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Our ref: CTS
Your ref:
Date: 28 November 2018

Dear Darren

**LONDON BOROUGH OF BARNET COUNCIL TAX SUPPORT SCHEME 2019-20
CONSULTATION RESPONSE BY GREATER LONDON AUTHORITY**

Thank you for your email of 28 October confirming the publication on the Council's website of the London Borough of Barnet's consultation on changes to the council tax support scheme for 2019-20. The proposals consulted on are summarised in this letter, which also sets out the GLA's response to the consultation.

Introduction

As in previous years, the GLA recognises that the determination of council tax support schemes under the provisions of the Local Government Finance Act 2012 are a local matter for each London borough. Individual schemes need to be developed which have regard to specific local circumstances, both in respect of the potential impact of any scheme on working age claimants (particularly vulnerable groups) and, more generally, the financial impact on the council and local council tax payers – and therefore the final policies adopted may, for legitimate reasons, differ across the capital's 33 billing authorities.

This fact notwithstanding the GLA also shares in the risks and potential shortfalls arising from the impact of council tax benefit localisation in proportion to its share of the council tax in each London billing authority. It is therefore important that we are engaged in the scheme development process and have an understanding of both the factors which have been taken into account by boroughs in framing their proposals, as well as the data and underlying assumptions used to determine any forecast shortfalls which will inform the final scheme design.

Framing Proposals

As part of the introduction of council tax support in 2013-14, the Government set out its expectation that, in developing their scheme proposals, billing authorities should ensure that:

- Pensioners see no change in their current level of awards whether they are existing or new claimants;
- They consider extending support or protection to other vulnerable groups; and

- Local schemes should support work incentives and, in particular, avoid disincentives to move into work.

The GLA concurs with those general broad principles and encourages all billing authorities in London to have regard to them in framing their schemes.

Proposed Changes to the 2019-20 Scheme

The Council is proposing to move from its existing council tax support scheme, in place since 2015, to a new 'banded' scheme from 2019-20 onwards. The Council identifies reforms made by the Government to the welfare system, as the driver for change. In particular, it states, the introduction of Universal Credit means the existing scheme is no longer compatible and the need for frequent reassessments and changes to CTS entitlement would make administration of the existing scheme too costly.

The new scheme will take into account income from net earnings in determining eligibility for CTS. Net earnings are defined as earnings after income tax, national insurance and 50% of pension contributions. As the scheme is based on earned income, it will not include income from tax credits. The table below shows, for all of the options, the monthly income bands and maximum levels of council tax reduction for each band.

Monthly Earnings	Maximum level of council tax support discount
No earnings	72%
Up to £500	52%
£500-800	44%
£800-1100	36%
£1100-1400	28%
£1400-1700	20%
£1700-2000	12%

In addition, the new scheme will include the following changes:

- The maximum capital limit will be reduced from £16,000 to £6,000; claimants with more than £6,000 will not be eligible for an award under the CTS scheme.
- Non-dependant deductions will be simplified in line with Universal Credit, with the introduction of two flat rates. For households with a non-dependant with income of up to £200 per week, the claimant will receive £5 less CTS per week. For households with income of £200 per week or more, the claimant will receive £11 less CTS per week.
- Claimants will not receive a non-dependant deduction if they or their partner are in receipt of the care component of Disability Living Allowance at the middle or highest rate, receiving the daily living component of Personal Independence Payment or receive the Carer Premium.
- A minimum income floor will be applied, in line with Universal Credit (UC), to ensure self-employed people are treated on the same basis, whether receiving UC or legacy benefits. Self-employed claimants declaring a lower income than the national living wage will have their CTS calculated on a notional income equal to that of the national living wage.
- Childcare costs will not be taken into account when assessing income for determining claims for CTS by applicants.

The consultation states that Barnet considered alternatives to the proposed scheme, but none were identified as meeting the Council's objectives. As such, the consultation does not propose adopting any of these options and therefore the GLA's comments below are focussed on the Council's preferred option.

The GLA supports the Council's proposal to move to a banded scheme; it is important that schemes take account of the ongoing implementation of Universal Credit. The proposed change should help to reduce the burden on the Council to recalculate entitlements multiple times a year. It will also improve certainty over the council tax bill for UC claimants, enabling greater certainty for households to budget and plan their finances.

Notwithstanding the above comments, the GLA is concerned about the Government's proposals for the 'managed migration' of working-age benefit claimants to UC over the next year. The GLA's recent response to the Government's Social Security Advisory Committee consultation on this process called for DWP to pause the rollout of full service UC and delay managed migration, until underlying technical issues have been addressed and claimants, welfare advisers, and other experts have been consulted on reducing the complexity of the claim process.

The GLA recognises that local authorities face difficult choices on CTS schemes, as overall funding from central government reduces and funding for CTS is no longer identifiable within the settlement. However, the Council's proposals would mean some significant changes to the existing scheme. On average, support for working age claimants will reduce by 25% under the Council's proposals, as set out in the modelling in Appendix A of the Urgency Committee's paper from 18 October. The proposals particularly affect those in receipt of legacy benefits; couples with or without children in receipt of legacy benefits face a significant reduction in support of over 30%.

The proposal to increase the minimum contribution to 28% would mean the minimum contribution level would be amongst the schemes that require the highest level of contribution from working age claimants. Three other London boroughs currently require a minimum contribution level of over 25%. There is also a substantial difference between the 28% minimum contribution level for claimants who are not working (Band 1) and those in the next band who are earning up to £500 a month, with the contribution level rising to 48%. This could lead to a potential 'cliff-edge' where claimants move into work, which may have negative impacts on incentives to work.

The increase in the minimum contribution level would lead to a significant percentage increase in the amount of council tax some current claimants are required to pay from 2019-20. The examples provided in the consultation document demonstrate that some claimants will face a 40% increase in their weekly payments in 2019-20, compared to 2018-19. Evidence suggests that the collection rate can decline as the minimum payment level increases. Research from the New Policy Institute has demonstrated that arrears tend to increase significantly for schemes with a minimum contribution threshold above 20%.

The GLA recognises that reducing the capital limit to £6,000 would bring the Council's scheme into line with others in London. However, it is not clear from the consultation document how many people this change would be likely to affect. There is a possibility that for a limited cohort of claimants this change could lead to a significant rise in their council tax liability. It would be helpful to understand the number of claimants who would be affected by this proposal and the average increase in their liability.

The GLA recognises that the changes proposed by Barnet more closely align the support offered through its CTS scheme to claimants on Universal Credit and legacy benefits. However, we would encourage the Council to consider how the changes may impact on vulnerable groups in particular, who could be adversely affected by significant changes between 2018-19 and 2019-20. The Council could consider capping the maximum changes at a lower level for households with families, at least in 2019-20, to enable claimants to adapt to the new scheme. The GLA would also be covering part of the cost of a cap in proportion to the GLA precept element of council tax payable by these CTS claimants.

The GLA considers that, before finalising their 2019-20 schemes, all billing authorities should re-examine the challenges which they will face in collecting relatively small sums of money from claimants on low incomes, who may not be able to pay by direct debit or other automatic payment mechanisms, based on their experiences in the first six years of the localised system. In some cases, the administrative costs of enforcing such payments may outweigh the cost saved by reducing support.

The GLA welcomes the proposal to continue to make a discretionary council tax relief scheme available. We would encourage the Council to take a proactive approach to informing those council tax support claimants who are facing difficulties paying council tax bills about this policy. The council could also consider providing more funding for the scheme in 2019-20, to support claimants as they adapt to the new contribution rates and other changes to the scheme.

Finally, the GLA would encourage the Council to consider whether additional income can be generated through the new ability billing authorities will have from 2019-20 to increase the empty homes premium; this is set out in further detail below. It is the GLA's view that the proposed changes should be considered in the whole. If one proposed change results in greater savings for the Council that could be used to reduce the need to apply other proposals, then we would encourage the Council to consider doing this as it would help to reduce the financial burden on individuals and families in Barnet who see their CTS entitlement reduced.

Financial Implications of the Proposed Scheme

It would be helpful for the GLA's planning purposes if Barnet could provide us with a forecast total cost for the proposed scheme in 2019-20, based on the forecast 2018-19 caseload, taking into account any developments since the public consultation was launched – ideally apportioning all elements between the GLA and the council having regard to 2018-19 council tax shares. This would also allow the GLA to calculate its share of the cost of the scheme proposed by Barnet.

Technical Reforms to Council Tax

The GLA considers that in formulating its council tax support scheme each billing authority should both consider and address the impact of the additional revenue it is expecting to raise from the technical reforms to council tax introduced in the Local Government Finance Act 2012, which provide greater flexibility in relation to discounts, exemptions and premiums for second and empty homes. The additional revenues from the technical reforms could be used to reduce any shortfalls and thus the sums which need to be recovered from working age claimants via any changes to council tax support.

The GLA understands that in 2018-19 Barnet has the following policies in place:

- For properties requiring or undergoing major repairs or structural alterations (former class A): a 0% discount
- For properties unoccupied and substantially unfurnished (former class C): a 0% discount
- Second homes: a 0% discount

- Long-term empty properties: a 50% premium on properties that have been unoccupied and substantially unfurnished for a continuous period of two years, meaning the full charge of 150% is payable in such cases.

The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act, which received Royal Assent in November 2018, enables councils from April 2019 to charge 100% premiums on properties which have been empty for more than two years. The legislation also gives councils the ability to charge higher premiums in subsequent years for properties which have been empty for longer periods of time. The GLA would encourage councils to consider the impact of implementing a higher premium and the potential additional revenues this would generate, when considering the detail of council tax support schemes.

We would encourage the Council to inform us as soon as possible if any changes are proposed to its discount and premium policies, in order to assist us in assessing the potential impact on the Mayor's funding and tax base for 2019-20 and future years.

Council Tax Protocol

In recent years the issue of council tax collection practices has become more high profile. The GLA, of course, recognises the importance of ensuring council tax arrears are collected wherever possible. However, in some instances poor collection practices can worsen debt problems for vulnerable residents. The GLA welcomes the fact that Barnet has signed up to the council tax protocol, developed by Citizens Advice, in partnership with the Local Government Association. The protocol outlines a number of practical steps for early intervention to support people struggling with payments. In London, eight boroughs have now and the GLA is encouraging all boroughs to consider adopting the protocol.

Providing Information on Schemes

Whilst we recognise that the detailed rules on council tax support schemes are inevitably complex, the GLA would encourage all boroughs to make every effort to set out information on their schemes as clearly as possible. Information that may help potential claimants could include an online calculator, to identify whether potential claimants are likely to be entitled to support, as well as 'Frequently Asked Questions' and a summary document outlining concise details of the scheme. In addition, for existing claimants, we would encourage boroughs to consider how the process for reporting changes in circumstances can be made as straightforward as possible.

Setting the Council Tax Base for 2019-20 and Assumptions in Relation to Collection Rates

The Council will be required to set a council tax base for 2019-20 taking into account the potential impact of the discounts the Council may introduce in respect of council tax support and any potential changes the Council may implement regarding the changes to the treatment of second and empty homes.

The Council will need to make a judgement as to the forecast collection rates from those claimants and council taxpayers affected by any changes to council tax support, taking into account the experience in the first six years of the council tax support arrangements.

The GLA would encourage the council to provide it with an indicative council tax base forecast as soon as options are presented to members for approval, in order that it can assess the potential implications for the Mayor's budget for police, fire and other services for 2019-20. This should ideally be accompanied by supporting calculations disclosing any assumptions around collection rates and discounts granted having regard to the final council tax support scheme design.

Collection Fund and Precept Payments

By 23 January 2019 the council is required to notify the GLA of its forecast collection fund surplus or deficit for 2018-19, which will reflect the cumulative impact of the first six years of the localisation of council tax support. The GLA would encourage the council to provide it with this information as soon as it is available.

I would like to thank you again for consulting the GLA on your proposed council tax support options for 2019-20.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Martin Mitchell', written in a cursive style.

Martin Mitchell
Finance Manager