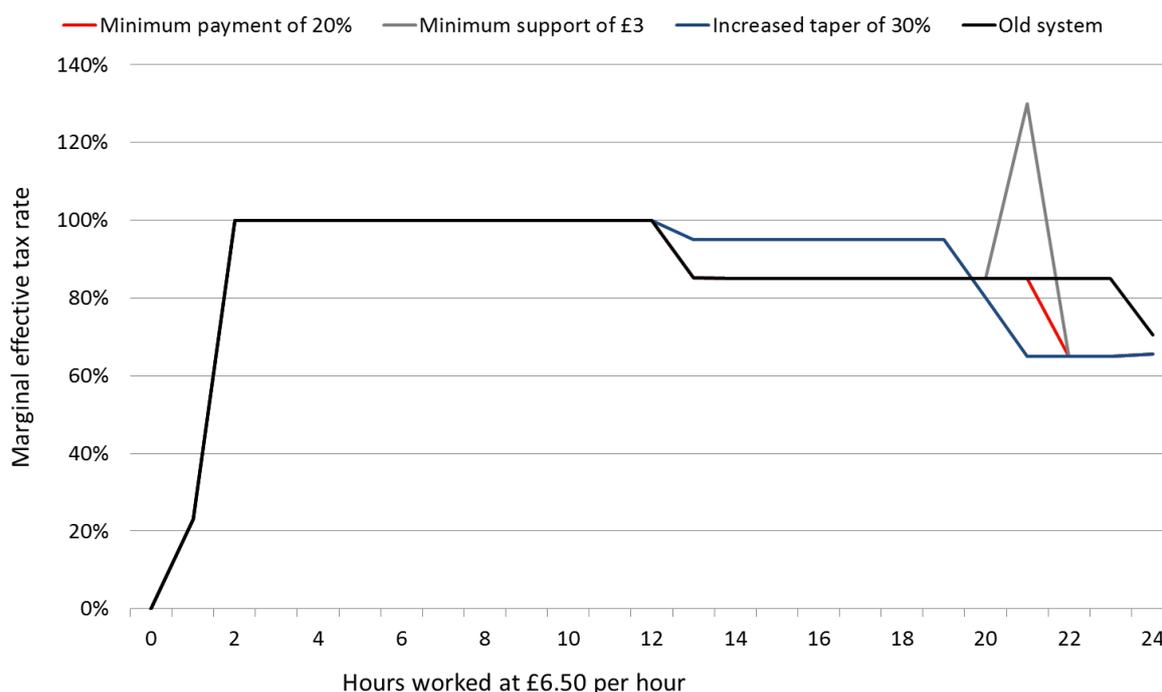
Source: Analysis of the NPI Household Tax and Benefits model for 2015-16.

Compared to the pre-localisation system, this can entail a worsening of work incentives. This effect can be quite small: the difference in marginal effective tax rate

between a 20% taper rate and a 30% taper rate for someone paying tax and national insurance and receiving tax credits is three percentage points; 78% and 81%.<sup>2</sup>

The graph above shows the change in net income for a single working-age adult with rent of £71.20 per week and council tax of £14.60 per week under four variations of CTS. Note that the changes in weekly income under all four are quite small and the Y-axis is truncated to make these differences visible. By 24 hours worked the net income in each case is the same as earnings are high enough to exceed the means-test.

In the case of the increased taper, income increases more slowly until 20 hours due to the higher marginal deduction rate, but then increases more quickly thereafter because the individual “runs out” of the benefit more quickly. This is also the case with the minimum payment: work incentives are the same until the benefit runs out, which is does more quickly than under the old system. The only scheme with a negative work incentive is the minimum level of support of £3, whereby going from 21 to 22 hours of work leads to a fall in net income.



Source: Analysis of the NPI Household Tax and Benefits model for 2015-16.

The second graph looks at the same scenarios in terms of the marginal effective tax rate, i.e. what proportion of an extra pound of earnings is retained in terms of net income. Up to 12 hours, each scheme is the same in order to facilitate the pound-for-pound reduction of JSA. After this point, CTS is reduced at a rate of 20% or 30%.

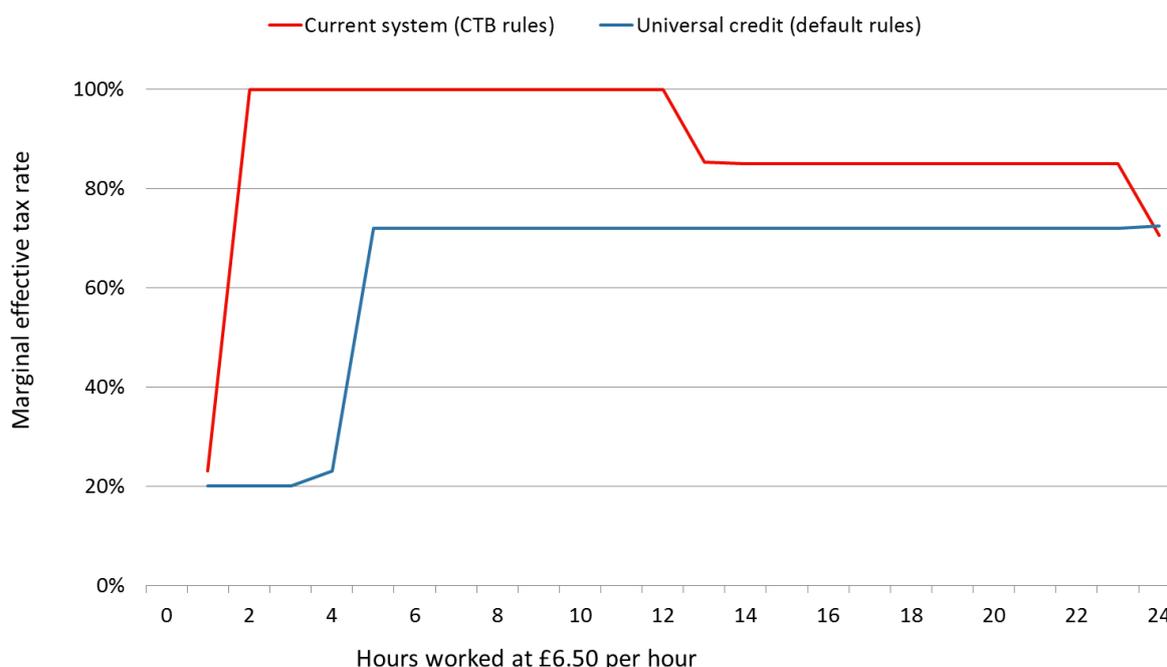
<sup>2</sup> <http://counciltaxsupport.org/resources/commentary/taper-change/>

As above, the 30% taper rate means income increases more slowly as earnings increase as more CTS is withdrawn, and then more quickly after CTS is exhausted. At 21 hours, CTS is completely withdrawn under the minimum payment of 20% scheme as there was less benefit to withdraw. Under the minimum support scheme, working one more hour at 20 hours means that 120% of that hour's earnings are withdrawn: working more makes you worse off. All three schemes end up with better work incentives as the benefit was either lower or withdrawn more quickly earlier.

Note that the effect of the 30% taper rate is more severe here than in the example above, where it has a relatively marginal effect. This is because it is post-tax income that is affected by the CTS taper. In the above example, income tax, national insurance, and tax credits are received, so the increased taper applies to a relatively small share of income (20%+12%+41% = 73%, the 85% or 95% combined HB and CTS taper applies to the 27% left over). In the example in the graph, the individual is not eligible for tax credits and does not earn enough to pay income tax or NICs, so the 85% or 95% taper applies to all of earnings.

## How might CTS work under UC?

Under the localisation of CTS, councils in theory are able to determine whether UC is counted as income for the purposes of the means-test for CTS. As noted above, this has potentially large implications for deduction rates and eligibility. In practice, however, any council that has adopted or modified the 'default scheme' for CTS designed by the Department for Communities and Local Government will count UC



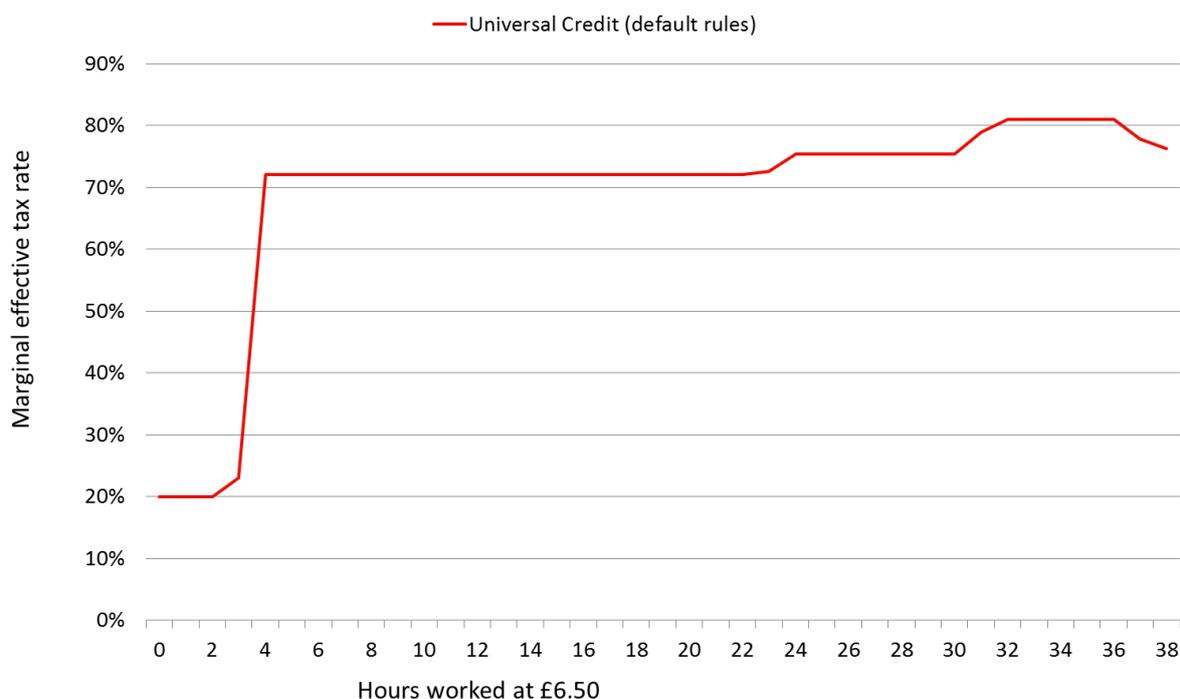
Source: Analysis of the NPI Household Tax and Benefits Model for 2015-16.

as income for these purposes, combined with setting the applicable amount for CTS at the maximum level of UC. As the IFS note, this has the advantage of reducing the marginal tax rate by making withdrawal sequential (Adam & Browne, 2012:90). It is not yet clear if any local authorities will decide that UC does not count as income for these purposes. The graphs in this section follow the template of the default scheme.

## Comparing CTS under the current system and UC

The first graph above looks at the same example of a single adult with no dependent children adult working an increasing number of hours at the minimum wage. In this instance, it is worth noticing that even with CTS separate to UC, for a single adult it still has better work incentives than the current system until the 24<sup>th</sup> hour of working when CTS runs out. As a consequence, net income for this single adult is substantially higher under UC than the current system. As a single adult under UC has quite a low work allowance, CTS is tapered off quickly before UC. In order to hit the highest marginal deduction rate of 81%, council tax needs to be quite high. This 81% marginal tax rate occurs when council tax support and UC withdrawal coincide with earning enough to pay income tax and national insurance contributions. The increase in the personal allowance has made this somewhat less likely.

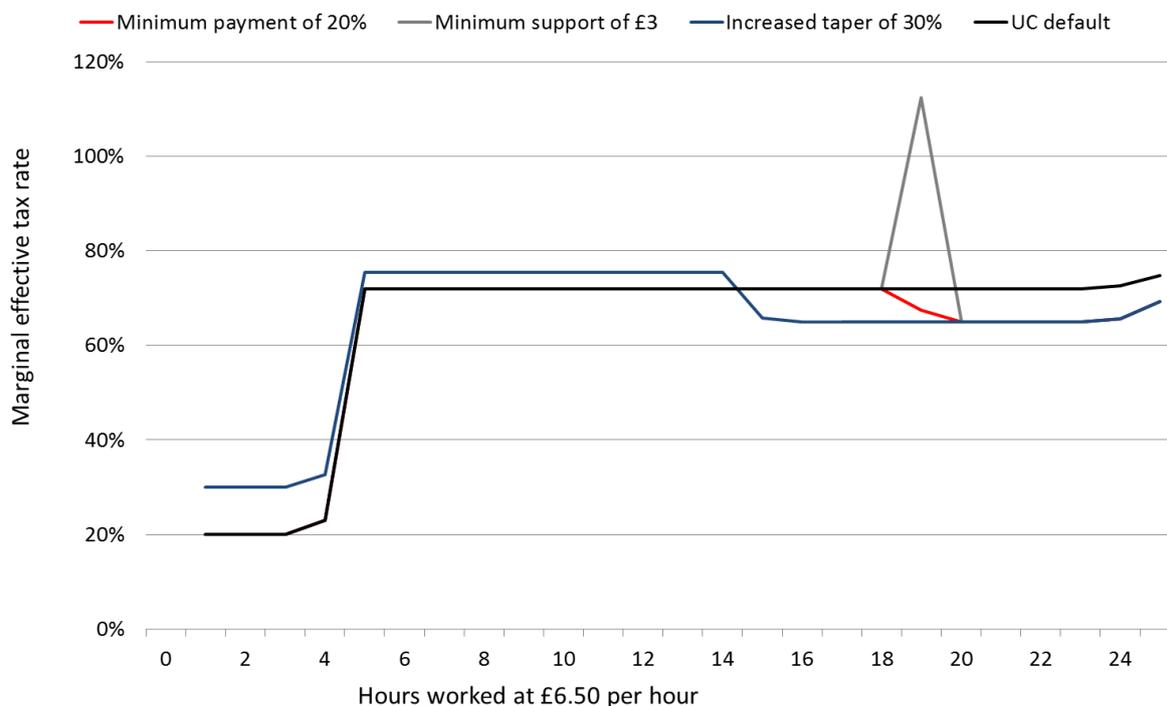
The next graph below, in which council tax is set to £19.04 per week, indicates that the 81% deduction rate is reached at 32 hours of work at the minimum wage, and persists to 36 hours. This will differ for different family types: families with children receive additional disregards that make it more likely to hit the highest rates. This



Source: Analysis of NPI Household Tax and Benefit Model for 2015-16.

does represent a contradiction of the purposes of UC, as 81% is a high METR and there are several “jumps” in this. But it is still relatively flat compared to the present situation, and the marginal tax rate never reaches the current highs either.

## Localisation and UC



Source: Analysis of the NPI Household Tax and Benefit Model for 2015-16.

The graph below presents the marginal effective tax rates for the same local variations on schemes as above but under universal credit. The default UC scheme is the black line. If we consider the optimal scenario for the purposes of UC to be as straight and low a line as possible, then the three local variations here take UC further away from this ideal. The increased taper of 30% worsens work incentives for the first 14 hours worked and improves them thereafter, though it should be remembered that a key part of UC is encouraging mini-jobs to enable a “foot in the door” of employment. The minimum level of support has one point where working one additional hour leads to less income overall, though otherwise has the same or lower METRs as the default scheme. The minimum payment, as under the current system, has the same then better marginal incentives as the lower overall level of payment means that the benefit is completely withdrawn sooner.

## Should CTS be included in UC?

There are three main components to the government's changes to the council tax benefit. The funding for the benefit was cut by 10%, it was localised, and it was excluded from UC. It is possible to have done any one of these individually. It is also possible to include council tax support within UC while maintaining either the funding cut or the local element.

Two of these decisions – localisation and excluding CTS from UC – also have the capacity to directly undermine UC. This can be on the basis of work incentives and complexity. Excluding CTS from UC is in both cases unhelpful but not fatal to the reform. For work incentives, while maximum marginal effective tax rates can be 81% rather than 76% with CTS kept separate, this happens in a relatively narrow band and UC is still for most family types an improvement over the current system. It also adds to the complexity in terms of having an additional benefit outside of UC.

Localisation, however, can compound both of these problems. The large variety of schemes across local areas, which is still changing year on year, undermines simplicity to a greater extent. Depending on how the scheme is formulated, it may further undermine work incentives.

As it stands, then, it is hard to see how a localised CTS system can be integrated into UC, a national system. Either the local variation has to be reduced – for instance, to a simple matter of setting minimum payments, rather than taper rates – or it should be administered separately if it is accepted that it contradicts some of the fundamental principles behind UC. The other option is to return to the original proposals and include CTS within UC on the same basis in every local authority. In terms of the principles of UC, it is not work incentives that matter here – CTS makes them worse, but not necessarily by much. Far more important are the issues of complexity and practicality.

This may prove academic. Councils currently receive funding to deliver and process Housing Benefit and CTS schemes. As UC replaces Housing Benefit, this funding may reduce, so the capacity to design and run local schemes may diminish. Necessity may result in integrating CTS and UC. Local variation may then reduce to setting minimum payment levels, much like local authorities setting overall Council Tax levels.

## Appendix 1. Criteria included in the scheme impacts analysis

### Rural urban classification

To examine the rural urban classification of a local authority we used the LA Classification as outlined by DEFRA.<sup>3</sup> In this classification roughly half of unitary and lower tier local authorities can be classed as urban and half as rural. A detailed breakdown is as follows:

Rural/urban classification	Count of Local Authority
Major urban	71
Large urban	39
Other urban	58
Significant rural	55
Rural-50	48
Rural-80	54

### Political make up of council

The primary purpose of including political control as a category of analysis was to ensure a representative spread of interviews in later stages. A simple breakdown of political control is as follows:

Political control	Count of Local Authority
Conservative	175
Labour	80
Liberal Democrat	13
NOC	55
Other	2

<sup>3</sup> The LA Classification is a 'spectrum', or graded system and is based on settlement type as defined by the rural/urban definition. It gives 6 Urban/Rural Classifications:

- major urban: districts with either 100,000 people or 50 percent of their population in urban areas with a population of more than 750,000;
- large urban: districts with either 50,000 people or 50 percent of their population in one of 17 urban areas with a population between 250,000 and 750,000;
- other urban: districts with less than 26 percent of their population in rural settlements and larger market towns;
- significant rural: districts with more than 26 percent of their population in rural settlements and larger market towns;
- rural-50: districts with at least 50 percent but less than 80 percent of their population in rural settlements and larger market towns;
- rural-80: districts with at least 80 percent of their population in rural settlements and larger market towns

## Area deprivation

Area deprivation is assessed on the basis of the proportion of the local population that received Council Tax Benefit in the year prior to the introduction of Council Tax Support. On the basis of this measure area deprivation ranges from 4-21%.

Area deprivation	Count of Local Authority
less than 5%	3
5-10%	157
10-15%	128
15-20%	35
More than 20%	2

## Overall change in council funding

In order to better understand the financial burden placed on each council it is crucial that we consider the range of changes to council funding that took place in the run up to CTS reform. Our analysis of change in government funding draws directly on the underlying data for revenue spending power published annually by the Department for Communities and Local Government alongside the announcement of the local government finance settlement. The DCLG publishes data on the components of revenue spending power which includes council tax and government funding. For our analysis of change in government funding we retain data on government funding and exclude the council tax data. The average change in government funding to local authorities between 2010/11 and 2013-14 was -19.7% (median). The change ranged from -57% to +17%.

## Proportion of local population that is of pension age

Pensioners are protected against any cut in CTS. As such, for councils who chose to recoup the 10% cut a large pensioner population would result in a higher percentage cut for working age claimants. On average (median) 18.1% of local populations were of pension age. This proportion ranged from 6.1% to 30.6%.

## The scale of changes introduced

In 2013/14, 57 local authorities retained existing CTB arrangements, 16 councils introduced minor changes and 252 introduced major changes. Major changes include the introduction of a minimum payment, the introduction of a band cap and changes in the income taper. These changes are counted on account of the fact that they either affect a large number of people or saw large cuts in support for CTS recipients (the introduction of band caps affected around 40,000 households, however those affected saw large cuts in support).

### **The presence and level of minimum payment**

The minimum payment is the minimum level of council tax local authorities require CTS recipients to pay. We analyse this measure as it was the main change introduced by councils in April 2013. It is also the measure most closely related to the average cut in support in each local authority.

Minimum Payment level	Count of Local Authority
0%	97
8.5% and under	112
20% or less	76
More than 20%	41

### **The presence of protections for vulnerable groups**

Using this framework we provide a breakdown of local CTS schemes according to whether they protected 'vulnerable' groups. In 2013/14, 115 English local authorities introduced specific protections for vulnerable groups.

### **Cut in support for claimant**

Our estimated cut in support for claimants is based output from a model created in 2013 to calculate the impacts of Council Tax Support changes. The average cut in support ranges from £0.00 to £7.50+ per week.

### **The proportion of the CTS funding shortfall recouped through the scheme**

Here we have looked at the amount of council tax raised as well as the proportion of the funding shortfall that should have been recouped given the changes introduced. This is calculated by looking at the proportion of additional council tax raised through the scheme as a proportion of council tax benefit expenditure in 2012-13 minus 10% plus any transitional grant funding. The proportion recouped ranges from 0-100%+.

### **Changes in collection rates**

The council tax collection rate is the proportion of all net collectable council tax that has been collected. The collection rate tells us how much of a gap there is between what councils need to collect and tax actually collected.

## Appendix 2. Selection of case studies

The fourteen councils that were interviewed were selected on the basis of their CTS schemes being identified as being either good for the council, for claimants or for both. Among the fourteen councils:

- 2 were in the 'best for council, average for claimants' category
- 3 were in the 'best for council, worst for claimants' category
- 2 were in the 'good for council, good for claimants' category
- 4 were in the 'good for council, average for claimants' category
- 3 were in the 'worst for council, best for claimants' category

The cases were also chosen to exhibit a range of schemes and of councils facing different kinds of challenges depending on factors such as the council's finances, demographics, location, and political control.

One council preferred not to be named. The remaining case studies were:

- Braintree District Council
- Chelmsford City Council
- Islington London Borough Council
- Lambeth London Borough Council
- Leeds City Council
- Liverpool City Council
- Newcastle-upon-Tyne City Council
- Norwich City Council
- South Norfolk District Council
- Teignbridge District Council
- Thanet District Council
- Tower Hamlets London Borough Council
- Wiltshire Council

We spoke to one person from each council who was involved in the design and delivery of the scheme in April 2013, and who has a sense of how things have progressed since. Often this was the Revenues and/or Benefits Manager for the council.

## Appendix 3. Tower Hamlets' approach to welfare reform

### **Tower Hamlets Welfare Reform Task Group**

Tower Hamlets set up a Welfare Reform Task Group. This employed a joined-up approach across departments to address the impact of welfare reform on low income and vulnerable claimants.

This holistic approach to welfare reform, which looked beyond CTS (which the council absorbed), allowed the council to take a view on budgeting priorities across departments, while taking very seriously the potential cross-cutting effects of welfare reform on low income and vulnerable residents.

### **Working with housing organisations**

Tower Hamlets Benefits Service undertook presentations on welfare reforms for housing organisations, including private sector landlord forums, registered social landlords, tenants' forums, hostels and supported accommodation as well as internal council services.

### **One-stop shops**

In addition to producing written information and briefings for residents and an online video explaining the changes, Tower Hamlets set up one-stop shops. In effect, welfare reform roadshows were set up across the borough. People 'called in' on Saturday mornings.

These were well advertised locally, resulting in the 'shops' being inundated by people wanting reassurance about what was going to happen to their benefits and how changes were likely to affect them.

### **Working with food banks**

Lots of people visiting food banks are affected by benefits cuts and other changes, for instance increasing numbers being hit by sanctions.

The Council worked with the food bank and a dedicated Benefits resource started (and continues) to work at the food bank, identifying failures in the Benefits system and proactively remedying them so that the claimant gets their benefits entitlements reinstated and need not visit the food bank in future.