



**Democratic and Member Support**

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## **SELECT COMMITTEE REVIEW COUNCIL TAX SUPPORT SCHEME**

Wednesday 11 January 2017 (Reconvened Meeting 30 November 2016)  
2.00 pm  
Council House, Plymouth

**Members:**

Councillor Bowie, Chair.  
Councillors Ball, Fletcher, Fry, James, Morris, Penberthy and Tuohy.

Members are invited to attend the above meeting to consider the items of business overleaf.

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**Tracey Lee**  
Chief Executive

# Select Committee Review

## Agenda

### 1. Apologies

To receive apologies for non-attendance submitted by Members.

### 2. Declarations of Interest

Members will be asked to make any declarations of interest in respect of items on this agenda.

### 3. Chair's Urgent Business

To receive reports on business, which in the opinion of the Chair, should be brought forward for urgent consideration.

### 4. Select Committee Review: Council Tax Support Scheme:

- 4a. Select Committee Review Plan **(Pages 1 - 2)**
- 4b. Supporting Information: Evidence Briefing (Citizens Advice) **(Pages 3 - 38)**
- 4c. Supporting Information: Council Tax Support Scheme (Cabinet Report 17 January 2017) **(To Follow)**

**SELECT COMMITTEE REVIEW PLAN**

Overview and Scrutiny

**SELECT COMMITTEE TOPIC****COUNCIL TAX SUPPORT SCHEME**

<b>Raised by -</b>	Member Request – Councillor Chris Penberthy
<b>Date -</b>	30 November 2016

**Purpose of Review**

The Council Tax Support (CTS) scheme is designed to provide help households with low income and with limited savings to reduce their council tax liability. Local CTS schemes replaced the then nationally administered Council Tax Benefit in 2013.

Devon authorities have worked together on their schemes since the responsibility for council tax support (previously known as council tax benefit) moved from national to local government. Eight changes have been proposed to revise the scheme for 2017/18, aligning it more closely with national welfare reforms. The proposed changes summarised below were subject to a 12 week consultation process -

1. Removing the Family Premium for all new working age claimants
2. Reducing backdating for new claims to 1 month
3. To assume a set minimum income within the calculation of Council Tax Support for self-employed earners after a 1 year's self-employment
4. Reducing the period a person can be absent from Great Britain and still receive Council Tax Support to 4 weeks
5. To remove the work related activity component in the calculation of the current scheme for new Employment and Support claimants
6. To limit the number of dependent children within the calculation for Council Tax Support to a maximum of 2
7. To remove entitlement to the Severe Disability Premium where someone with a disability is cared for by another person who receives Universal Credit with a Carer's Element
8. To remove the additional earnings disregard and apply the standard earnings disregards regardless of hours worked to those claimants who receive Universal Credit

The Select Committee Review will –

- consider the findings of the Council Tax Support Scheme consultation to inform the development of the new scheme
- explore the impact on Plymouth residents of proposed changes to the local council tax support scheme
- consider information from witnesses

The Review will make recommendations to Cabinet.

**Select Committee Membership**

(As of 09/11/16) Councillors Penberthy, Morris, Ball and James

<b>Process</b>	
Methodology/Approach	Single Select Committee Session to be held in the Council House with invited witnesses, presentation from officers and relevant paperwork.
Sources of Information/Evidence	Plymouth City Council Local Government Association
Consultation Exercises	Initial feedback from summer consultation exercise.
Witness/Expert Participation	Witness will be sought from – Advice Plymouth Child Poverty Cross-Party Working Group
Site Visits	N/A
Resource Requirements	Will be met through existing scrutiny resources.

<b>Post Review</b>	
Reporting Process	The panel will report into Cabinet
Agenda Deadline	Monday 21 <sup>st</sup> November 2016
Anticipated Completion Date	Wednesday 30 <sup>th</sup> November 2016
Draft Report Deadline	Monday 21 <sup>st</sup> November 2016
Meeting Frequency	Single Session
Dates of Meetings	30 November 2016
Further Information	N/A



## **Evidence Briefing**

**For Plymouth City Council Scrutiny Committee**

**Oral session 30<sup>th</sup> November 2016**

**Proposed changes to the Council's Council Tax  
Support Scheme**

Submitted by Citizens Advice Plymouth (on behalf of the Advice Plymouth Partnership) November 27<sup>th</sup> 2016

Contact: Nick Dilworth: Benefit Support Services Specialist and Services Coordinator. Citizens Advice Plymouth/Advice Plymouth

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- 1. Introduction (5 – 7)**
- 2. Explanatory Observations (7 – 11)**
- 3. Plymouth Demographics (12 – 20)**
- 4. Evidence Response (21 – 34)**
- 5. Summary (35)**

## Forward

Citizens Advice Plymouth, in partnership with Advice Plymouth is grateful to Plymouth City Council for inviting us to give evidence at the oral evidence session before the scrutiny committee on the 30<sup>th</sup> November 2016 in consideration of the proposed changes to Council Tax Support.

Our evidence shows that these changes will hit the poorest people in and around Plymouth disproportionately harder than any other income groups from April 2017. We are particularly concerned over the impact which these changes will have upon families with more than two children and cannot agree with the rationale upon which these changes are proposed, similarly we have to voice our concern over cutting support for people who are recognised as having considerable limitations and are distanced from being able to find their way in to work through sickness, disability and ill health.

We have carefully considered our evidence and summarise our key recommendations as follows:

- That special provision is made for legacy cases where the family premium reduces the amount of Council Tax Support payable.
- The Council rejects the proposed backdating to one month and continues to establish genuine cases on the grounds of good cause.
- The Council rejects the proposal to adjust self-employed earnings to set minimum earnings after one year and allows for special cases where it would be reasonable to base the calculation on real rather than assumed earnings.
- We consider the presence conditions appear to be reasonable subject to the exclusions we have outlined.
- The Council rejects the proposal to remove the Work Related Activity Component from the calculation on the basis that it is based on flawed national policy and should remain in place to provide for people who have recognised limitations following Work Capability Assessment.
- We are fundamentally opposed to the capping of any benefits to two children as this will adversely affect upon children whose needs should be always be prioritised over and above pursuing the objectives behind longer term cultural change.
- Further assessment of the proposal to remove the Severe Disability Premium in the case of Universal Credit Carers in receipt of the

Carers addition should be carried out to ensure disabled people are not further affected. On that face of this policy appears to be an alignment measure and providing this is the case we see it as one which is reasonable to implement.

- Further assessment should be carried out in to the standardisation of earnings disregards with consideration being given to transitional protection measures.



## (1) Introduction

Citizens Advice Plymouth, on behalf of Advice Plymouth, welcomes the opportunity to give evidence to the Council's Scrutiny Committee on the 30<sup>th</sup> November 2016 in relation to the Council's proposed changes to the Council Tax Support Scheme for 2017/2018.

Citizens Advice Plymouth is a local charitable organisation which subscribes to the national membership requirements of our national parent Citizens Advice. We adhere to the following key aims and principles:

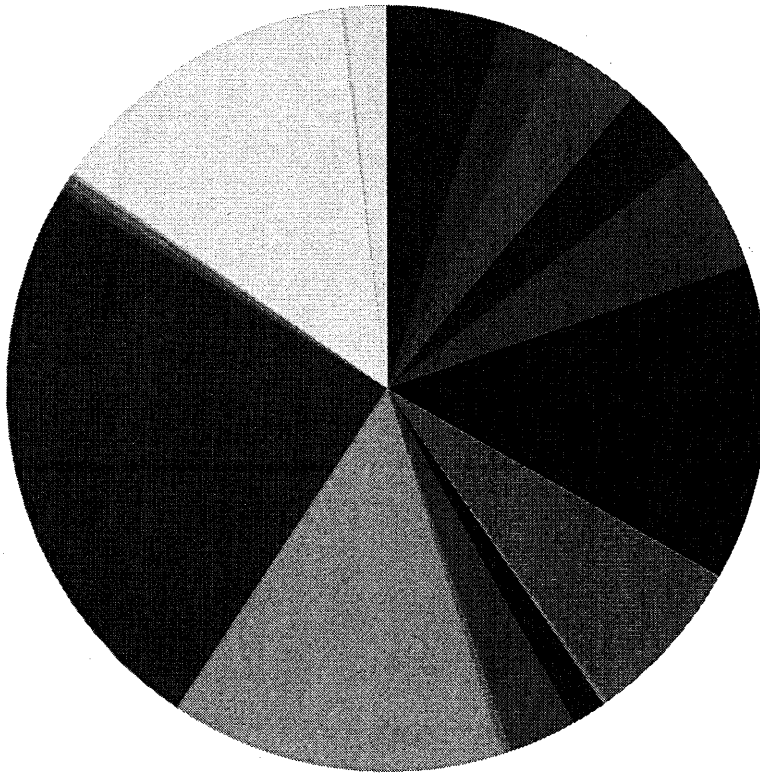
- We aim to provide the advice people need for the problems they face and improve the policies and practices that affect people's lives.
- We provide free, independent, confidential and impartial advice to everyone on their rights and responsibilities. We value diversity, promote equality and challenge discrimination.

As an award winning local advice agency, Citizens Advice Plymouth has a substantial impact upon the locality. In 2015/2016 we assisted 13,000 people by providing them with face to face, phone, email or webchat advice. This extended to over 41,795 separate enquiry areas with nearly 3 out of 4 of our clients saying their problem caused them anxiety and financial difficulty. Our clients are five times as likely to be on a low income when compared with the population of England and Wales.

One of our key areas of advice is in the area of welfare benefits advice with a total of 13,239 enquiries in this area forming 32 % of our overall enquiry number (41,795). Benefit appeals and mandatory reconsiderations form a substantial part of our caseload, especially in the case of Employment & Support Allowance, Personal Independence Payments and Working & Child Tax Credits.

However, the spread of welfare benefit enquiries should never be considered in isolation. It is not untypical for one benefit enquiry area to encapsulate several others, Council Tax Reduction for instance may present as a lower number of recorded issues because it is not recorded as the primary issue. Council Tax Support would be claimed by a large proportion of our clients who are in receipt of benefits and tax credits. An illustration of our benefit caseload is shown in the following table:

## 2015/2016 Advice Plymouth Benefit caseload



- Attendance Allowance
- Benefit cap
- Carers Allowance
- Child Benefit
- Complaints
- Council tax reduction
- Disability Living Allowance
- Employment Support Allowance
- Housing Benefit
- Incapacity Benefit
- Income Support
- Jobseekers Allowance
- Localised Social Welfare
- National Insurance
- Other benefits issues
- Personal Independence Payment
- Social Fund Loans-Budgeting
- State Retirement Pension
- Universal Credit
- Working and Child Tax Credits
- Passport benefits
- Pension Credit

Our considerable experience in this field, at all levels, from (1) information & advice, and (2) intermediate & casework, to (3) complex casework, provides us with a valuable opportunity upon which to provide evidence on the Council's proposed Council Tax Support scheme.

Citizens Advice Plymouth employs a welfare benefit specialist, the author of this evidence briefing, who conducts welfare benefits casework at highly complex level including dealing with cases in the Social Security Administrative Appeals Chamber Upper Tribunal, acting as expert witness in welfare benefit matters related to allegations of benefit fraud in the Crown Court, providing welfare benefit training across the Advice Plymouth Partnership and to external agencies including MP caseworkers and solicitor firms. Our specialist has over 20 years full time experience in his field and has considerable experience in drafting briefing papers for Parliamentarians and is a well-established source of reference.

## **(2) Explanatory Observations**

We are concerned that the Council's proposed plans to make cuts to the amount of Council Tax Support available to individuals within Plymouth may disproportionately impact upon the low income groups which Council Tax Support is intended to protect.

We have examined the available evidence papers provided by the Council in relation to this scrutiny and note how some of the rationale mirrors that of central government in imposing cuts to those in receipt of Employment & Support Allowance within the Work Related Activity Group, restricting the amount of financial support available to families with more than two children, removing the family premium for working age families, cutting the earnings disregard, removing the Severe Disability Premium in Carer claims for Universal Credit and imposing absence conditions.

We comment on the eight proposed changes individually but before doing so we set out some of the history to the changes in Council Tax Support and outline the national policy upon which these changes are, to a large extent, based.

To substantiate our evidence we have provided local data which may throw some light on the numbers of claimants likely to be affected by the proposed changes within the Plymouth City Area.

We are not aware of any specific impact statements being drawn up by the Council and would consider this to have been a necessary pre-requisite to proposing cuts of this nature. Our evidence is therefore based on the information we have been able to source and may be imprecise where only regional or national figures are available.

### **Council Tax Support – History.**

From April 2013, local authorities across England were given the power to devise their own systems of Council Tax Support (CTS) for working-age adults. It replaced the national system of the Council Tax Benefit (CTB) which ensured that the poorest households did not have to pay council tax.

Importantly, the changes to Council tax Support allow local authorities to develop their own plans. The devolved powers given to local authorities should enable them to make better evidenced based decisions on how individuals within the locality are likely to be affected by virtue of them having a better knowledge of those within their locality.

### **How this has worked over the last 3 years.**

Each year the local authority decides how Council Tax Support should work in their area. Now in its fourth year, 2.2 million low income families will pay on average £169

more in council tax in 2016/17 than they would have if CTB were still in place, up from £167 in 2015/16, £160 in 2014/15 and £145 in 2013/14.

While the average amount of additional council tax paid has only increased by £2 on average between 2015/16 and 2016/17, evidence shows that 340,000 working-age claimants are in areas where the minimum payment required increased in April 2016 or has been introduced for the first time. In these areas, the increase for many claimants will be much more than £2.

### Regional variation

Among the 340,000 families affected by upward movements in the minimum payment, 70,000 lived in areas where a minimum payment was introduced for the first time in April 2016. These claimants will pay on average £171 additional council tax compared to the previous year. The remaining 270,000 lived in areas where an existing minimum payment was increased by the council.

### Regional variation

	2013/14		2016/17	
	Total affected	Average cut	Total affected	Average cut
North East	135,000	£119	135,000	£135
North West	384,000	£145	345,000	£161
Yorks and the Humber	277,000	£154	262,000	£185
East Midlands	201,000	£108	172,000	£159
West Midlands	199,000	£152	251,000	£173
East of England	208,000	£163	201,000	£184
Inner London	196,000	£143	191,000	£142
Outer London	268,000	£147	243,000	£205
South East	234,000	£123	256,000	£191
South West	173,000	£191	171,000	£196
<b>England</b>	<b>2,275,000</b>	<b>£145</b>	<b>2,227,000</b>	<b>£169</b>

The South West has consistently been an area where Council Tax Support has reduced markedly higher than the national average for England. In 2013/14, 173,000 people were affected in the South West facing an average cut of £191 compared with an average cut of £145 in England. In 2016/17, 171,000 people were affected in the South West facing an average cut of £196 compared with an average cut of £169 in England.

The overall (National) impact of Council Tax Support changes over time, since being introduced in April 2013, is as follows:

## **Council Tax Arrears**

Evidence shows that, although arrears include residents who are not in receipt of Council Tax Support, those councils with a larger increase in minimum payment saw a bigger increase in arrears. Among the 45 councils that retained Council Tax Support arrears fell in relative terms by 7%. Among other councils, the increase was smallest across the 36 local authorities that did not introduce a minimum payment, at 2%. For the 69 councils with a minimum payment of 20%, arrears were 23% higher. In the 47 councils with a minimum payment of over 20%, arrears rose 44%.

## **Variation in the range of 'hits'.**

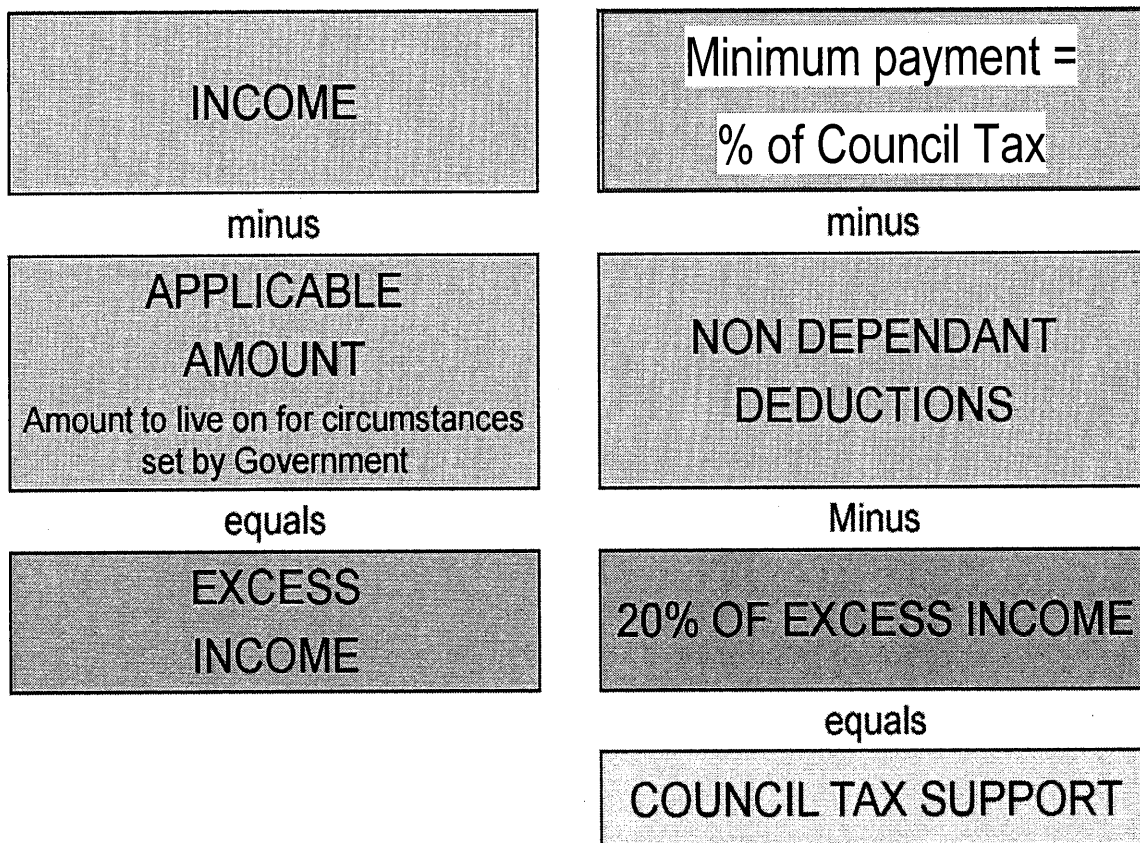
The average cut in support of £169 in 2016/17 hides a lot of variation. The evidence shows the number of Council Tax Support claimants by the additional council tax paid each year compared to Council Tax Benefit.

The most common financial impact of Council Tax Support changes on claimants in 2013/14 (indicated by the tallest bar on the graph) was an additional £50 to £100 per year to pay in council tax than they would have under Council Tax Benefit; in 2016/17 this will be £150 to £200. Each year the number of claimants paying smaller amounts in additional council tax has fallen and the number paying larger amounts has risen. 2016/17 was the first year that the number of claimants paying £150 to £200 fell; this was countered by an increase in claimants paying at least £200, which has reached 690,000.

## **How the Council Tax Support Scheme works**

The amount of Council Tax Support a claimant receives is determined by a calculation (see next table).

Within that calculation is an 'applicable amount'. Any variation in the applicable amounts alters the amount of Council Tax Support a claimant may be eligible to receive.



Thus any change in the 'applicable amount' will affect the amount of Council Tax Support payable. This is because although the Government sets the applicable amount, the Council, in most of the proposed policies, is considering following the government by applying it to the determination of Council Tax Support.

This affects Council Tax Support different claimant in different ways.

Take the case of a claimant who is a single claimant, aged over 25, in receipt of Employment & Support Allowance and in the Work Related Activity Group. His current weekly applicable amount comprises of the single persons allowance of £73.10. Because he is in the Work Related Activity Group he has an additional component included in his applicable amount equal to £29.05. His applicable amount is therefore the combination of both and equals £102.15 per week.

Assuming he has no other income he will not have an excess amount.

Also, assuming the Council does not apply a minimum payment, there will be no percentage deducted from the eligible Council Tax. Assume this to be £25 per week (this is the amount towards the Council Tax Bill).

In this example there would be no non – deduction (because the example case is a single claimant), nor will there be any deduction of 20% of the excess income because the claimant has no excess income (his income being equal to the applicable amount)

Such a claimant would receive the maximum amount possible; this is a 'best case' example where no minimum payment is applicable. The claimant in the example would receive the maximum of £25 Council Tax Support per week in addition to his weekly income of £102.15 per week.

The above criterion is important to the some of the changes being proposed.

### **Summary Observations**

Since the introduction of Council Tax Support, affected claimants hit by the new changes from April 2013 in a variety of ways are undoubtedly worse off. There is a great deal of regional variation as to how hard individuals are being hit depending on how Local Authorities have decided to implement changes at local level.

Plymouth is a low wage area with the net household average weekly income being £347.50 (net (equivalised after housing costs) across the four ONS 013/017/020/026 small area income estimate areas. Yet, the average annual cut to Council Tax Support for 2016 in the Plymouth area is £199 affecting 14,757 people (the national average for England being £169.

The proposed charges will continue to impact most heavily on the worst off with a justified concern being that increasingly the affected groups are becoming those most likely to find it difficult to work through illness and family commitments. There are also bound to be increasing instances where claimants face financial hardship and fall in to arrears through their genuine inability to pay Council Tax.

### (3) Plymouth Demographics

Turning now to a more specific analysis of individuals likely to be affected by these proposals in the Plymouth area.

Using evidence prepared by the New Policy Institute, the impact of Council Tax Support changes in the Plymouth area can be tracked as follows:

	Number of people affected	Average Annual Cut	National [England] Average Cut
2013	17,198	£235	£145
2014	16,024	£192	-----
2015	15,391	£196	-----
2016	14,757	£199	£169

Whilst the numbers affected have fallen, the Plymouth annual average cut is shown to be considerably above the National average cut for England. A fall in the numbers affected is most likely to be attributed to a rise in the number of people having found work; although other factors may be at play.

Source <http://counciltaxsupport.org/impacts/>

#### Plymouth average weekly household incomes

Using data from the ONS small area income Estimates, we can get a picture of the average weekly household income relevant to 2007/2008 from 4 Plymouth areas

Plymouth 013 E02003134		Plymouth 017 E02003138	
	Average Weekly Household Income (£)		Average Weekly Household Income (£)
Total	510	Total	680
Net	430	Net	550
Net (equivalised before housing costs)	370	Net (equivalised before housing costs)	490
Net (equivalised after housing costs)	300	Net (equivalised after housing costs)	430



Plymouth 020 E02003141		Plymouth 026 E02003147	
	Average Weekly Household Income (£)		Average Weekly Household Income (£)
Total	560	Total	430
Net	450	Net	370
Net (equivalised before housing costs)	440	Net (equivalised before housing costs)	380
Net (equivalised after housing costs)	370	Net (equivalised after housing costs)	290

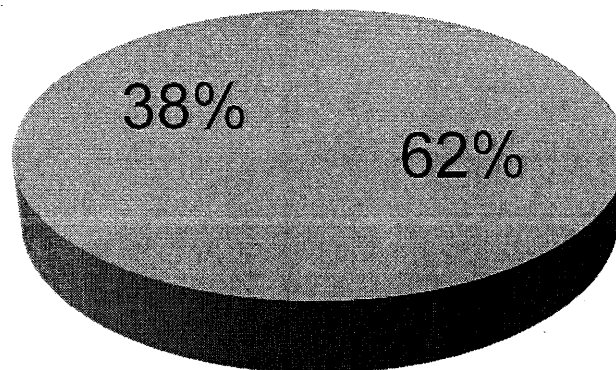
Source:

<http://www.neighbourhood.statistics.gov.uk/HTMLDocs/incomeestimates.html>

Figures were provided by the ONS in 2011/2012 but these are, from our searches, no longer available as designated national statistics. This may be associated with changes to measuring in the build up to the new poverty measures introduced as part of the Welfare Reform & Work Act. However, the figures give a reasonable measure of the income base and spread around the Plymouth area and should help the committee in its evaluation of current incomes allowing for income growth from 2008 onwards.

Median gross weekly earnings by place of work, Great Britain, for April 2015 in the Plymouth Unitary Authority area indicate an average of £429 with males earning significantly more at £521 and £318 for females (all work full and part time PW).

**Average weekly median wage Plymouth UA  
April 2015**



■ Males £521 ■ Females £318

Source: <http://www.neighbourhood.statistics.gov.uk/HTMLDocs/dvc126/>

Income measurement is important to the proposals under consideration because of their potential association with tax credit payments for those in lower paid work and for those preparing to work whilst on out of work benefits. These raise different considerations:

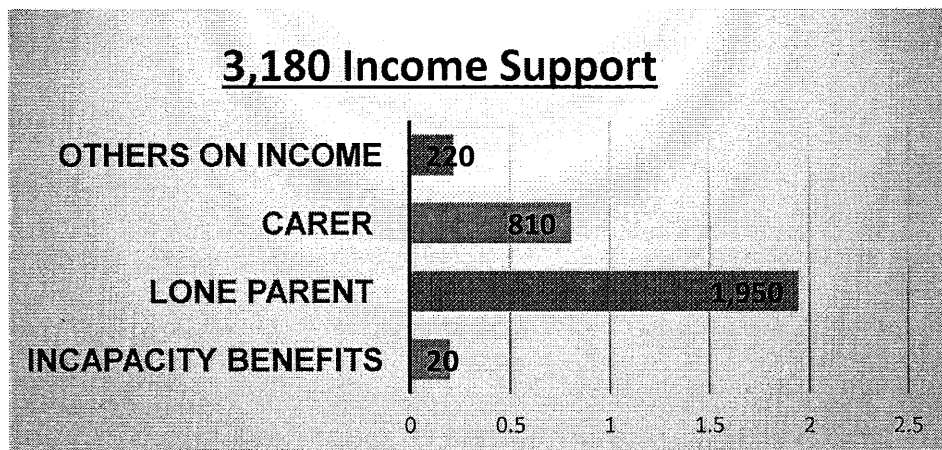
- How people taking up claims to benefits/tax credits are likely to be affected.
- Where those moving from away from benefits and in to work may be affected.
- Where those already in work on higher incomes may be able to afford an increase in Council Tax as an alternative to implementing the policy changes.

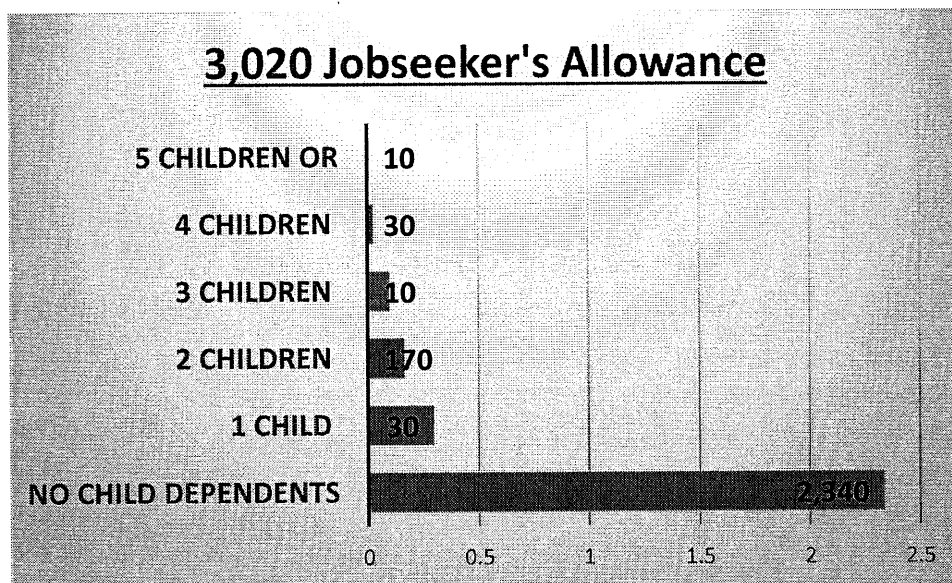
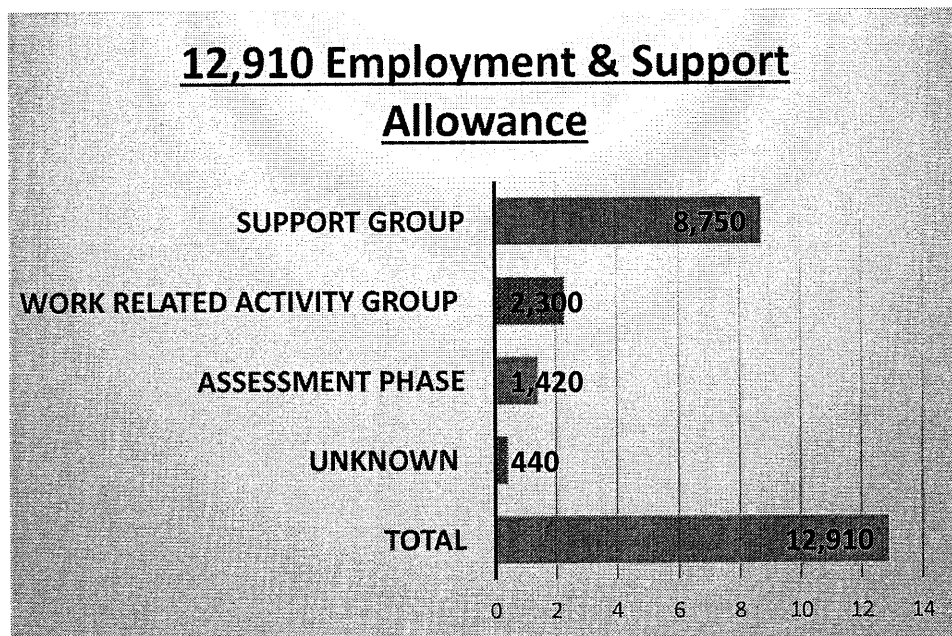
Turning now to the affected groups.

### **Plymouth Working Age Claimants**

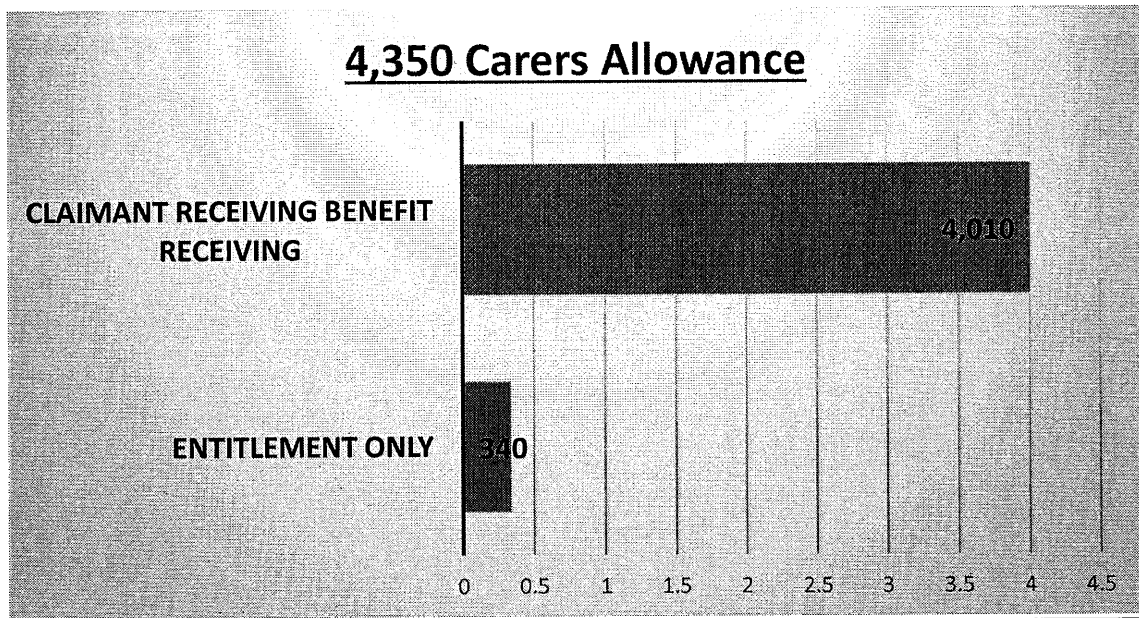
The proposed changes affect people of working age, in receipt of key benefits.

It is right to be cautious over implementing policies which will leave those on lower incomes in a potentially worse off position. In Plymouth there is a high working age benefit population. Many of which are statistically deemed 'economically inactive' meaning they are not counted as unemployed, the reasons for this may include sickness, caring responsibilities or childcare commitments which are incompatible with an expectation to actively look for and find work.





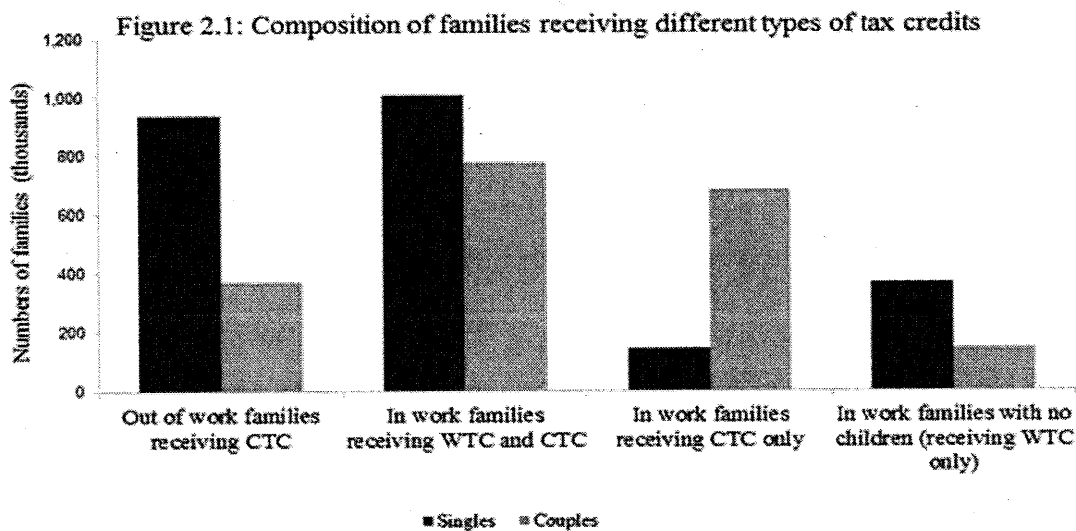
**Note:** Different analysis are available in different cohorts, the tables provided are taken from the DWP Work & Pensions Longitudinal Study and are the latest available; all show figures relevant to the May 2016 quarter. There will be child dependency additions in each set, the analysis for Jobseeker's Allowance is the only one provided in this data range which details child dependants. In many cases child dependency additions will be more extractable via information from HMRC statistics for Working and Child Tax Credits. All claims shows are working age related.



Source: [http://tabulation-tool.dwp.gov.uk/100pc/ca\\_ent/ccla/payment/ccclient/a\\_carate\\_r\\_ccla\\_c\\_payment\\_p\\_ccclient\\_working\\_age\\_may16.html](http://tabulation-tool.dwp.gov.uk/100pc/ca_ent/ccla/payment/ccclient/a_carate_r_ccla_c_payment_p_ccclient_working_age_may16.html)

### Tax Credits

Figure 2.1 shows that the majority of lone parent families with children receive either the full award of CTC (when out-of-work) or WTC and CTC (when in-work). There are just 143,000 lone parent in-work families that are entitled to CTC only. The pattern for couples is less clear with the largest single grouping (39%) receiving the WTC and CTC award followed by those receiving CTC only (35%). A majority (72%) of families with no children (receiving WTC only) are single recipients.



Tax Credit data for Plymouth is hard to source as an official statistic. The national statistics provides a breakdown of claimants who claim various combinations of tax credits as either single claimants or families. It would not be unreasonable to apply broadly the same breakdown to those in the locality.

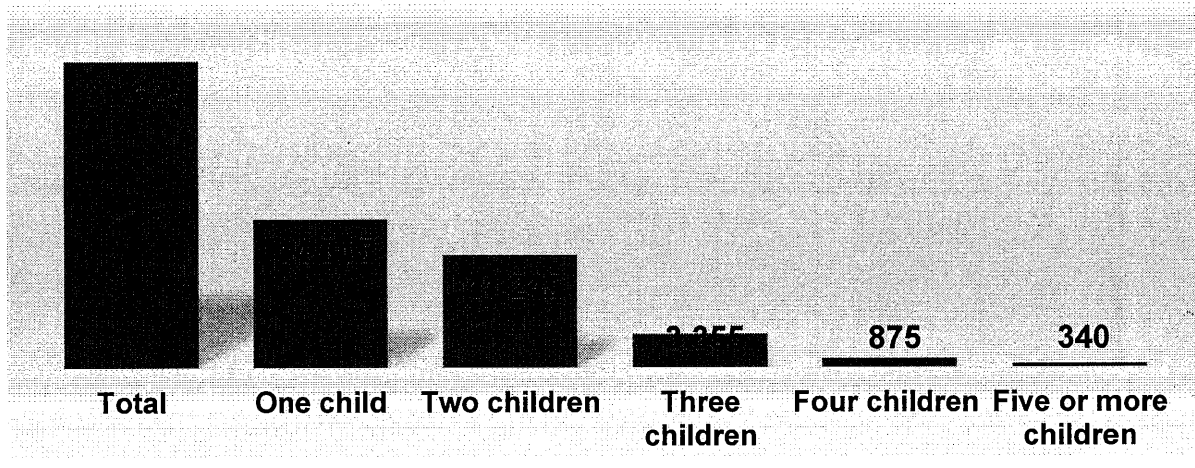
### **National Tax Credits background**

- In April 2011, 3.3 million working, working-age households were in receipt of tax credits over and above those just receiving the family element of Child Tax Credit. This is more than double the number of a decade ago. It represents around 17% of all working-age households.
- Much of the increase is due to the wider eligibility criteria that were introduced as part of the introduction of the Working and Child Tax Credits (which replaced the Working Families Tax Credit in April 2003). Since 2003, however, there have been further year-on-year increases, averaging around 100,000 additional households each year.
- Around half of the increase since 2003 rise has been due to more generous eligibility criteria for people with dependent children, whilst the other half has been due to people without dependent children now being eligible (prior to April 2003, tax credits were only available to people with dependent children).
- The proportion of working-age households who are in receipt of tax credits in London and the South East is less than elsewhere in the United Kingdom: around 14% of all working-age households compared to an average of 19% elsewhere.
- Averaging over the latest three years, only a quarter of the tax credit recipients (excluding those just in receipt of the basic family element of Child Tax Credit) were no longer in low income because of the tax credit monies received. A further quarter remained in low income despite the tax credits. The remaining half would not have been in low income even if they had not been in receipt of tax credits.

Source: <http://poverty.org.uk/15/index.shtml>

However, statistics are available from the HMRC which show the breakdown of Child Benefit families in the Plymouth E0600026 area. These are shown in the following tables:

**Plymouth E0600026 Child Benefit Families**



A breakdown by age of 52,710 children within the 30,625 families shows the following child age distribution

Total	Under 5	5-10	11-15	16 and over
52,710	15,390	17,450	12,670	7,205

Data Source (Issued February 2016) Valid to August 2015:

<https://www.gov.uk/government/statistics/child-benefit-statistics-geographical-analysis-august-2015>

**Universal Credit**

DWP statistics valid to the 13<sup>th</sup> October 2016, shown that there were 506 single claimants on Universal Credit in the Devonport Jobcentre Plus Office and 1,004 single claimants on Universal Credit in the Plymouth Jobcentre Plus Office making a total of 1,510 in the Plymouth area. The area is not yet operating the 'Universal Credit Full Service'.

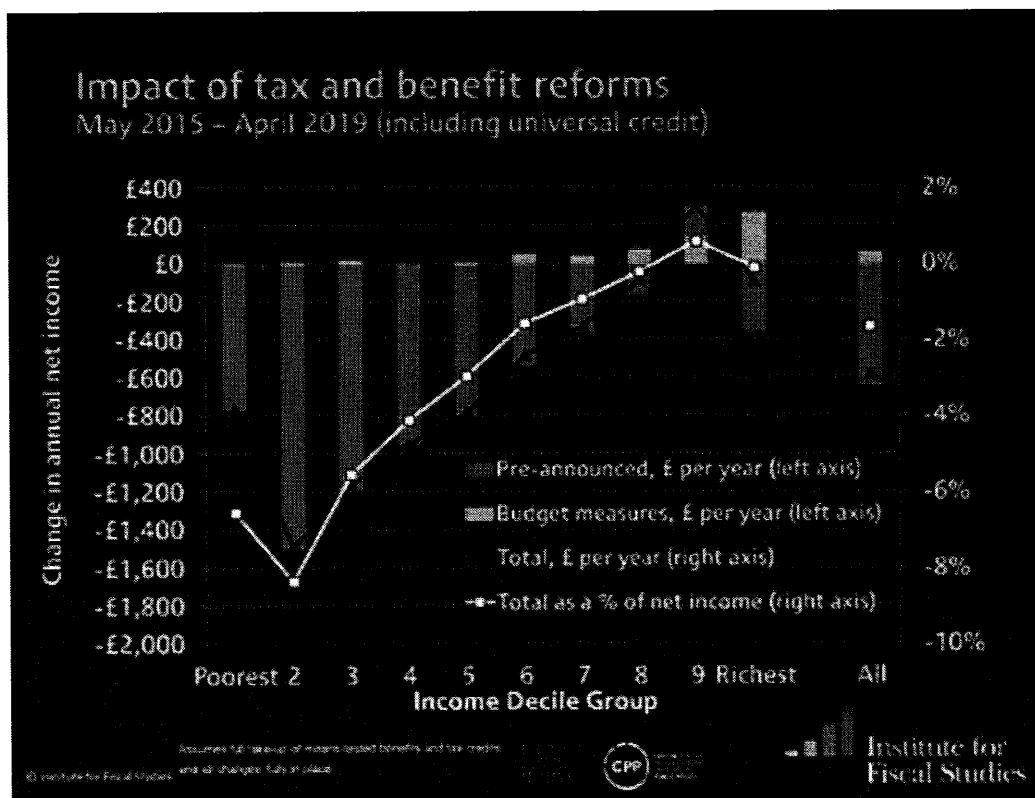
Source: <http://dwp-stats.maps.arcgis.com/apps/MapSeries/index.html?appid=f90fb305d8da4eb3970812b3199cf489>

**Fiscal Outlook**

The economic outlook is very much an unknown quantity. The current range of welfare reforms follow in the wake of major changes implemented primarily out of the enactment of the Welfare Reform Act 2012 and the Welfare Reform & Work Act 2016. The economic impact on the exit from the European Union is also very uncertain. Many residual changes have yet to take full effect from both legislative enactments, these including:

- The transfer of a large number of working age claimants Disability Living Allowance claimants over to the Personal Independence Payment.
- Accelerated roll out of Universal Credit
- Policy changes to Employment & Support Allowance in line with the end of the Work Programme and the commencement of the Work & Health Programme. The government is yet to confirm how much of the estimated savings of £1.4Bn from ESA cuts over 4 years will go towards the £130Mn cost of the new programme.

The Institute of Fiscal Studies are clear in the impact upon poorer families.

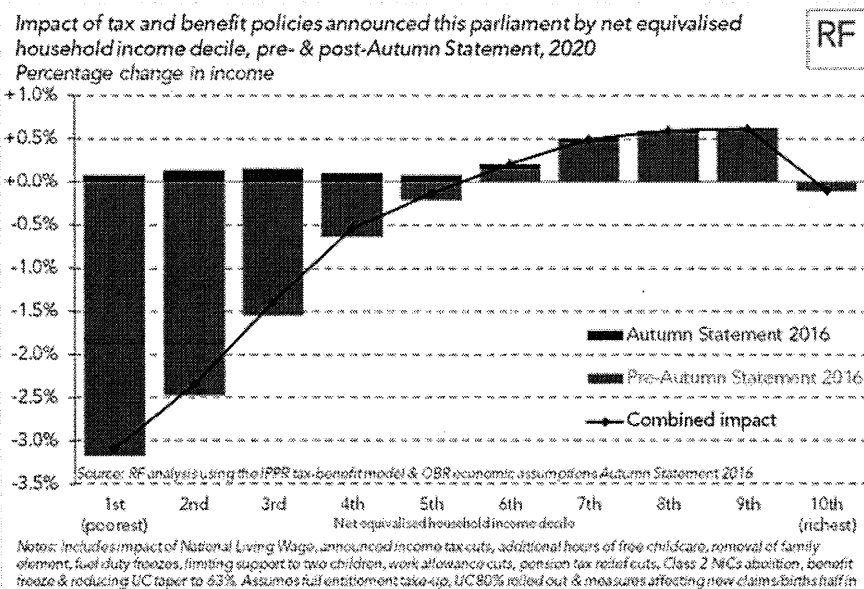


Equally the Resolution Foundation has examined the impact of the recent November 2016 Autumn Statement and concluded that, even taking in to account the beneficial changes to Universal Credit (an increase in tapering whereby the claimant keeps 37p in the £1 on earnings rather than the previous 35p) & the increase in the Living Wage, poorer people will still be hit far harder than any other income group.

As Resolution put it:

*“Family incomes are made up of more than what happens in the labour market – tax, benefits and other policy measures are also key. In recent months it looked like the government recognised that they had inherited welfare cuts that would mean significant income falls for the very just managing families that Theresa May has rightly highlighted as deserving support. Indeed the Autumn Statement did include some welcome measures to raise the minimum wage, tackle letting agent fees and reduce the taper rate at which benefits are taken away as families earn more.*

*But overall the rhetorical commitment to just managing families has not been delivered upon. The giveaway from that reduced taper being wiped out more than twice over by the additional takeaway from higher inflation deepening the impact of the freeze on benefits over the next few years. When set against all other policy changes announced since the 2015 election, the Autumn Statement only undoes 7 per cent of the hit from benefit cuts to the bottom half of the income distribution.”*





## (4) Evidence Response

Having provided our evidence base and by applying it to our frontline experience in working with those most likely to be affected, we now set out our respective responses to the 8 proposals under the Council's scrutiny.

### (4.1) Family Premium

#### **Removing the Family Premium for all new working age claimants**

As previously explained the family premium is not a benefit as such. It is a weekly premium of £17.40 included in to the claimant's 'Applicable Amount' where the claimant or the claimant's partner has responsibility for a child or young person.

In its practical effect the withdrawal of the premium will adjust (downwards) the applicable amount such that the threshold at which someone may become eligible for Council Tax Support. The net effect will be to reduce the number of claimants who will be eligible for support.

In the absence of any impact statements or research in to the likely impact upon eligibility for Council Tax Support in the Plymouth area, the closest analogy we can cite is in the national impact this policy change was estimated to have on Housing Benefit on a national level. The Social Security Advisory Committee raised the following observation with the Secretary of State for Work and Pensions on the 12<sup>th</sup> October 2015 when the Housing Benefit (Abolition of the Family Premium and date of claim) (Amendment) Regulations 2015 was under consideration:

*"The removal of family premium from HB was estimated to save £55 million in 2016-17 rising to £65 million in 2017-18, before tailing off significantly over the following three years, becoming negligible by 2020 21."*

The committee went on to raise concern over how this policy change may adversely impact upon claimants and cited one example:

*“The Peabody Trust told us about a client who cares for her severely disabled mother and who is a lone parent in part-time work. Should she need to make a repeat HB claim at some stage after May 2016, she would lose the £17.40 family premium. That would amount to a reduction of around just over £11 a week, allowing for the effect of the taper. After taking account of travelling costs she would need over 11 hours of extra work a week to make good the shortfall. In her case there would therefore be a strong incentive to remain on HB and not put herself in the position of having to make a reclaim if her hours reduce again in the future.”*

In the main the committee’s recommendations were to protect such claimants as illustrated by the Peabody Trust by introducing linking rules which would protect claimants from losing out when reclaiming. The Government’s response was to rule out linking rules as contrary to the move towards simplification in line with Universal Credit implementation. The Committee countered the government’s rationale with the following argument:

***“While there is an important taxpayer interest to consider here, the Committee is concerned that the summary rationale given for the proposals - namely early alignment with UC - is too simplistic and potentially misleading.”***

**Our recommendation would be to recognise the legacy cases raised by the Committee over Housing Benefit changes, but rather than draft complex linking rules which protect people moving from areas or reclaiming as set out in the Peabody Trust case example, consideration should be given to ‘weighting’ cases in this category as being in greater need of discretionary help where the Family is subject to removal and where the effect of that change would be to reduce the amount of Council Tax Support payable.**

Source:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/475691/housing-benefit-abolishing-family-premium-regulations.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/475691/housing-benefit-abolishing-family-premium-regulations.pdf)

## **(4.2) Backdating new claims**

### **Reducing backdating for new claims to 1 month**

Again, the Social Security Advisory Committee is a good source of reference over the concerns expressed with regards to limiting backdating to one month. In Housing Benefit cases the committee asked the government to consider a compromise between 6 months by settling on 3 months. We are concerned that the rationale for this change, to bring backdating in line with Universal Credit, is not sufficiently robust for the Council to accept it at local level.

The type of cases affected by backdating are often associated with not only an inability to navigate the benefits system but unable to do so for genuine and good reason. Backdating, in our view, should be based on the claimant showing 'good cause' and providing this is done we see no reason for the Council not to adopt a policy of its own rather than follow the national policy line. Cases where backdating is a factor are often associated with the claimant being affected adversely by significant mental health factors such as prolonged anxiety, stress, depression and psychical ill health.

**Our recommendation is to reject the one month time limit for backdating and retain a means of allowing Council Tax Support claims to be retrospective providing genuine 'good cause' can be established.**

**This policy is more amenable to variation at local level and need not follow national policy trend. It is a failure of the Universal Credit legislation not to include Council Tax Support and in that regard we consider it appropriate to suggest that the Council implements its own policy where backdating is a factor.**

**Reducing backdating is far more likely to impact adversely on vulnerable claimants and lead to a higher number of cases where Council Tax accounts fall in to arrears.**

### **(4.3) Self Employed Earnings**

**To assume a set minimum income within the calculation of Council Tax Support for self-employed earners after a 1 year's self-employment.**

There are 3,020 claimants on Jobseeker's Allowance in Plymouth and a considerable number on other 'out of work' benefits as illustrated in our evidence on the Plymouth demographics. The general trend is that more people are finding work but there are precautionary warnings over how this may change in the light of what happens to our economy following 'Brexit'.

There is an increased emphasis on placing more sick and disabled people in to work. With 12,910 claimants on Employment & Support Allowance and 2,300 of these being within the Work Related Activity Group (around 48% of which will have a mental health problem) Plymouth still has a long way to go when it comes to getting this cohort in to work, especially if the current dialogue on reducing the numbers within the Support Group transpires to be a policy direction aimed at placing more of this vulnerable category in to work.

Until such times as employers are fully receptive to taking on more sick and disabled people we think it likely that people will turn to self - employment as a means of remuneration in work. The amount of help people in this category need is intense and their pace in becoming self – employed is often slow. Support for the self – employed is often limited especially given the uncertainty over funding for the new Work and Health programme; it is by no means clear that the £130Mn a year needed can be found. In consequence, there will be cases where people with genuine aspirations of finding a way in to work through self – employment will not be able to achieve the earnings they hope for with a year. There is, of course, a need to be realistic over achieving an acceptable earnings figure but we consider this should be subject to review rather than imposing a minimum earnings figure which may not be reflective of the claimant's actual income.

**Our recommendation is not to apply a minimum earnings figure in all self - employment calculations after one year. With the current emphasis on helping more sick and disabled people in to work and the combined emphasis on recognising an associated between health and work, we think self - employment is likely to be a greater route in to work for a greater number of claimants within this category and it would be better to review their situation than steadfastly apply a minimum earnings figure which may not reflect the actual earnings of the claimant.**

**(4.4) Absence**

**Reducing the period a person can be absent from Great Britain and still receive Council Tax Support to 4 weeks**

We are not opposed to the presence conditions providing acceptable exclusions are made in cases such as when the claimant is abroad for recognised treatment in a hospital or similar institution, where there is a genuine reason for the absence such as being taken ill whilst abroad, where subject to some kind of disaster which prohibits their earlier return or where they are remanded in custody awaiting trial.

**(4.5) Work Related Activity Component withdrawal**

**To remove the work related activity component in the calculation of the current scheme for new Employment and Support claimants**

This is a deeply unpopular policy at national level and has been the subject of considerable cross party opposition. At national level the policy change is to remove the Work Related Activity Group payment of £29.05 per week but to continue apply the conditionality expected of a claimant who has 'Limited Capability for Work'.

At local level the effect of the proposed change is to remove the payment as a component which formulates the applicable amount for the purpose of calculating Council Tax Support.

The rationale behind this change is to align claimants having limited capability for work with those who are able to actively seek work as a jobseeker. We would argue that is a flawed approach as a person who has limited capability for work will only be regarded as such after going through a strict 'Work Capability Assessment' in order to qualify for a placement in to the group. Thus there is considerable difference between what a claimant having limited for work can do and what a jobseeker can do. The Employment & Support Allowance claimant has a much greater limitation and we are concerned that the reduction of around a third of their income is going to hit this cohort particularly and disproportionately hard.

Of the 2,300 claimants currently in the group in Plymouth, we anticipate the number will increase as more claimants are moved from the Support Group in an effort to reduce the overall numbers. There is a government intention to see the overall number of claimants qualifying for placement in to either the Work Related Activity Group or Support Group being reduced to 300,000 per year from 2017 onwards.

Answered by: Priti Patel Answered on: 20 July 2015

The forecast for number of new employment and support allowance claimants the Department will classify as unfit to work in each of the next five years are included in the table below:

	2015/16	2016/17	2017/18	2018/19	2019/20
New Claimants Unfit For Work Total	350,000	450,000	300,000	300,000	300,000

This is consistent with the Office for Budget Responsibility Budget 2015 forecast.

\*Hansard Reference

In Plymouth, efforts to place Employment & Support Allowance claimants in the Work Related Activity Group in conjunction with the government's Work Programme have been very poor. The government's rationale is one which we have to call in to question. In the impact statement proposing the cut to the Work Related Activity Group component payment the government sets out its policy intention:

*"Aligning the rate of benefit paid to new claims for Employment and Support Allowance and Universal Credit with limited capability for work with the standard rate paid to claimants who are fully capable of work from April 2017 will remove the financial incentives that could otherwise discourage claimants from taking steps back to work. In addition the Budget provides new funding for additional practical support for Employment and Support Allowance and Universal Credit claimants, rising from £60m in 2017/18 to £100m a year in 2020/21."*

Source: <http://www.parliament.uk/documents/impact-assessments/IA15-006B.pdf>

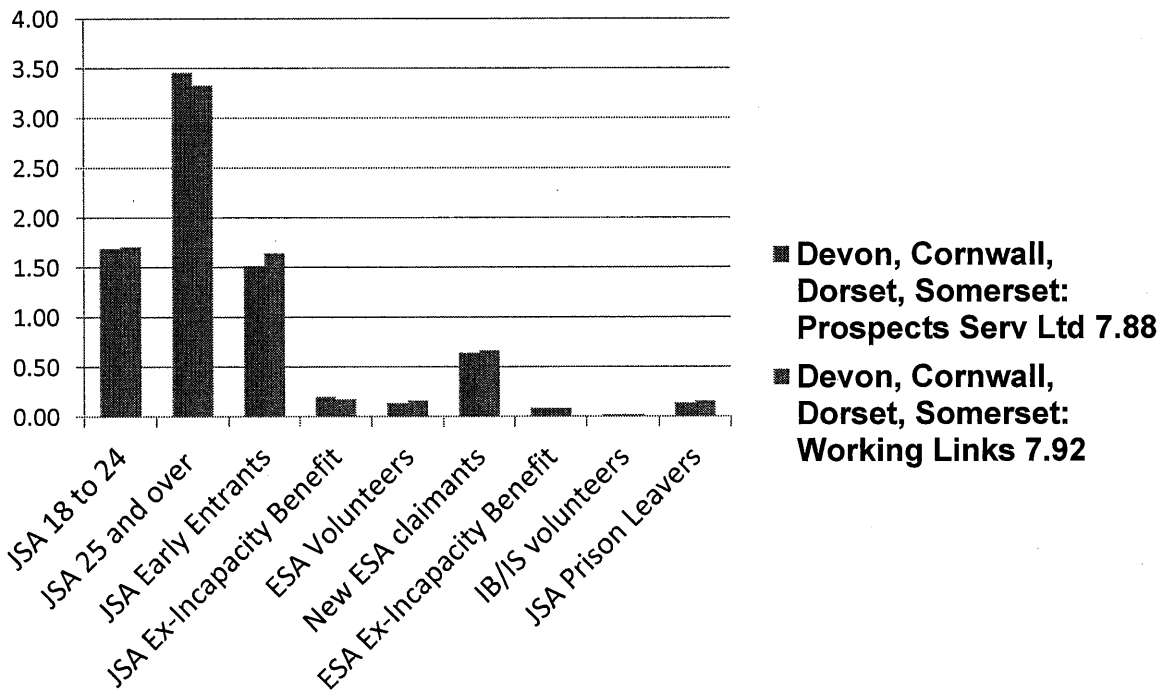
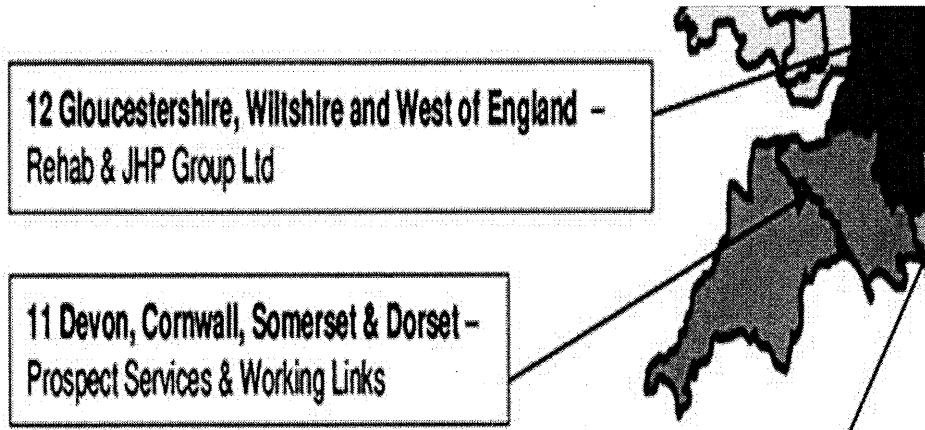
Our concern is that claimants in this group will place increasing demands on the Plymouth labour markets with something of 'a leap of faith' being required on the part of local employers to absorb the numbers. The obvious question which arises is 'will local employers genuinely be able to take on claimants who have recognised and considerable limitations?'

Removing the payment will not remove the claimant's limitation.

We re-iterate our concern over the mixed messages being sent out over funding for the new Work and Health programme with original announcements being made that

£60 million would be needed in year one with £100 million thereafter; this being different to recent announcements that £130 million per year would need to be found. The government's rationale is not borne out by the results of the Work Programme over the last five years:

**Work Programme Job Outcomes**



The Job outcomes over a much larger geographical area than Plymouth for the incapacity related claimant cohorts are particularly disappointing with a total of 1,980 job outcomes being achieved over the region by both Working Links & Prospectus over all incapacity related cohorts captured between the 5 year period from June 2011 to June 2016.

**Work Programme Job Outcomes Devon / Cornwall / Somerset / Dorset****June 2011 – June 2016**

<b>JSA Ex-Incapacity Benefit</b>	<b>ESA Volunteers</b>	<b>New ESA claimants</b>	<b>ESA Ex-Incapacity Benefit</b>	<b>IB/IS volunteers</b>
<b>180</b>	<b>290</b>	<b>1,300</b>	<b>170</b>	<b>40</b>

Source:

<https://www.gov.uk/government/statistics/work-programme-statistical-summary-data-to-june-2016>

The results are ones which appear to indicate that, despite the intensive help of the Work Programme, it is proving exceptionally difficult to place incapacitated claimants in to work. We feel able to reject the assertion that claimants are incentivised to stay on the sick within the Work Related Activity Group because of the additional payment because of the conditionality attached to claimants who are within this group.

The most likely group of claimants likely to be impacted by the proposed changes are those who are in work and who become ill and have to claim Employment & Support Allowance. It is those who are on contributory related Work Related Activity Group payments who will be hit harder as income based claims are protected because of the applicable amount threshold. Thus if those who are fall ill and have to stop work but remain above the income thresholds that are most likely to be affected. The Council's proposed changes will come as a 'double whammy' as the claimant will face a reduction in a third of their income by the removal of the payment itself and then a further 'hit' when their level of Council Tax Support is reduced.

**We recommend that the Council pauses and reflects on the potential impact of this policy. It is not based on sound principles at National level and will adversely impact those who have a recognised limitation in their capability for work. The income groups most likely to be affected are those who are already on the edge and any further cut, even of a few weeks, can have a profound effect on their ability to manage. The Council could reject this policy and consider alternative ways of bridging the gap in Council Tax incomes.**



#### **(4.6) Limiting child dependency additions to 2 children**

##### **To limit the number of dependent children within the calculation for Council Tax Support to a maximum of 2**

The rationale for this change is a cultural one imposed as a result of government policy.

From April 2017 there are proposed changes to the number of children you can receive child tax credit for. If you're a single parent and already have two or more children and get tax credits you won't be affected, unless you have another child.

If you currently have two or more children and have another baby after 6 April 2017, you won't be able to claim child tax credit for your new baby, or any other children born after 6 April 2017.

If you're starting a family after 6 April 2017 and make a new claim for child tax credit you won't receive the family element, which is currently £545 per year. You also won't be able to claim for more than two children born after 6 April 2017. There will be exceptions for multiple births (twins, triplets) and for some other "exceptional circumstances".

Any downward changes in income for families with children should be one which concerns us all. We have provided evidence which shows over 30,000 families in the Plymouth area claim Child Benefit with 52,710 children, 15,390 of which are aged up to 5. Whilst many families manage without having to rely on the support of the benefit system, there are many families in Plymouth who need help.

Our primary concern is over the welfare of the children who stand to be affected by these changes, we do not know how many will be affected but we can be certain that these changes at national level will adversely affect children regardless of the longer term policy intentions attached to these policies. Treating families as only being eligible for benefit/tax credit incomes which allow for a maximum of two children when they have more is bound to cause considerable financial hardship and it is the children who will lose out.

Limiting Council Tax Support by mirroring the government's policy is a matter of a choice for the Council. We strongly urge the Council to ensure it has properly evaluated the impact on families and to be absolutely certain over the consequences of introducing this drastic change in policy. This is a policy which will very much affect 'tomorrow's people and in that regard we should bear in mind the economic uncertainty we face and the impact of these changes in years to come.

It is a brave Council which resists government policy; this does not make it the wrong thing to do. In abolishing Council Tax Benefit and localising schemes for Council Tax Support, the government allows Council's to consult with those within

their communities and to make informed choices over what policies should be adopted and which should be rejected.

We urge the Council to consider rejecting this policy in its entirety.

The Council has the right to continue to calculate Council Tax Support on the actual number of children within the family and we would encourage them to do so.

The alleviation of child poverty should be seen as the priority rather than the longer term policy aims of this policy and on that basis we think it sensible to reject it and find a better way of making the necessary financial savings.

**We recommend that the Council gives careful consideration to rejecting this policy measure in its entirety. The financial savings likely to be made are negligible and in any event will be outweighed by the need, somewhere along the line, to provide additional support for the children who stand to be affected.**

**As an organisation committed to the aims and principles of the individuals we aim to help, we must urge extreme caution over introducing any policy which may limit the amount of Council Tax Support available. Pushing people in to debt is no answer to addressing the wider cultural problems raised by this significant shift in policy at government level, especially when it is children who will suffer the consequences.**

**We strongly urge the Council to reject this policy.**

#### **(4.7) Severe Disability Premium removal**

**To remove entitlement to the Severe Disability Premium where someone with a disability is cared for by another person who receives Universal Credit with a Carer's Element.**

Universal Credit was introduced as a revolutionary reform which would transform lives by ensuring that work always pays.

As the roll out of Universal Credit has shown the process of simplification is far from straightforward with many delays affecting the introduction of this new benefit which aims to bring six means tested benefits, income based Employment & Support Allowance, income based Jobseeker's Allowance, Housing Benefit, Income Support, Child Tax Credits and Working Tax Credits.

There have been a number of legislative changes to the Universal Credit regulations which many argue have reduced the original incentives in bringing forward such a major change.

The complicated nature of the benefits system means that Universal Credit will continue to flag up many legislative anomalies with the benefits due to aligned in to the one system. Our research in to this policy at national level shows it to be a policy which is more than an alignment anomaly by virtue of it being detrimental to half a million people and their families according to the following research by Disability Rights UK in 2012:

“Up to half a million disabled people and their families - including children and disabled adults living on their own - will be worse off under Universal Credit if current plans go ahead”, finds an inquiry led by Baroness Tanni Grey-Thompson and supported by The Children's Society, Citizens Advice and Disability Rights UK.

Disabled people and their families warned that cuts to the child disability additions and to the Severe Disability Premium are likely to result in them struggling to pay for basic essentials such as food and heating.

Many disabled people who are already finding it difficult to make ends meet face further hardship under the new benefit system, leading to potentially disastrous consequences.

This includes up to 230,000 severely disabled people who do not have another adult to assist them getting between £28 and £58 less in support every week. The inquiry report, 'Holes in the safety net: The impact of Universal Credit on disabled people and their families' also reveals that:

100,000 disabled children stand to lose up to £28 a week.

116,000 disabled people who work will be at risk of losing up to £40 per week from help towards additional costs of being disabled.

One in ten families with disabled children affected by the changes feared losing their homes. 83% of disabled adults living alone or with a young carer said they would cut back on food and 80% said they would cut back on the amount they spend on heating. The findings also point to a greatly increased burden on young carers as a result of the changes to the Severe Disability Premium.

Despite the intention of Universal Credit to make work pay, evidence in the inquiry shows that the changes could make it harder for disabled people to remain in work.

The report makes key recommendations, including protecting children on the middle-rate care component of Disability Living Allowance. It also recommends disability support in Universal Credit should be provided to disabled people who are found to be fully fit for work but are at significant disadvantage in the workplace.

Baroness Tanni Grey-Thompson says:

**“The findings of this report do not make easy reading. The clear message is that many households with disabled people are already struggling to keep their heads above water.**

**“Reducing support for families with disabled children, disabled people who are living alone, families with young carers and disabled people in work, risk driving many over the edge in future.”**

Disability Rights UK Chief Executive, Liz Sayce, said:

**“We are very grateful to Baroness Grey-Thompson for spearheading this inquiry. Whilst the Universal Credit may benefit some disabled people, the findings are stark for thousands more. We are fearful that the government aim of ensuring work always pays appears to be undermined by some aspects of Universal Credit proposals which could price some disabled people out of work and deeper into poverty.”**

Source: <http://www.disabilityrightsuk.org/policy-campaigns/benefits/half-million-disabled-people-could-lose-out-under-universal-credit>

On the face of it this policy may be one which works in a similar way to what is already in place where a claimant is in receipt of the Severe Disability Premium and on benefits such as Income Support or Employment & Support Allowance (when in receipt of a qualifying benefit). Where someone claims Carers Allowance for looking after someone in receipt of the Severe Disability Premium, the premium will be lost.

Providing this policy measure is merely an alignment measure with no loss of money as feared by the disabled community, we cannot see any reason why the change should not be incorporated. We would however like to see an impact assessment carried out and to be assured that no one will lose out through being migrated from existing benefits over to Universal Credit and that affected claimants are made aware of the changes where their carer claims Universal Credit.

**This proposal, on the face of it, appears to be an alignment measure with legacy benefits and Universal Credit. Providing no one loses out and that claimants are clearly made aware that one claimant's benefits may be affected by another person's claim to Universal Credit we see reason not to implement this change. This should be subject to a full evaluation of the impact before implementing the change.**

#### **(4.8) Additional earnings disregard removal**

**To remove the additional earnings disregard and apply the standard earnings disregards regardless of hours worked to those claimants who receive Universal Credit.**

The Department for Work and Pensions originally set out in its paper 'Welfare that works' a variety of different disregards

"In Universal Credit, different amounts will be disregarded from earnings before the taper applies in order to reflect the needs of different families and ensure that work pays. The amount to be disregarded will be reduced to reflect support people receive for rent or mortgage interest support.

The actual disregard levels will be set closer to the date of implementation. We currently envisage maximum disregards (annual figures) of around:

- couple: £3,000 plus £2,700 per household for a child (regardless of number of children);
- lone parent: £5,000 plus £2,700 per household for a child; and
- disabled people: £7,000 per household if a recipient or either partner in a couple is disabled.

The reduction for housing costs goes as far as a 'disregard floor'. The annual amounts we have modelled are:

- couple: £520 per household plus £520 for the first child, £260 for each of the second and third children;
- lone parent: £1,560 per household plus £520 for the first child, £260 for each of the second and third children; and
- disabled people: £2,080.

We do not expect to include a disregard for a single person without children – any earnings would be tapered off straight away.”

Within the current tax credit system there are different disregards applied according to how many hours a claimant works. These are currently within the Council Tax Support calculation (and also for Housing Benefit) as the WTC 16/30 disregard.

We are concerned that over time the disregard system has been 'watered down' to remove its beneficial impact with Universal Credit making it less likely that work will always pay. Earnings disregards play an important part in the assessment of means tested benefits and we consider it right to apply differing amounts of the disregard according to the circumstances of the claimant. Without more detail we are restricted in the evidence we can provide.

**Until more is known about how this policy will work in actual practice, we would recommend that the Council errs on the side of caution and carefully assesses the impact of standardising the earnings disregard. We consider it right that different disregards are applied in the calculation of Council Tax Support where the claimant's circumstances are such that it would be fair to apply a higher disregard to a disadvantaged claimant than those who are not disadvantaged.**

**Our recommendation is to more thoroughly evaluate the impact before implementing this policy change.**

**(5) Summary**

We are grateful to the Council for the invitation to participate in the scrutiny of the proposed changes to Council Tax Support for 2017/18 and have provided this evidence to assist the Council in reaching an informed decision as to whether to proceed with all the policy changes under consideration.

We have brought our concerns to the attention of the committee and welcome the opportunity to expand upon them at the oral evidence session and any time thereafter if clarification is required.

Our baseline on the proposed changes is that they will disproportionately impact upon claimants already on the lowest levels of income with the area of Plymouth. We urge the Council to consider better alternatives other than cutting the income of those who have the least. The jury is still out when it comes to a great deal of the rationale behind a lot of the current changes and we feel the Council should embrace the spirit behind localism and use its devolved powers by resisting the temptation to follow in the government's path by mirroring policies which are bound to impact upon the poorest in Plymouth, both in and out of work but most particularly upon children and the sick and disabled who are already living on the edge and are far less likely to be able to bear the brunt of further financial hardship.

We ask the Council to consider pausing on these policies, to explore better alternatives and to ensure adequate impact assessments have been conducted before making any changes to how Council Tax Support is calculated in the City of Plymouth and its surrounding areas.

Thank you for allowing us to participate in this scrutiny exercise.

For and on behalf of Citizens Advice Plymouth

Nick Dilworth

**Welfare Benefits Specialist/Services Coordinator**

We are responding online via email on:  
Email:

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