

# Oral evidence

## Taken before the Communities and Local Government Committee

on Monday 18 June 2007

Members present

Dr Phyllis Starkey, in the Chair

Mr Clive Betts  
Mr Greg Hands  
Martin Horwood

Mr Bill Oler  
David Wright

*Witnesses:* **Ms Anna Pearson**, Policy Manager, Help the Aged, **Mr Tony Herbert**, Social Policy Officer, Citizens Advice, and **Mr Peter McCann**, Head of Revenue & Benefits, Halton Borough Council, gave evidence.

**Q1 Chair:** Can I welcome you to this session on council tax benefit and ask if you could first of all introduce yourselves? Then when we get into the questions we are very tight on timing so can I encourage you to keep your answers short and not to feel obliged, each of you, to answer every one; otherwise we will be here all day.

**Ms Pearson:** Anna Pearson, Policy Manager, Help the Aged.

**Mr Herbert:** Tony Herbert, Social Policy Officer, Citizens Advice.

**Mr McCann:** Peter McCann, Head of Revenues & Benefits at Halton Borough Council.

**Q2 Chair:** Can I start with the first question which is about take-up of council tax benefit? What do you think are the main barriers to improving take-up and why in particular does take-up seem to be so low relatively speaking for pensioners whereas it is reasonably okay for other groups claiming council tax benefit?

**Ms Pearson:** I think low take-up of council tax benefit is very much a critical issue for the Government. As many Members will know, council tax is a doorstep issue and the burden of council tax on older people is growing by the minute.

**Q3 Chair:** What we would quite like is factual answers rather than statements of policy. We have written evidence from organisations; we know what those are. The issue is, what are the barriers to take-up? We know it is important. That is why we are having this inquiry.

**Ms Pearson:** I think a lot is made of stigma but it is not the main reason. A lot of people lack information about the benefits. They do not know they exist. A lot of people hold myths around them in that they think that if they own their own home or if they have any savings at all they will not get them. There is also a strong role for inertia around pensions—and I think Lord Turner highlighted this as well—in that people know it is a good thing to save but they do not get around to doing it, and the same is true of benefits. People have the forms. Sometimes they part fill them in but they do not send them back, and even with the Pension Service's

efforts, which have been very good, putting in place and sending a three-page form to pensioners who are claiming pension credit which they then have to return, 50 per cent of those simple forms are not being returned to local authorities. That shows the degree of inertia here and why there is a need for a really radical solution to this problem.

**Q4 Martin Horwood:** What real research evidence do you have that the form itself is a barrier? It is great to have anecdotal evidence like that, we all have that kind of thing, but do you have any really hard evidence that it is causing a significant degree of obstruction?

**Ms Pearson:** When we have done research with older people in some focus groups and gone through the form with them they have very much indicated that they find the length particularly offputting. There is no quantitative research as such but there is a lot of qualitative evidence that people find the forms very difficult to fill in and offputting. I would refer to what happens generally within the population in that I think most of us have incomplete forms in the desk at home hiding away somewhere and we do need to be proactive and make sure that people do not have to necessarily fill a form in in order to get this benefit. That is something which is perfectly possible with the data the Government holds at the moment, and I would be very keen to expand on that in later questions.

**Q5 Martin Horwood:** You can expand on it a little now if you want.

**Mr Herbert:** From our perspective we also, I am afraid, do not have quantitative data but a number of clients coming through the doors of our bureaux have pointed to the fact that the form is just too long, so when an adviser has gone through the benefits check and said, "You are entitled to council tax benefit. What has happened?", they say, "Oh, yes, I got the form and it is just too long. I cannot be bothered. It just put me off", so again I am afraid it is anecdotal but that is a steady stream of evidence we are receiving from the Bureau.

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**Q6 Martin Horwood:** But you both accept the need to gather data for any system like this. Would your ideal be a form-free process in which it could be done by interview or would you prefer to see a changed shorter form, or would you just see more use of advocates like yourselves and your organisations to work with people when they are completing forms like this?

**Ms Pearson:** My ideal would be an automated process. The Government knows people's private pension income and their state pension income already. They also know a little bit about people's savings. They get detailed returns to HMRC every year which can be used to generate a savings figure. That information needs to be sent to the local authority to be matched against people's records about where they live, what band they are in. That could be used to then deduct the appropriate amount from the council tax bill. You would then have a choice of how you wanted people to respond to that. They could sign to say it was correct. They could be asked to send evidence or they could be asked not to reply if the evidence was correct. Obviously, the data needs to be cleansed to make sure it is accurate at government level but I think that should be happening anyway. Investment needs to be made into the systems which would enable this, but when you compare the amount of investment that would be needed to do that, to the kind of investment you would need to make another £200 one-off payment to pensioners which was done several years ago and which was very much welcomed, it is a small amount of investment and it would make a real difference to pensioner poverty and also the amount of spending going on in local areas within the UK.

**Q7 Martin Horwood:** So do you think there is any information gathered on the current form that is not actually gathered somewhere else already?

**Ms Pearson:** I do not believe so. I may be wrong on that but I really do not believe so.

**Q8 Chair:** Does this just apply to pensioners?

**Ms Pearson:** It is much easier to do this process with pensioners because with people of working age their incomes change a lot more.

**Mr Herbert:** That is the key thing to mention. Generally pensioners will have a steady income so once that kind of determination is made that might generally be it. For people of working age who might move in and out of work and benefits and that kind of thing, it would fluctuate and I think the problem would be that, for example, with the tax credit situation, it is quite difficult to keep track of these rises and falls in people's income. It would not be insurmountable to do it for working age people but I think it would require a bit more thought about how that could be done effectively.

**Q9 Mr Hands:** So your proposed solution is that central government would do the calculations based on other returns, decide that the person was entitled to that level of CTB, send them the thing and say, "If this is fine, if you agree, tick this box". I am just

worried by that because if these are the same set of people who are not filling in a form in because they are unable to get to the end or because they are thinking it will wait for another day, they are the same sort of people who might not go through that form and send it and end up racking up quite large liabilities due to the fact that they have been overpaid council tax benefit.

**Ms Pearson:** I understand your concerns there. Depending on how much that risk was assessed as being a very serious one you would need to make sure that perhaps the relevant enforcement procedures were put in place and that people were aware of those and of the importance of checking the information. I do not think any solution is absolutely perfect and clearly there are risks but in terms of the benefits of getting money to 2.23 million who are missing out I think these are risks worth taking and worth working with.

**Mr McCann:** One of the things we have found is that by taking the service away from people applying via the forms and being proactive, we have taken the service to the person's home and we have filled the forms in there with them and processed the claims on-line in the person's home, which removes a great barrier for claiming benefit. I would also add that as a local authority processing benefits the application form itself includes housing benefit details and the two are linked together. A lot of the information that you are collecting for a pensioner—it is not just a pensioner, an owner-occupier who is on their own but they will also be paying rent in many cases—is asked of them on the application form. I am just trying to draw a distinction between council tax benefit on its own and council tax benefit and housing benefit where a lot of questions regarding rent and service charges often are included on that form.

**Q10 Martin Horwood:** Mind you, I have to say that, as Ms Pearson said, they are not actually gathering new information that has not been gathered anywhere else and you are using council tax to employ your staff to spend time collecting information that has already been collected elsewhere.

**Mr McCann:** Details regarding the rent would not have been collected elsewhere.

**Martin Horwood:** Okay. Can I ask two data-related questions? On tax, presumably quite a lot of people, and quite a lot of pensioners certainly, do not fill in tax returns, so we do not have that data. The second data question is, what about the data protection implications of this kind of central data on people's tax status being shared with local authorities? Do you have any concerns about that?

**Q11 Chair:** Mr Herbert, could we get you to answer that?

**Mr Herbert:** I think you are right to highlight the fact that lots of pensioners do not pay tax.

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**Q12 Martin Horwood:** I said “do not fill in a return”.

**Mr Herbert:** Sorry, they do not fill in a return, and often with people who come to us, pensioners and people approaching retirement, their first contact with HMRC is when they are approaching retirement and they suddenly have to fill in a form, perhaps for the first time, so that is an issue. I do not really have any more to add beyond that, to be honest.

**Ms Pearson:** A lot of pensioners do have to fill in self-assessment tax returns because they no longer have an employer who can do that for them. It is actually quite a big problem and there are data-sharing implications for this and they would need to be worked through but the data has already been shared in terms of tackling fraud. It is not currently being shared to the benefit of people and the thing that I would stress most of all is that many pensioners we speak to assume that their data is already being shared so that when they phone one government department they do not make any distinction between government and government. They think it is all one big thing where people walk down a corridor and speak to each other, which we all know is not true.

**Martin Horwood:** Yes, although here we are talking about government to local authority, which is not quite the same.

**Q13 Mr Oler:** Age Concern and Citizens Advice and Help the Aged have been calling for a new automatic system for CTB rather than the system of claims. What disadvantages do you think would be attached to that?

**Mr Herbert:** I presume there might be an increased risk of fraud and that would have to be factored in, but to balance that out at the moment we have got a system which is at pains to ensure almost 100 per cent accuracy and because of that we have got large numbers of people who are missing out. I think there needs to be a balance struck between the accuracy and the risk of fraud.

**Ms Pearson:** I think there would be a disadvantage to the Treasury coffers in that they would have to pay out a lot more money each year and actually come true on their commitments and pay full council tax benefit to everybody. One challenge of the system would be that at the moment the Pension Service works to get benefit payments down to the last penny and that would be more difficult if you had an automatic system, so it would make a lot more sense to go to the nearest pound and then in terms of assessing people’s income and their savings it would be easier to pay that to them, but the benefits far outweigh the disadvantages in terms of the impact on poverty and the increased local spending and also the point that Mr Horwood alluded to, that a lot of time is spent at local authority level helping people make these claims. A lot of time is spent in the third sector helping people make these claims. That time could be freed up to do much more positive things than helping people fill in the forms.

**Q14 Mr Oler:** And the overpayments issue?

**Mr McCann:** At the present moment in time one of the problems we have is that, as Anna said, you are trying to work to the nearest 50p on people’s incomes. There is no leeway, there is no banding of incomes that would be allowable, so at the start of a new financial year you will uprate somebody’s income but you are still having to check for very small increases in somebody’s pension which potentially could lead to an overpayment and there is no scope for saying the first X amount, whatever was agreed, is not going to affect your entitlement to benefit for that year. It is very prescriptive in going down to pence and all that leads to the verification framework and you have to go out and check all their incomes and capital and everything, so that becomes extremely labour intensive for what are often very small changes in income.

**Q15 Mr Oler:** Citizens Advice earlier on argued that there would be a distinct advantage if the Pension Service were to act as a portal for council tax benefit for all comers. Could you explain that a little bit more?

**Mr Herbert:** We have been welcoming Pension Service’s efforts to make it easier for people to claim. For example, where people are calling the Pension Service to make a claim for pension credit they are then automatically given the information across to the council tax benefit so that payments are in a sense, I guess, more automated. The problem lies with, for example, where this claim is made to the Pension Service but there is no pension credit eligibility, so the claim dies there. That information is then not passed on to the local authority which could process council tax benefit, so we see advantages in expanding that so that whatever calls come through could then be passported across rather than simply dealing with only those calls which relate to where pension credit can be paid.

**Q16 Mr Oler:** You would not be unfairly raising people’s aspirations?

**Mr McCann:** I would extend that. At the moment the Pension Service operates in Halton from the one-stop shops that we have got in the town centre. I think there should be a move towards any agency that is collecting information to take on a whole host of information that is applicable to everybody’s benefit claim—be it pension credit, be it savings credit, be it housing benefit or council tax benefit—and all of these portals should be used. In this day and age the fact that we are unable to share that information brings in an awful lot of duplication. I think it should not just be the Pension Service. I think there is a role for all of these gateways to benefits to be extended right across the scope and for that information to be collected electronically and shared amongst all the relevant people.

**Q17 Mr Oler:** Just before Anna jumps in, because I know she is bursting to, is this not going to be a cop-out for local authorities? Are you not going to

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turn round and say, “We calculate all these things now. It will take a huge weight off our mind if somebody else is doing it for us”?

**Mr McCann:** No. I think there is a major role for local authorities in so far as we have got one-stop shops right in the town centre where Pension Service staff come to operate surgeries. The information we are collecting there for housing benefit should not be, as Anna and Tony have been saying, just for that particular benefit. If somebody comes into a one-stop shop in the town centre in Halton and we collect all that information that should be a portal for all the benefits, and in this day and age it is a crying shame that that information cannot be shared among other people. I would take the opposite view of what you are saying and say that it is not a cop-out for local authorities. Quite the reverse: I am saying there is a role for local authorities to take that additional information at that point of contact and share it with any organisation for the calculation, so we would do the housing benefit or whatever. It is the information collected at one point rather than the system we have now which is that it is for this particular benefit and if it is not valid it is not passed on.

**Ms Pearson:** You asked if it would raise people’s expectations. The current advertising from the Pension Service states “one call, three benefits”. I believe that is misleading because at the moment one call will not get you three benefits if you are not a pension credit eligibility person, so I think widening would be fair and clear to people. It would not raise people’s expectations.

**Q18 Mr Hands:** I have a couple of questions about government support for local authorities. I guess these are probably addressed more to Halton than anyone. Do you think there is enough government financial support, or indeed other support, to local authorities to encourage and incentivise them to promote council tax benefit take-up?

**Mr McCann:** There are standard forms which were run out last year. The problem we have got with the standards forms is that they are really geared in many respects to the processing of benefit claims as opposed to the take-up of benefit claims. That is what local authorities took it up for in the main. We had some small amounts of money a few years ago for the take-up of benefit but I would see a role for that very much that it should not be seen as central government saying there is a need for take-up. Local authorities want that take-up and although we know the local circumstances, any take-up campaign we do locally is always helped if there is some national campaign going on at the same time, so I think there is a role for both. There is not an awful lot of money that comes to local authorities but take-up of benefit could.

**Q19 Mr Hands:** Sorry; I have not quite understood. Would you have any practical proposals for how central government could do more to help local authorities?

**Mr McCann:** I think co-ordinating some sort of national advertising is always of use. Increases in the case of housing benefit and council tax benefit take

a number of years to filter through into the support that we get from central government on administration grants.

**Q20 Mr Hands:** How does that work in practice?

**Mr McCann:** A lot of it is based on what your caseload is. If you increased your caseload, say, this year, it would be nearly two years before that filtered through to the grant that you got. My view is that there should be a co-ordinated approach to some sort of national advertising campaign that local authorities can build on with their take-up campaigns that they do locally.

**Ms Pearson:** And what caseload-based funding does not do is take account of the fact that it costs a lot more to reach people in rural areas and a lot more to reach those from ethnic minority groups who are hard to reach. All those kinds of difficulties around getting to people who will not claim the benefits are not taken account of in that sort of funding. The Government needs to give local authorities better outcome-focused targets so that they get credited for doing that sort of difficult work in local areas.

**Mr McCann:** One of the things that we were able to do when pension credit was out was that we were able to interrogate the system and find out who was on pension credit, who was not on council tax benefit, and you can specifically gear your take-up to those people because you know that 99 per cent of those people are going to be eligible for council tax benefit. You can do that electronically. You can target them, you can go out and visit them, get the forms and get them onto benefit. The other problem you have is that there are an awful lot of other people who are not claiming benefit and we just do not know who they are and the result of that is that you are doing a sort of scatter-gun approach of take-up which is trying to raise general awareness of benefit as opposed to specifically targeting groups. I give you the example of the pension credit group that we did last year.

**Q21 Mr Hands:** How much of an obstacle is it that there currently is not a lot of data available on council tax benefit take-up levels on a local authority basis?

**Mr McCann:** With the pension credit, for example, we were able to interrogate the benefit system, see who was on pension credit, and we got information from various sources about who was on pension credit but not claiming housing benefit, so we knew that those people would be eligible for housing benefit so we were able to target them.

**Q22 Chair:** Can we just check: any local authority could do that presumably?

**Mr McCann:** At the time, yes, they could have done.

**Q23 Chair:** But not now?

**Mr McCann:** No, it is an ongoing process, but, as you can imagine, when pension credits first came out there was a big take-up of that. It was an initial start-up process. Now it is ongoing but the numbers obviously dwindle. The reason I mention it is that it is a classic case where you can target a small amount

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of resource to get very good results. The result that you have got after that is, does everybody claim council tax benefit? We know the answer to that is no, but who are they? That is where your take-up campaigns at local authority are based on, for want of a better word, a scatter-gun approach where you are just trying to raise general awareness as opposed to saying, "You three, four, five people we know specifically are going to be eligible". We could do that with pension credits; we knew that they would be eligible. Once you have used up that information or you keep it as an ongoing thing people just say, "Oh, there is an under-claiming of benefit", but then you have to use your resources, whatever means are going to be useful locally, just to raise the awareness of that.

**Q24 Mr Hands:** That is fair enough, but I am interested in how you would measure the effectiveness of that campaign.

**Mr McCann:** If you take the pension credit one, if there were 200 people we made sure that all 200 were on. We constantly look at our council tax benefit caseload. We do analyses of claims that we receive, where we get them from. All of that will help you determine whether or not your take-up campaigns are successful. The point I was trying to draw out, probably quite clumsily, I suppose, was that it is done on a general awareness of benefit basis as opposed to targeting specific individuals.

**Q25 Mr Hands:** Again, if people do not know at a local level what the number of eligible non-claimants is then it is impossible, other than seeing what your increase in your claimant rate is, to tell what is your effectiveness versus another local authority in reducing the number of eligible non-claimants.

**Mr McCann:** Yes, and the point I would make is that with the pension credit point we knew specifically these people would claim benefit. Generally, if somebody is at home and not claiming benefit but paying their council tax there is no way we would know that those people should be claiming council tax benefit other than doing general awareness sessions.

**Q26 Martin Horwood:** I find your suggestion that we should now commit millions of pounds to some take-up advertising campaign quite incredible. In the history of government information campaigns, trying to change behaviour is pretty expensive and pretty mixed in its results. Surely you must realise there is something fundamentally wrong with this system and we need to have some structural change of the kind described earlier.

**Mr McCann:** I am sorry; I have misled you there. I have no problem with that because all of these are options, are they not? One is to advertise, one is to make the tapers better, one is to do away with cap limits. All of those are options and I would agree that it is a much more effective way than national take-up campaigns.

**Q27 Chair:** This is probably directed to the CAB since I suspect you have got more experience of this than others. Anybody who deals directly with HMRC, like self-employed people, knows that actually their system lags behind a great deal. If that were being used to inform the council tax benefit system would you not just be importing a lot of incomplete and late data and wreck the whole system?

**Mr Herbert:** I am afraid I am not well placed enough to comment on that. It would be an issue but we have to know that HMRC have done a lot of work on their systems. Although the tax credit system is beset with certain problems around keeping up to date, they have got a new system in now.

**Ms Pearson:** If I may try and answer that, because pensioners' incomes are so static a lot of the information will be correct. As well as that a lot of the problems around the tax credit system are caused by people moving in and out of work and the fluctuations of that. I would not anticipate there being serious problems with pensioners but the Government needs to be addressing its data cleansing in any case.

**Q28 Chair:** Absolutely, but 40 per cent of claims are not from pensioners.

**Ms Pearson:** Of course.

**Q29 Mr Betts:** I just want to turn to people who are not pensioners, people who are of working age and the issue of the tapers. A lot would feel that the operation of council tax benefit is a pretty good disincentive to go out and work when for every pound you earn 20p gets taken away. People say, "We were really pleased when we got working families tax credit and suddenly found that it disappeared because our council tax bills went up". Have you any feelings about reforms here of the system?

**Mr McCann:** My view is that the tapers are very steep. I know this inquiry is looking at just council tax benefit but if you add housing benefit to it they are losing 85p for every pound they have gained. If you have ever gone along to forums, which I have, where someone has had a £5 increase in a state pension or whatever and we are taking £4.25 off them in their benefit, it is a huge disincentive and until they can get incomes that take them way out and above the tapers so that they will be nowhere near eligibility for the benefits it does act as a massive disincentive. It is very difficult to explain to someone, "You have had a £5 rise in your income and we have taken £4.25 away from you". It is extremely steep the way people are taken out of benefit.

**Q30 Mr Betts:** What you are saying is that the Government needs to look across the board and see the impact of these changes collectively?

**Mr McCann:** Yes, exactly.

**Ms Pearson:** They also impact on pension savings and the value of having saved once you do reach retirement.

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**Q31 Mr Betts:** I was going to come on to savings next, so you anticipated that question. I suppose again, with pensioners in particular, they come and say, "It is bad enough you are taxing me on my income, although I can understand that, but I have saved all my life and the person next door has not saved a bean and look what happens. You go and disqualify me completely and even below that I get taxed a completely disproportionate amount on income from savings which actually does not materialise".

**Ms Pearson:** It is absolutely true. For people who have savings over £16,000 the only rational thing for them to do is to spend the extra savings and get themselves under that amount. You get anomalies where people can be £6,000 better off a year than their neighbours but not be receiving council tax benefit because their actual savings are one pound too much. I think the important thing to remember here is that pensioners, once they lose their savings, cannot build them back up again and there are a whole load of different pulls on those savings too in terms of paying for care, paying for house repairs, paying for all sorts of things that the Government does not provide for people, so there is a case for extending that savings limit.

**Q32 Mr Betts:** Should we extend it or abolish it, because I think Sir Michael Lyons said that we should eventually abolish it?

**Ms Pearson:** Yes, and we would absolutely support that.

**Q33 Mr Betts:** But would it be fair to do that for pensioners and not do it for other people as well?

**Ms Pearson:** I believe it would because of the fact that people do not then have the opportunity to build those savings back up and because of the things that they have to budget for over a 20-30 year period.

**Mr Herbert:** We would like to consider that in a bit more detail and get the Government to look into the impact of it. We would not want to see pensioners disproportionately benefiting although we recognise that it is a big issue for them as well.

**Q34 Mr Betts:** The answer is the limit is too low?

**Mr Herbert:** Certainly the limit is much too low. We see a lot of people coming to the Bureau, both pensioners and those of working age, for whom the impact can be quite severe.

**Ms Pearson:** But the savings are still treated as assessable for income tax, so if someone really did have massive savings and a massive income they would not get the help. This is really to help people who have very low pension incomes and disproportionately high amounts of money held in savings.

**Mr McCann:** I would agree with what Anna has said. You could raise it to £100,000 in many respects but because of the taper it will take people out

anyway because of the assumed income from it. It is not just a limit on its own. It is what you do with the tapers as well, I would suggest.

**Q35 Martin Horwood:** If I am right, all of you have endorsed Sir Michael Lyons' recommendation that council tax benefit be renamed or re-branded as council tax rebate. Again, from a marketing background I have to say clients at times have unduly optimistic expectations of re-branding exercises and what they may change. Why should this one be any better?

**Ms Pearson:** I think it is something that would have an impact, particularly in terms of people who believe, for whatever reason and wrongly often, that benefits are not for them, and actually it is a truthful re-branding in that at the moment it is misnamed as a benefit. Council tax benefit assesses whether you have paid the right amount of tax, so it is a matter almost of getting the wording right to me. I do not think it would necessarily ever overcome the problems of low take-up overnight but it would help. It would make our task easier in advising people. I think the Lyons' statistic that 90 per cent of people claimed the previous rate rebates shows that it could potentially have a strong impact.

**Q36 Martin Horwood:** Do you think some older people might be too proud to claim benefit but would feel they would be entitled to a rebate?

**Ms Pearson:** Yes, I do.

**Mr Herbert:** I think that is the case, and it would also bring it into line with the other discounts available for council tax: the single person discount, that kind of thing. I think the terminology might help.

**Mr McCann:** I would agree. One of the things we found when we were out visiting people was that older people especially still have this attitude that benefit is something that if possible they want to stay away from, whereas entitlement or rebate, as Anna said, is not going to solve everything overnight but it would be a step in the right direction, I would say.

**Q37 Chair:** Can I go back to something I think you said at the beginning, Ms Pearson, that you did not believe that the low take-up by pensioners was to do with the stigma issue? How does that square with changing it from a benefit to a rebate because that is what stigma is all about, is it not?

**Ms Pearson:** No, not quite, in that people will hear the word "benefit" and assume it is not for them, not for stigma reasons but just because they are not used to it, and the information campaigns are very much targeted in terms of benefit language so people's ears do not open up to them. You have selective listening, so I think it would help with that issue. I do not know how far it would go in improving take-up and my strong belief is that the investment should be made in automatic systems of payment which completely get round every single reason for non-take-up.

**Chair:** Thank you very much.

*Witnesses:* **Dr Michael Orton**, Senior Research Fellow, University of Warwick, and **Dr Peter Kenway**, Director, New Policy Institute, gave evidence.

**Q38 Chair:** I think both of you were sitting back in the first session so if there is anything that went before that you have a different view of and we do not ask you about it, slip it into one of your answers. Could you each introduce yourselves?

**Dr Kenway:** I am Peter Kenway from the New Policy Institute.

**Dr Orton:** Michael Orton, a researcher from the University of Warwick Institute for Employment Research.

**Q39 Chair:** Can I start with a question about the way in which the policy debate about council tax benefit seems to be focusing largely on pensioners? To what extent do you think sufficient attention is also being paid to the needs of low income working-age households?

**Dr Kenway:** Far too little attention is being paid to the needs of working-age households. It is not in our evidence so if I can just quote from our Monitoring Poverty and Social Exclusion Report from last year, published by the Rowntree Foundation, the numbers show there that you have 1.2 million pensioners who are in poverty and paying full council tax. That is a substantial number. However, you also have 3.2 million working-age adults in poverty paying full council tax, and in those working-age households one and a half million children, so what that is saying is that nearly half of the children who are in poverty are in households paying full council tax. I think that alone is an indication of the extent of the problem.

**Q40 Chair:** That takes account of take-up then, because that is your 1.2 million OAPs in poverty but not getting benefit; they are entitled to it but not taking it. Is that right?

**Dr Kenway:** I would think almost all of those pensioners would be entitled to it.

**Q41 Chair:** But of the 3.2 million working-age adults and the one and a half million children who are not getting benefit very few of them presumably are even entitled to benefit. Is that right?

**Dr Kenway:** It is certainly very possible. Because council tax benefit is so much less generous for working age households because of the level at which you start losing CTB is so much lower income, for a good number of those, and I do not have the exact figure, of working age who are in poverty. It is not a take-up issue, it is, at least in part, a design issue.

**Q42 Chair:** Dr Orton, do you want to add anything?

**Dr Orton:** Yes. I agree entirely with what Peter said. In the construction of the debate the issue related to pensioners is well aired within the Lyons report. Adults of working age got much less attention. In terms of moving people from welfare to work, entitlement to council tax benefit is critical.

**Q43 Mr Oler:** In the memorandum that you put to the Committee, Dr Kenway, you advocated an alternative approach to claiming council tax benefit

where householders would tell the local authority how much council tax they should be paying prior to billing. Do you advocate that this approach is adopted across the board for all households? Have you thought about how this would work in practice?

**Dr Kenway:** It could be adopted. I know we have to be very brief in our answers. All of our answers come from a recognition that you can look at this in two ways. Council tax benefit is the amount of ordinary council tax that you do not pay but you can also see beneath that. If you say, “How much council tax is a person who is entitled to CTB paying?”, they are actually paying a form of income tax at 20p in the pound. It is that recognition that says that for anyone—certainly for people who are claiming through the Pension Service and in some cases people of working age who are in touch with HMRC, particularly if they are claiming tax credits—those agencies will have the information necessary to say, “On the basis of your income you should not be paying more council tax than X”. Whether that is what they pay or whether they pay ordinary council tax depends on whichever amount is the lesser of the two. Can I add one more point of explanation? I think it is very important when perhaps we come to later questions to look at the council tax benefit system from this alternative point of view as a form of income tax.

**Q44 Mr Oler:** That sounds exactly as complicated as the present system.

**Dr Kenway:** What I am not sure is whether you should go on from that and represent it to the public in those terms. I am saying that when we think about how it should be designed we should think about it in those terms. I think it is a very reasonable point you make. It may not be simpler to represent it to the public in that fashion; I accept that.

**Q45 Mr Oler:** Since we are talking about take-up of benefits, there is a play-off, if you like, between fairer and take-up of benefit. Do you think your system would be fairer?

**Dr Kenway:** It is, of course, in arithmetic terms the same system. I am not proposing a change to the system in that sense. I think it would have this one big advantage: it would be clearer to people that their council tax only went up when their income went up. That is after all a great demand that is made of council tax by the “Is it Fair?” campaign. That is actually what happens to anyone who is entitled to CTB but it does not look like that, and that seems to me to be a very regrettable state of affairs. It would look fairer if you could explain it in those terms.

**Q46 Mr Oler:** You were both in earlier on listening to the evidence given by the previous witnesses and some of the questions aimed at them were about the introduction of an automatic system of billing rather than claiming. Have you any thoughts in particular on this?

**Dr Orton:** In terms of principle, yes. If it helps simplify systems then one has to explore it. My perspective on take-up is not so much to do with the

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issue of stigma that was mentioned but to do with the complexity and the difficulty. Applying for council tax benefit is complicated and is a very difficult thing to do. Administration of council tax is not all that it should be. From research I have done it is not necessarily stigma; it is the sheer complexity and difficulty of the system that puts people off, and the fear of overpayment and so on. I shall be honest: I do not know the technical side but in terms of information sharing I endorse comments that were made earlier that I do not think members of the public share such fears about data protection and if one portal leads on to multiple benefit processing that is an interesting way to go.

**Q47 Mr Oliner:** Is that how radical both of you want to go in overhauling the council tax system?

**Dr Orton:** Something has to change. Council tax is under pressure. Council tax benefit uptake is appalling. The figures in terms of the regressive impact of council tax are tremendous in terms of the demands made on low income households. In order to remedy that something dramatic has to change.

**Dr Kenway:** If I were in your position writing this report I would advocate that one should do away with the whole idea of council tax benefit and make it clear to people that what they are actually paying is the lesser of normal council tax or an income-based council tax. That is true for all of us, in fact, but obviously for the majority of us the property-based normal tax is less. I would go that far but then I am not a politician.

**Q48 Martin Horwood:** I am a politician and my party suggests a local income tax which seems to be what you are advocating.

**Dr Kenway:** I am saying it is there already.

**Martin Horwood:** That is outside the remit of this inquiry, luckily for everyone else.

**Chair:** We did not hear that.

**Q49 Martin Horwood:** If you are not going to go all the way for a local income tax and have a logical income-based system that gets rid of all these complications surely your proposal to have a hybrid version is actually just going to complicate things. It is fine in an academic ivory tower, if you do not mind my saying so, to come up with these schemes but the idea of having a pre-form which could delay the calculation of income tax, could then delay the bill, would cause confusion for the finances of the council, let alone confusion for the person paying it, surely is just going to be much more complicated, is it not?

**Dr Kenway:** Let me make one point clear. For these purposes I am not advocating any real change. I am saying, and perhaps it is disappointing to some politicians, that we already have a form of local income tax. Anybody entitled to CTB is actually paying their council tax on an income basis. The rough rule, and it is easiest to explain for a single person of working age, is that you pay nothing on the first £60 and then you pay 20p on every pound of net income after that. I am not advocating it. I am saying that is the system that we have at the moment.

**Q50 Martin Horwood:** But you are advocating this new approach to a form before billing?

**Dr Kenway:** Yes, I am advocating that we be open about that, partly because, as you know, people think income tax is a fairer way of doing it. I am saying that for low income households actually that is what the present system—on paper in the ivory tower that is the DWP—delivers, but nobody really appreciates it.

**Martin Horwood:** It does not.

**Chair:** Obviously not even Liberal Democrat politicians aspire to it.

**Q51 Mr Betts:** One of the things that has been mentioned is the fact that people start paying council tax, as lots of working families do, at a lower level of income than they pay income tax. Is that not one of the obvious changes that could be made to make council tax fairer for low income working families?

**Dr Kenway:** The answer undoubtedly is yes. If I can anticipate another question, it seems to me that one of the real gains for calling the wretched thing a rebate is that it might help government to root this system, if you like, in the tax system rather than the benefit system. The reason that people of working age start losing CTB at such a low income is that it reflects the low levels of income support for working age people compared with pension credit. It seems to me to be wholly unacceptable that we say to people, “In your proper income tax system you should not start paying until £90 a week”—and I do not know what the figure is—“but for council tax purposes you should start paying at about £60 a week”. That seems to me to be the wrong principle. It seems to me that the income-based council tax should be no more harsh for people than the proper income tax system.

**Q52 Mr Betts:** Have you any idea how many children that would take out of poverty?

**Dr Orton:** I can quote figures for you. You talked about a quarter of a million households with children and the percentage figure of children who are in poverty who would be helped is very high indeed. That is the one figure I cannot recall. We are not talking small numbers. We are talking very significant numbers.

**Q53 Chair:** If when you get back to your ivory towers you find this data, please do send it in because it would be really useful.

**Dr Orton:** Very well.

**Q54 Mr Betts:** Just coming back to the idea of treating council tax benefit within the concept of the tax system, presumably then you would also be taking the cumulative impact of the various multiple tax effects, people losing the council tax benefit, losing housing benefit, if they are on that, and probably paying income tax at the same time?

**Dr Kenway:** Yes.

**Q55 Mr Betts:** The idea we have is that people pay 20p in the pound tax and that is true for most working families?



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**Dr Kenway:** No, not at all. Because of the way that it works after income tax, the answer is that the two together amount to 36 per cent rather than the 40 per cent that you might expect—the 20 plus 20—but the fact that we are taxing people at 36 per cent at bottom is, I think, really rather remarkable given the way in which we have been trying to incentivise people to get into work. I would say this, that the thing to do is to reduce that taper, reduce the 20 per cent as low as you can persuade the Treasury to reduce it. The great advantage of doing that is that that only benefits people not only in poverty but also low income households, whereas if you cut the tax rate at the bottom in the ordinary income tax system we all benefit. It has long seemed to us that making changes here at the bottom of the council tax system to council tax benefit, however much it may cost, and I think there are figures in Lyons, is nevertheless pretty well targeted on the people you would want to benefit from it.

**Q56 Mr Betts:** Just looking at the different treatment of savings then for council tax benefit compared with income tax, again, that is a complete contrast, is it not, where in income tax it is the genuine income you get from the savings that count as opposed to some notional income, and indeed there is an absolute bar beyond which you cannot go and you do not get any council tax benefit if that savings limit is breached, and so are you looking to reform the calculation of notional income?

**Dr Orton:** On the previous point, Lyons did some specific modelling on applicable amounts for working age households and simply raising applicable amounts by five or ten per cent I think brought in over a million households, so large numbers of people could be helped for the reasons that Peter has just explained. I think in terms of savings I am perhaps a little more sceptical than other witnesses, largely because of the lack of data. Lyons in his modelling said some of his figures should be treated as indicative for the reason that sample sizes are quite small. My own work on this did raise some questions as to which households would gain most from changing rules regarding assets—and certainly with the new ONS survey on assets and wealth, which comes out at the end of this year (and I think CLG is one of the sponsors of that survey) hopefully by the end of this year there will be better data for a much more informed view as to which households would gain most—so I am a little more sceptical, I think, than other witnesses on that.

**Dr Kenway:** The great advantage of having this sort of in-principle answer is that I do not have to get involved in the numbers. I do think that once one says we have got an income tax of a sort then you say, “Why do we treat savings more unfavourably here than we do in the ordinary income tax system?”, and one comes to conclusion (a) that you should, of course, be taxed on your real income from savings, as you are in ordinary income tax, and (b) there is no reason as such to have a limit. The logic of the limit comes from the fact that you, perhaps quite understandably, have that when you are talking about genuine benefits, but we have this anomalous

thing of a benefit on a tax, and I think if one recognises that it is not really a benefit then a lot of the answers follow quite straightforwardly from it.

**Q57 Mr Betts:** In terms of actual help is the reality of what you are saying that the savings issue is one that is more for pensioners because there are few poor working families who are caught at that savings level anyway and if we were to look to be helping to take children out of poverty then raising the threshold at which council tax becomes payable and doing something about the tapers would be more significant?

**Dr Kenway:** I am sure that is right, do you not think?

**Dr Orton:** Yes.

**Q58 Chair:** Dr Kenway, you have been talking about making the system more generous, largely, but a major issue, at least for pensioners, is the take-up. It is not actually making the system more generous. It is just making sure they claim what they can get. I do not know if you have any comments on that?

**Dr Kenway:** I think the previous witnesses were better equipped to talk about take-up being in the real world, but I think there is an argument, given the difficulties with take-up and the expense of take-up campaigns, at least for considering whether one should do something more radical along the lines that we suggest is possible.

**Q59 Mr Hands:** Just on take-up, what kinds of measures do you think there might be to encourage local authorities to improve take-up of council tax benefit?

**Dr Orton:** I used to work in the real world, including within local government and for the Local Government Ombudsman, so I am always far better at knowing what councils do wrong in terms of benefit administration, and after ten years and lots of good effort within local authorities to promote take-up, the position really is not changing. We heard an example of excellent good practice from a previous witness. I think what Lyons said was that there are systemic failures and I think that is where energy has to be directed. It has to be done. We have to take a step change. I think simply hammering away at the same take-up campaigns that there have been for over ten years is not going to do it. I can see no reason why it would but you may think differently.

**Q60 Mr Hands:** Have you got anything specific though because at the moment there is very little incentive in the system, financial or otherwise, for local authorities to really do that?

**Dr Orton:** I think there is a built-in incentive, is there not, in terms of if the money is coming back through rebate then councils do not have to collect that money, so I think within the system local authorities have that incentive? That has always been my understanding.

**Q61 Mr Hands:** Dr Kenway, any thoughts from you?

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**Dr Kenway:** Only that I am slightly uncomfortable about the idea of incentivising local government to do what it ought to do. It is not clear to me that that is the right way to be talking about this. Perhaps this is also naïve, but people should not be being asked to pay more tax than they are really entitled to. It seems to me that one ought perhaps to be trying to get that idea more firmly into both local and national government. I do think the difficulty here really is in a sense with the way council tax works for people entitled to council tax benefit. It is in essence that the state makes a demand, which in fact is too high, if we lived in a world of perfect information, and then it is down to the individual to get that money back. That seems to me to be a very unsatisfactory principle. I do not think that answered your question.

**Q62 Chair:** Dr Orton, I think it was you that mentioned systemic failures. Do you think you could give us some real examples of systemic failures?

**Dr Orton:** In terms of the overall system?

**Q63 Chair:** Yes.

**Dr Orton:** I was quoting from the Lyons report. If you want real-life experience, I spent a year of my life working in the Local Government Ombudsman's office dealing solely with council tax and housing benefit complaints against London authorities. I am slightly out of date now as to what turnaround times are but certainly in terms of day-to-day administration it remains a huge category of complaint to the Local Government Ombudsman. I am certainly aware of that.

**Dr Kenway:** I could give you one systemic example, which again was touched on by the previous witnesses. In the benefit system it is quite right and proper that the calculations go down in a sense to the last penny. It is not at all clear that that is necessary in the tax system. That is not at all how it works really, I think, with the Inland Revenue in some sense. One could have a somewhat looser system. I do not know how big a problem calculating the pennies is but if one had a system where the last few pence, ten pence, even a pound or two, perhaps was not regarded as important by the Government, I do not know whether that would make life a lot easier.

**Dr Orton:** Certainly, yes, the constant need to notify any change of circumstances and the re-calculation of benefit for any change of circumstance is a massive administrative burden.

**Q64 Martin Horwood:** Can I just ask, and I will try and do this in the least partisan way that I can, if the logic of what you are both saying in some way is just to scrap the whole system? Are you not just tinkering with it? Do you think it really can be reformed in a satisfactory way?

**Dr Kenway:** Yes, you could perfectly well reform council tax but I do not think that is on the agenda. We have always thought that council tax was rather a good tax. It was badly misunderstood.

**Mr Olnier:** One has to remember the history of it when it was brought in.

**Q65 Chair:** Can we just not go back over finance systems we have known?

**Dr Orton:** My answer to your question would be that while the focus here is council tax benefit it would be a terrible loss to lose sight of some of the issues raised in Lyons and which were worked through in great detail in Lyons, and some of the very simple changes to council tax bands that would have far greater impact on low income households than all the great efforts that may go into council tax benefit will.

**Q66 Mr Hands:** In your view why is the take-up percentage falling so rapidly?

**Dr Orton:** I am not sure it is falling so rapidly. As I understand it, it has fallen eight to ten percentage points over the last ten years.

**Q67 Mr Hands:** According to figures we have it has fallen from 76 per cent ten years ago to 62 per cent now.

**Dr Kenway:** That is the rise in eligibility, is it not, Michael? Once pension credit was brought in there was a big increase in eligibility for pensioners. One of the advantages, I would have thought, with the system as far as pensions is concerned is that once a pensioner becomes eligible for council tax benefit they would have to have some sort of big increase in their income—and it is hard to see where that would usually come from—to stop them being eligible, and I think it is a very serious issue if there are pensioners who used to claim CTB and are not now claiming it, even though they are entitled to, so I would have thought that the long term trend is to do with the rise in eligibility.

**Dr Orton:** I do not know. It gets to the crux of the matter. I sit here and think I do not have an empirical response to that, which shows again our lack of knowledge on some of these issues.

**Q68 Mr Olnier:** One of the big issues, I feel, is that with new pensioners the Pension Service does a good job and that is fine but I actually think the pensioner that perhaps retired 15 or 20 years ago was not eligible at all for any benefits then because the thresholds were so low and thresholds have now risen considerably, but those people still think that they are not entitled to benefit. It is how you capture that group of people, who perhaps have been on their retirement pension for 15 or 20 years, because they are the people who ought to be getting some real benefit from the system. How do you get those people in?

**Dr Orton:** You may well be right, but the issue that comes up and the point I was trying to make in terms of changing rules about assets, who does it impact on, is that we treat council tax benefit claims as a homogeneous group, and they are not. There are lots of separate issues in there and that is why I think the point Peter has made in terms of thinking of it as an income tax and a rebate and changing the way it is thought about is perhaps one of those very basic changes that we all need to do to think in terms of how to move things on.

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**Dr Kenway:** I think those are a very important group of people because they are the ones, once they are caught, they might even have once had an income that was too high, but once their income is sufficiently low it is then very important to catch

them because in future their council tax payments will only go up in line with their pension. How you do it I do not know but I think it is absolutely right to flag them as a key group, the ones who are protected but that is not how it seems.

**Chair:** Thank you both very much indeed.

*Witnesses:* **Mr Phil Woolas MP**, Minister for Local Government and Community Cohesion, and **Mr James Plaskitt MP**, Parliamentary Under Secretary of State, DWP (portfolio responsibility for council tax benefit), gave evidence.

**Q69 Chair:** Can I welcome both of you? I would just like to make one comment at the beginning because we know, Mr Plaskitt, that you have to disappear to another select committee, that we need to use this session as efficiently as possible on both sides. I have been reminded that your predecessor ministers have given evidence to this Committee in previous sessions on a number of occasions, so if we could possibly keep your answers as specific as possible, given that past ministers have given warm words to this Committee that generally speaking have not appeared to translate into action, we would like to stick to things as specifically as possible. I would like to start off by asking, if you could make one single recommendation for the reform of council tax benefit what would it be, the one that you think would affect the most people the most effectively?

**Mr Plaskitt:** I do not think it is actually a reform to the benefit. What we want to do and are trying to do is improve the take-up, so it is more a case of measures that my Department can take to try to improve the take-up and there are a great many that we are taking because there is no one single measure that we think will have a dramatic impact on take-up. It requires a series of measures and we are doing those.

**Q70 Chair:** We will move to explore what can be done on take-up. I will just say at this point, and we will expand on it later, this Committee's view is going to be that take-up is not the only issue but that the way in which the council tax benefit impacts on low income working people is an issue and that is not helped by take-up. If you could stick to take-up, Mr Woolas, did you want to volunteer anything?

**Mr Woolas:** Change the name.

**Q71 Chair:** What, to a rebate?

**Mr Woolas:** To something that is not "benefit".

**Q72 Chair:** That is very helpful. To return to take-up, Sir Michael Lyons recommended that the Pension Service act as a portal to rebate for all callers. I think he must have meant all pensioner callers, not others. Mr Plaskitt, do you think that is a sensible way forward?

**Mr Plaskitt:** Broadly, yes, and there is clearly a very significant role for the Pension Service in helping to improve take-up. Like I said before, they are already deployed by us in helping us do that. For example, in the call-out service that we ran recently, headed up by the Pension Service directly telephoning, for

example, pensioners on guarantee element of pension credit, the Pension Service can help us and has helped us do that because if a pensioner is on the guarantee element of pension credit there is a high likelihood they are eligible for council tax benefit, so using the information that is within the Pension Service is key to helping us contact certainly pensioner customers who we suspect had the entitlement but are not taking it up.

**Q73 Chair:** But, as we understand it, one of the issues that happens at the moment is if pensioners phone up the Pension Service but are not eligible for pension credit they are not referred on for assessment for council tax benefit. Your memorandum suggested that if that were changed it would generate a great deal of nugatory work, in Civil Service-speak.

**Mr Plaskitt:** The Pension Service can, of course, do benefit checks for pensioners across the whole range of benefits, which, of course, include council tax benefit.

**Q74 Chair:** So your view would be that it would be fine to do some nugatory work and then follow up the council tax benefit even if they are not eligible for pension credit?

**Mr Plaskitt:** There is a significant number of pensioners who are not on pension credit who probably could and should be getting council tax benefit and are not, and I will use any method I can to try and improve the take-up.

**Q75 Mr Oler:** Minister, Sir Michael Lyons concluded that work on examining how to automate the process of council tax benefit should be pursued by Government as "a matter of urgency". Can I ask where the Government stands on that now of starting a feasibility study? Have the Government any views on it?

**Mr Plaskitt:** I think in some senses we are getting quite close to automation for this benefit, to be honest with you. It is important to remember that it is an income related benefit so there is in any event an assessment to be made first of all to establish entitlement, and you have to bear that in mind when you are thinking about the processes that we are going to deploy to improve the take-up. If you look at, for example, the income for pensioners, as I have been saying, a lot of information we already have inside the Department about pensioners and effective sharing of that data is terribly close to

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automatically issuing the notice about entitlement to council tax benefit, in effect. Similarly, in the non-pension credit element, where we have information about other benefits that is often the key thing. It is the sharing of the data that is already within the Department. The more adept we get at doing that the closer we are to making it much easier to take up this benefit. The other thing about this benefit, of course, is that it has 408 local administrators in the form of local authorities and that to some extent does complicate issues of take-up because we can have a lot of information inside the DWP by virtue of other benefits people might be on, but where we have information which leads us to suspect that council tax benefit has not been taken up we pass that data to local authorities who in turn have to pursue it. We can help them do that and we do, but it is not just down to me centrally or officials in the centre of DWP to achieve this take-up. It involves lots of local authorities as well.

**Q76 Mr Oler:** So how far are we away from that becoming the norm, that we do use this automated system?

**Mr Plaskitt:** It is getting close to effective automation for that group of customers where we already have information about benefit entitlement and they are already engaged with us. The area where it would be very difficult, frankly, to get to anything approaching automation would be, for example, with home owners, owner-occupiers, who might nevertheless have an entitlement to council tax benefit but if they are not in any other part of the benefit system there is not an established process by which by using information we have already got you can alert them to council tax benefit, so you have to do slightly more indirect things, like notices that go out with the council tax bill, for example, which we do. I would not describe that as automation, so owner-occupiers are going to be the hardest core, if you like, within the client group who have not taken it up, to get to.

**Q77 Mr Oler:** But pensioners should be the easiest group currently.

**Mr Plaskitt:** Certainly if they are in receipt of pension credit, and we are already running scans through all the information we have got in the Department about those on pension credit. That helps us identify people who we suspect have got the entitlement. We have done the direct telephoning-out contact, as I have said. Local authorities are doing take-up campaigns on the information that we have got, but there is just one thing I should say about this that I think is important to checking take-up. We are going to some pretty extraordinary lengths to contact people, especially the pensioner clients who have not taken it up, for example filling out the three-page form for them over the phone, sending them the form and saying, "All you have to do is sign this and it will activate your council tax benefit", and more than half of the pensioners for whom we do that do not even return the form. We

could go a very long way to securing take-up but in the end it requires one bit of action by our customers and they might not take that action.

**Q78 Chair:** You said, Minister, that you were quite close to automation. Is the Inland Revenue system fully automated and could that be linked?

**Mr Plaskitt:** We are not at that point yet, that is clear. What we are exploring between ourselves and other departments, including HMRC, the opportunities for further data sharing, and that is not in force in respect of council tax benefit at the present.

**Q79 Chair:** So when would automation of benefit be possible? What sort of timescale, if a decision was taken?

**Mr Plaskitt:** I am in danger here, I think, of repeating myself. I think we can get close to something that looks and feels like automation only for a section of our customers here. The take-up rate for owner-occupiers is 38 per cent. I am saying to you that it is really hard to define something as close to being automation in terms of helping owner-occupiers with this entitlement to take it up. It gets easier for other groups of our customers, for example, lone parents, because they are already very much in the benefit system. We have got a 92 per cent take-up rate for council tax benefit.

**Q80 Martin Horwood:** Can I ask two questions? One is a question I asked Help the Aged as well. Can you confirm that there is at least for pensioners no data on this form that is not collected elsewhere, and if that is the case are you now saying that in principle, again, at least for pensioners, you would be in favour of a completely automated process that got rid of the form altogether, as Help the Aged have suggested?

**Mr Plaskitt:** Again, you have to disaggregate the group of pensioners, because we will have quite a lot of information on some but we lack appropriate information on others. For example, a pensioner owner-occupier not in receipt of pension credit we are not going to have an awful lot of information on, but again the Pension Service, as it builds up its services to pensioners, including the all-benefit check, brings the potential of improved take-up even there as well.

**Q81 Martin Horwood:** In principle, you would want it to be completely automated and get rid of forms altogether?

**Mr Plaskitt:** I think it is a problem of what "complete automation" means. As I said before, you have to do an assessment to establish whether there is entitlement to this benefit.

**Q82 Chair:** I think what was being explored in the session before you came in with the witnesses from Age Concern was that the information is held by different bits of Government already on an individual so that Government could do the assessment on the basis of the information they already have. Obviously, they would then do what

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departments now do, filling in the forms, send them to the person and say, "Is this right?", but that is what is being suggested.

**Mr Plaskitt:** I think we can keep progressing towards that. Many of the things that we are doing at the moment, the scans that we operate on the information that we have about pension credit, for example, which we will continue to do with new claims, for example, mean that we are going to get very adept, certainly amongst the pensioner group, at getting people signed up for their pension credit, but you have got this scale, that the less involvement they have with any other part of the benefit system the harder it gets to achieve automation. Having said that, for those where it is easier to get very close to that they are in all probability the poorer pensioners and the ones where we would want to make sure, if there is a priority, that we are improving take-up.

**Q83 Martin Horwood:** Minister, you have just said yourself that even when you fill it in on the telephone for them and send them the form your take-up is still only 50 per cent, but there is a huge difference between being very close to automation and actually completely automating the process.

**Mr Plaskitt:** That is why I am saying I do not think you can get to full automation because we have run into this evidence, which is quite interesting, that even when you go to very considerable lengths to make this the easiest process in the world, we found on that exercise where we pre-populated over 100,000 claims forms for pensioners 50 per cent of them never came back in.

**Q84 Martin Horwood:** As the Chair said, there is a fundamental difference between pre-populating a form that somebody still has to complete and send back and just sending them the central assessment you have made and saying, "Is this right?", and, assuming it is right, "That is fine. We will just do it normally. Only if it is wrong will you have to tick anything and send it back". That would make a huge difference, would it not?

**Mr Plaskitt:** Yes, but on that call-out exercise that we did it was a three-page form and we completed it. All we were asking pensioners to do when we sent it to them was check it was correct and sign it.

**Q85 Martin Horwood:** Exactly. So surely if you do not even require them to do that it is going to be a better system, is it not?

**Mr Plaskitt:** But I have also got to safeguard against error in the system, that is absolutely crucial. That also is an impediment to getting to something like full automation because the Department has an obligation to the taxpayer as well to make sure that we are paying the right amounts of benefit to the right people. If you begin moving away from checking the accuracy of information, and having people authorise what they are telling you, you risk opening up issues on incorrect payments and error in the system. I do not want the two things to pull against each other.

**Q86 Martin Horwood:** Surely it should all be accurate anyway. If you held it centrally in order to make the assessment—

**Mr Plaskitt:** Yes, but you are suggesting that we consider moving away from the situation where we get claimants to confirm that the information is correct.

**Q87 Martin Horwood:** I do not say you should send it to them to check as Help the Aged suggest.

**Mr Plaskitt:** Look, I will consider any of the measures, and I know some of what they put forward, what I am saying to you is it is not as easy as it is sometimes put to you, to be honest. We have got very good systems at making it easy, but there is still this issue about people not signing on the dotted line. There are other reasons, of course, why they might not and they are interesting to explore.

**Q88 Chair:** Have you explored them?

**Mr Plaskitt:** Yes.

**Q89 Chair:** And briefly, why did they not reply? Might it have been they did not think there was much money involved?

**Mr Plaskitt:** It is interesting if you look at that, because if you break down amongst the people who do not take up this, there is a bit of a graph which confirms the less they are getting out of it, the less inclined they might be to take on the benefit. I think the figures show something like 40 per cent of the non take-up is those who would gain less than £10 a week from it. The further up the scale you go, where the benefits are considerable, for example the full council tax might be paid, happily you find a much higher take-up. I guess the issue is, when people look at a small take-up, especially pensioners, they might be saying, "Is it worth my while getting involved in this system for that small amount of money". That is one of the reasons that we find.

**Q90 Mr Betts:** Listening to what you were saying a few minutes ago, Minister, when you talk about the complications of having all these administering bodies called local authorities, is there any hint in there you might be considering looking at a more national based system for dealing with council tax benefits?

**Mr Woolas:** You have got to be clear—and we have to be clear—about the difference between entitlement and automatic because the two are different. If one were to say "This is automatic" then you would not need every billing authority to administer CTB, you could just do it as a central service. As long as that is not the case, and that is our policy, it makes sense that there are different bodies, particularly when you look at the interaction of housing benefit, which of course is very, very common, that there are those different centres. Now, of course, the three page form is not incumbent upon the local authority, there are local authorities who do their own forms who try to interact with other campaigns and other entitlement benefit claims in other areas, particularly housing benefit.

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**Q91 Mr Betts:** So the answer is the Government is not looking to take the responsibility away from local authorities?

**Mr Woolas:** No.

**Mr Plaskitt:** But we are looking to assist local authorities in more effective administration. We issue a best practice guide to local authorities which we think they find helpful but we give more practical forms of support in the form of funding from my Department's standards fund. I think to date about 38 local authorities have had money from us to fund specific take-up campaigns of council tax benefit and there has been some quite good work done on that, interestingly with the same kind of results as our own centrally administered take-up campaigns in that they have found still this stickiness about even when they have almost done 100 per cent of the work for someone they still will not take the final step to process the claim.

**Q92 Mr Betts:** Looking at what information might be available to try and make the process a little bit more automatic, not completely automatic, we have talked about the pensions service and how that could help in identifying people and steering them along to fill forms in, what about HMRC, is there no role there because they are always looking at a lot of data about people's earnings who are not pensioners?

**Mr Plaskitt:** Potentially I think there is, which is why it is important that we are exploring more opportunities for data sharing between ourselves and HMRC. There is a lot of work going on on this data sharing. Obviously you have to build absolutely critical safeguards in as you do it but I see a lot of potential to build on the work we are already doing in that respect, and it probably could help with this.

**Q93 Mr Betts:** Are we likely to see anything practically come out of this in the foreseeable future?

**Mr Plaskitt:** I would hope so. The whole point of doing the data sharing is to ensure a smoother and more effective administration of the benefits system.

**Q94 Mr Betts:** What sort of form would that take? Are there any ideas coming to light about how that might progress?

**Mr Plaskitt:** In a sense it is rather like the sharing we already do with local authorities. If HMRC and ourselves share data, the indication would be this person probably has a benefit entitlement and if we do not see a benefit entitlement in payment we should contact that person and ascertain why that is not the case. It enables you to do effective targeting of your take-up campaigns. In a sense it gives you more and more information about the customers and with that information you can go after the people you suspect have not taken up their entitlement.

**Q95 Mr Betts:** Can I move on to a slightly different issue which is that the Chair said at the beginning that the take-up is not the only issue that has been expressed as a concern to us so far. Clearly, as I understand it, there are 1.2 million pensioners who are living in poverty in this country and who are

paying full council tax. Now many of those may be entitled to some council tax benefit if they claimed. There is this other group of people—and the figures we got were quite startling: 3.2 million working age adults living in poverty could pay for full council tax and within those families 1.5 million children living in poverty where the family is paying full council tax now—most of those would not be entitled to council tax benefit if they claimed it since people are not eligible because of the system. Is it really defensible for the Government to have a policy where 1.5 million children are living in poverty in this country and we are asking their parents to pay the full amount, a very significant tax?

**Mr Woolas:** Our policy is first of all predicated on keeping council tax bills down, hence the capping policy, and we have to take that into account as it is all taxpayers' money at the end of the day. Secondly, just under 15 per cent—the figure is 14.2 per cent—of the total council tax bill is recycled through council tax benefit and because it is an income related benefit one could argue that you are into definitions there, the definition of poverty that you are using is a different definition than is used in the council tax benefit system.

**Q96 Mr Betts:** The Government has accepted these figures.

**Mr Woolas:** I would not want to give the impression that we have increased poverty, we have not. Interestingly, the rates of take-up have gone down as people have got better off.

**Q97 Mr Betts:** My understanding is these were figures according to the Government's early definition policy.

**Mr Woolas:** Yes. I am simply making the point, Mr Betts, which I suspect you know I am making, which is that you can take one definition of poverty and apply it generally to incomes but the fact of the matter is that just under 15 per cent of the council tax is paid for by the benefits system.

**Q98 Chair:** It is the same definition of poverty that is being used for pensioners and for working age adults, and the point that Mr Betts is making is that one group on poverty, however defined, seem to be given a great deal of attention in the sense of improving take-up, and the other group which is actually bigger on the same low incomes, is not being given the same attention in the sense of looking at some reform of council tax so that it is not weighing so heavily upon them.

**Mr Plaskitt:** Can I clarify what we think the gaps are. From the information that we are working on, we think there are around two million pensioners with an entitlement to CTB not taking it up. The non-pensioner equivalent is up to about 700,000.

**Q99 Mr Betts:** The point is not people not taking council tax benefit up but people living in poverty who are paying for council tax, some of whom may be entitled to council tax benefit when they apply but the vast majority of whom, where they are working age adults and their children, would not be eligible

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because the council tax benefit rules actually are not as favourable for non-pensioners. The reality is, is it not, that people start paying council tax at lower incomes than they pay income tax?

**Mr Woolas:** Other things being equal.

**Mr Betts:** Yes. Working age families do. Is that fair?

**Q100 David Wright:** We are also giving people incomes through the tax credit system so we have this incredibly complex system of different entitlements and different bandings for taxation.

**Mr Plaskitt:** It is always important to disaggregate the take up figures. If we are talking about poverty amongst working age people, now obviously council tax benefit is helpful in helping us address that and, as I say, the take-up amongst lone parents who are clearly one of the groups within that area that you are concerned about, the CTB take-up there is 90 per cent.

**Q101 Chair:** Mr Plaskitt, sorry to stop you but at this point we are not talking about take-up, we are talking about the rules on thresholds, on savings, of council tax which mean that people of working age on these very low wages—and we can argue whether it is poverty or not but very low wages—are paying council tax and are not entitled to benefit. Pensioners on the same income or with the same savings are entitled to council tax benefit. That is the issue, we are not talking about take-up.

**Mr Plaskitt:** Okay. I understand that. In that case you have to look across the whole range of benefits. What else is happening to try and boost and support the money going into low income households? It is all the other things that are happening as well alongside the rules that apply to council tax benefit, it is housing benefit, it is all the other benefits.

**Q102 Martin Horwood:** At the most basic level what we are really saying is that there are Government definitions of poverty below which there are people who are not entitled to council tax benefit and are therefore paying more council tax benefit than seems fair, do you accept that?

**Mr Plaskitt:** I think from your point of view, paying more council tax than you think is fair.

**Q103 Martin Horwood:** If they are living in poverty, according to Government definitions, surely they should be entitled to some rebates or benefit against council tax, no?

**Mr Plaskitt:** You are looking at a whole range of interventions that come from the welfare system and the tax system to support people in those circumstances. You do not just focus on the rules that apply to council tax benefit, you will be looking at all the other parts to the benefit systems as well. There is an interaction with housing benefit, for example, and with the whole of the tax credit system.

**Q104 Mr Betts:** We have still got people who are in poverty, these 1.5 million children, where their parents are paying full council tax. Given that we have talked about the lack of take-up, and sometimes the very great difficulty getting people to

take up what they are entitled to, and the Government is saving about £1.8 billion a year I think out of this, would it not at least be reasonable to give some thought—I understand you cannot make a commitment on behalf of either the existing or the new Chancellor today—to the fact that Sir Michael Lyons in his report identified that it would cost about £700 million, that is less than half the money that is saved from people not taking up, to bring the threshold at which people start paying council tax into line with the point at which they start paying income tax, would that not at least be worth a thought?

**Mr Plaskitt:** But Lyons did not actually ask for any significant structural changes to the council tax benefit.

**Q105 Mr Betts:** I think he is wrong, that is my personal point of view. I am asking here from a Government point of view, the Government is responsible for people in poverty. Michael Lyons makes recommendations, the Government is responsible for acting. Would it not be the responsibility of Government to give some thought to that issue?

**Mr Plaskitt:** All I am saying is there is a guy who spent a long time looking at this issue and going right into it, and his recommendation was it did not require any structural changes.

**Q106 Mr Betts:** Given the figures we have been talking about, would it not be worthwhile the Government giving some thought to it and maybe letting us have some observations on it?

**Mr Plaskitt:** One of the central objectives in DWP is making sure we hit our target of reducing child poverty. You can take it from that that we look at every single opportunity that we can across the benefit system to help us meet the Government's targets on child poverty reduction.

**Q107 Chair:** Can I ask specifically, Mr Plaskitt, has your Department asked for any research to identify how many people with no liability for income tax still pay full council tax?

**Mr Plaskitt:** I do not have that figure offhand, I am sure we could establish what it is for you.

**Q108 Chair:** We would be grateful if you could. If you are not doing any research we would like to know why you are not.

**Mr Plaskitt:** We probably know that number.

**Q109 Mr Betts:** Can I move on then because I think it is something, with that promise, we will return to in due course. The issue of savings under council tax benefit, this is probably more applicable to pensioners, there is a feeling that people save their money, they make certain choices about what they have done with their money over their working lives, they get to be pensioners, they have got the savings and I think there are two senses of grievance. One that if they have got more than £16,000 they cannot get any council tax benefit at all and even below that, the way their savings are treated are not on the basis

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of the actual income for savings produced—most people would accept it should be a reflection on that—but this notional income which does not bear any relation to what people can actually get in terms of income from their savings. They are two fundamental senses of grievance that people do have about the way the savings regime operates.

**Mr Plaskitt:** You are talking about the taper and the notional amount, I know it is sometimes interpreted as what it is assumed you would earn by way of interest on that amount of savings, it is not, that is a misapprehension. It represents an assumption that if you have that amount of money available to you, you are going to use some of it to contribute towards paying your council tax, that is the theory behind the taper. We do review the thresholds from time to time and they have increased, the first £6,000 of savings is completely disregarded, then the taper comes in up to £16,000. Now I know there are suggestions we should perhaps raise the upper limit, or perhaps even abolish it, but I am not certain, I am not convinced myself that that would be a priority measure in terms of trying to improve take-up of the benefit. It would extend the entitlement. Would it in itself immediately do something to improve take-up, no I am not sure that it would. I think given that we have got so many people with this entitlement not taking it up, I want the priorities to be on efforts to ensure take-up rather than a further widening of entitlement.

**Q110 Mr Betts:** If people thought that the system was fair, might they not be more encouraged to take it up?

**Mr Plaskitt:** There are lots of impediments to taking it up, as I have said before, but we have to work away at each of them

**Q111 Mr Betts:** One of the things people do say to you is, “Why should I tell them more about the money I have got in the bank when they are going to take this figure which bears no relation to the income I get on it and then reduce my council tax benefit on that basis”. It gets said to all of us at our surgeries.

**Mr Plaskitt:** Of course we hear that. The purpose here is to target this benefit of those who will benefit the most from having this help with paying their council tax bill. That is why it is not a universal payment, it is why it is income related and while it remains income related you have to have a way of assessing who has an entitlement and the extent of that entitlement. That is implicit in the way we do it.

**Q112 Mr Betts:** There is not a savings limit as far as pension credit is concerned, is that not an anomaly?

**Mr Woolas:** One could argue it is and we look forward to your recommendations on that. If I could bring another factor into it, one big difference, of course, which is missing from this whole debate is that your council tax level is different in different areas and there is a relationship between council tax levels and benefit and benefit take-up which does not apply to pension credit.

**Q113 David Wright:** There is still a notional assessment of income from the savings. Have you looked at whether that is going to be changed?

**Mr Plaskitt:** We always keep those under review, there is no plan to change it at the moment.

**Q114 Mr Olnor:** One of the big queries is the taper does not go up at the same time as earnings from savings do. There is a complete mismatch and that really does annoy an awful lot of people, the fact that they have got savings and they do accrue a gain from it but what they lose is far more than they gain and they actually get. Surely, I would have thought, we would have been looking at settling this anomaly.

**Mr Plaskitt:** I understand that but, as I say, the taper assumes that people will use savings in order to help pay the council tax. There is a misapprehension that it is an assumed rate of interest earned on savings; it is not. It assumes that the more capital you have at your disposal the more you will draw on it to pay your council tax liability.

**Q115 Mr Betts:** This is an issue where Sir Michael Lyons actually did make recommendations for change.

**Mr Plaskitt:** Well, he did make recommendations. As I say, given that our objective or priority is to try and improve take-up, I am not myself persuaded that altering the upper capital limits, and therefore addressing the issue of entitlement, would of itself help us with take-up which is the priority.

**Q116 Chair:** Minister, I am conscious you have to get off to your other Select Committee, do I understand from something that you said that you are only considering those recommendations in relation to council tax that Sir Michael Lyons made? If that is the case, certainly from your Department's point of view, if not from the DCLG point of view, are you not looking at the contribution or lack of contribution of council tax benefit, together with all the other benefits, on reducing poverty and increasing social equity?

**Mr Plaskitt:** As I said, given that we have already made it very clear that the Department's central objective is to achieve this ambitious reduction in child poverty, we are looking right across the entire range of benefits, everything that flows through our Department, to see whether it is serving that objective. As we respond to David Freud's report shortly you will see that there is more to say about this. There is a lot of thinking going on, all the time, about what it is we are going to do as we move forward with the next phase of welfare reform to help us achieve that ambitious objective.

**Q117 Mr Betts:** One other question: in terms of the age discrimination within the benefit system, that is an issue where non pensioners' and pensioners' savings, for example, are treated differently, the rules on backdating are different for pensioners, or indeed for 25-year olds to suddenly find they have got a greater entitlement than 24-year olds within the system. Are there concerns in Government about the



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different treatment of people of different ages within the benefits council tax payments which you might at least want to consider addressing?

**Mr Plaskitt:** I will consider addressing that in the sense that I consider addressing any perceived inconsistency across the benefit system because we are also trying to simplify this benefits system and harmonise it but each time we look at that it brings other issues into the equation, not least of which is cost of course. Sometimes it could be the case that you can make an alteration in one part of the system that looks like a simplification but it might create another anomaly somewhere else. Yes, that is a fair objective to try to achieve that, of course, but it is sometimes not as straightforward as it might appear at first sight.

**Q118 Mr Betts:** The 25-year old rule is a bit of an anomaly, is it not?

**Mr Plaskitt:** There are a number of anomalies around the welfare system and, as you will know, we are very committed to simplifying it and all these things are considered as we look at that.

**Q119 Martin Horwood:** Just to ask the Minister for DCLG, back on home territory, looking at the performance of local authorities and the way in which we support them if we are going to try and increase take-up of council tax benefit, a lot of the performance indicators at the moment appear to be ones that relate to administrative efficiency, in other words to process not to outcome. Do you see scope for changing that and improving it?

**Mr Woolas:** Yes. A key goal, of course, as you rightly say, is to improve the efficiency of revenue and benefits in terms of the time it takes to get benefits and so on. The research shows that of course the time that is taken to process such a claim has a direct relationship to the success of the employment market. The fear of taking a job, coming back into the workplace, losing the job or losing a full-time job and then having another period in which to reclaim benefits. The evidence does show that is a significant deterrent to entering into the job market. There is a relationship between the outcome of improving the number of people in employment and the efficiency of the benefit system, so there is not a simple separation of efficiency of the system and outcomes for the people, there is a relationship there. The answer to your question in general is yes.

**Q120 Martin Horwood:** If you shifted towards judging it by outcomes, is there not a problem that actually different local authorities have different population profiles? So, for instance, if one area had far more pensioners, and we know that take-up amongst pensioners is far lower, is that council going to be judged as having a poor performance just because it has got a lot of pensioners?

**Mr Woolas:** You mean outcomes in terms of increasing take-up?

**Q121 Martin Horwood:** Yes, it will be judged.

**Mr Woolas:** Yes, the answer is there is a problem that somewhere like—off the top of my head—both Bournemouth and Blackpool obviously would have a different demographic profile, and that is a very small part of the reason why we would want to look at any reward grants based on the achievement against the overall goals of the place which may result in, for example, lower joblessness or higher employment rather than take-up as is in and of itself reward targeted.

**Q122 Martin Horwood:** You are going to have a settlement formula for rewards on council tax benefit.

**Mr Woolas:** No, under an area assessment system you would reward the overall outcome in terms of measurement, for example, in this example, number of people in the jobs market or the number of people in work rather than the take-up itself. Take-up of the council tax benefit is not likely to be one of the 35 main targets of the local area agreement; it could be but it is not likely to be.

**Q123 Chair:** Just before you continue, I am anxious, Mr Plaskitt, I believe you are supposed to be elsewhere.

**Mr Plaskitt:** I am. Another select committee.

**Mr Woolas:** Do you want me to stay?

**Chair:** Yes, please.

**Q124 Martin Horwood:** In talking about reward incentives, previous witnesses have suggested that this is in effect incentivising councils for doing what should be their job anyway. In other words if you have got a council that has got 100 per cent take-up it would be nice, would it not, but if you did have a council like that they are then going to get a new reward payment for having achieved that, despite the fact they were trying to do it because it was the right thing to do and the right way of getting the money to which they were entitled anyway.

**Mr Woolas:** That is one of the great paradoxes of public finance policies that have existed for a millennium. Yes, do you finance failure or do you finance success but at the margin you are always going to have that accusation whatever system you have. What we have found is that the Gershon requirements in and of themselves improve administration and take-up, particularly where the interface with the Pensions Service is good. The best that I am aware of, for example, is a local authority that can process your council tax benefit, housing benefit and pension credit claim in the home by electronic communication within 60 minutes; the worst that I am aware of takes 83 days. Now there is clearly a Gershon saving in that regard.

**Q125 Martin Horwood:** Gershon relates, most of all, to administrative efficiencies in many respects. You would have to brace yourself for a whole range of councils claiming special circumstances for failure to increase take-up, whether it was pensioners or their geography.

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*Mr Woolas:* That is absolutely right, but my point is if you devolve decision making then you inevitably will have all the councils in England each arguing that there are special circumstances.

**Q126 Martin Horwood:** You are talking about introducing a reward formula.

*Mr Woolas:* Yes, but I am not going to design a reward system that has got 353 different versions of it. I am sure that the exponential increase in the number of civil servants in DCLG will mean I will be back here getting a roasting in a year's time.

**Q127 Martin Horwood:** Are you sure you are not stepping into a political minefield with people saying they were unfairly treated and this kind of thing.

*Mr Woolas:* I recognise the point you make, of course, because it applies across a range of different local government functions. If the goal is to increase take-up it makes sense to have an element of reward but then one has to guard against the unintended consequence, and what I am sure you would describe as a target culture. If the consequence of increasing council tax benefit take-up meant there was a decrease in housing benefit take-up then would that be the definition of success. The data sharing at the local level which is part and parcel of what my colleague was talking about at the national level does facilitate that. Of course I am sure that there will then be questions about freedom of information and privacy and big brother states and all the rest of it. My point is simply that you can have an efficient system and share data or you can not share data and have an inefficient system and you have to choose.

**Q128 Mr Hands:** I am not quite sure why this question is here in our inquiry but what consideration has the Government given to enabling local authorities to level a supplementary council tax levy on second homes in areas where there are high concentrations?

*Mr Woolas:* Our policy on that regard is that we have decreased the minimum discount from 50 per cent to 10 per cent. We have no plans to change that. The policy does seem to have been taken up with some gusto. As at October 2006, 261—that is 74 per cent—of billing authorities had reduced the second home discount. When you consider that there are a large number of authorities that have very few second homes then that is a high take-up.

**Q129 Mr Hands:** Apart from just a discount, is there any merit in a supplementary council tax levy in the first place, in the actual amount levied rather than a discount?

*Mr Woolas:* An additional council tax simply because it is a second home, no we have not considered that. I have not anyway.

**Q130 Mr Hands:** Good.

*Mr Woolas:* To go back to fundamentals—

**Mr Olnier:** You ought to declare an interest.

**Q131 Mr Hands:** Actually, as a London MP, I am one of the few who does not have to declare an interest.

*Mr Woolas:* As a constituency MP who constitutes one seventh of the second homes in my constituency I can tell you I have! One has to go back to first principles which is that council tax is not just a property tax, it is partly a personal service tax as well, a point that is often misunderstood.

**Chair:** Okay. I am sorry about the slightly fragmentary nature due to Mr Plaskitt's other commitments but thank you very much, Minister.

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# Written evidence

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## Memorandum by Portsmouth City Council (CTB 1)

- The case for rebranding council tax benefit as a “rebate”;

We believe that this would be a positive move, as many people feel that there is a stigma attached to the phrase “benefit”.

- The role and effectiveness of Government in increasing council tax benefit uptake levels;

We welcome efforts to increase uptake of CTB entitlement.

- The case for improvements to the processing of pension credit claims to enable the Pension Service to act as a portal to rebates for all callers, regardless of pension credit eligibility, and to examine steps to improve data sharing, and There is a clear case for maximising data sharing opportunities, and this principle needs to be extended over all benefit types. There are anomalies in the system where customers are made to jump through unnecessary hoops—for example, where claimants on Housing Benefit have to change in their circumstances which would bring them into Council Tax Benefit, but are made to make a new claim for CTB.
- The Case for reform of the council tax benefit eligibility criteria including the case for changing of abolishing the saving limit in council tax benefit for pensioners, and the case for aligning council tax rebate thresholds with other parts of the tax system.

As with any major change the devil will be in the detail, so we would like to see the proposals to understand how it would impact on other benefits. We would be concerned if we had to apply different rules for Housing Benefit and Council Tax Benefit which may confuse customers and may lead to changes not being reported.

However, the underlying principle appears to have credibility and could remove some of the complications involved in assisting pensioners with their Council Tax.

*June 2007*

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## Memorandum by the Audit Commission (CTB 2)

### SUMMARY

1. The Audit Commission welcomes the Communities and Local Government Committee’s focus on council tax benefit and is pleased to submit evidence.
2. A rebranding of council tax benefit as a rebate may help to encourage take-up. Take-up is likely to improve where publicity campaigns are tailored locally to address specific communities and agencies share information about potential eligibility, where appropriate.
3. Different savings thresholds currently apply to the range of mean-tested benefits and allowances. Consistency of approach to qualifying rules and/or thresholds for savings may help to simplify the system. Simplification would also help to improve take-up and reduce error.
4. Further research into the relative effectiveness of different approaches to benefit take-up would help identify best practice and inform future policies and approaches.

### DETAILED RESPONSE

#### *Introduction*

5. The responsibility for inspection and assessment of housing and council tax benefit transfers from the Benefit Fraud Inspectorate (BFI) to the Audit Commission on 1 April 2008. One of the Commission’s key strategic priorities is to encourage continual improvement in public services so they meet the changing needs of diverse communities and provide fair access for all. We therefore welcome the opportunity to contribute to this important agenda.

#### *The case for rebranding council tax benefit as a “rebate”*

6. It is widely recognised that the term “benefit” may deter some eligible people from submitting a claim. Changing the name to a “rebate” may remove this potential barrier. The term would be consistent with “Second Adult Rebate” which is already administered by councils and provides a reduction in the council tax bill for some people.

7. Any changes in the law regarding the change in name would need to address how overpayments and fraud would be described and dealt with. The approach taken would need to be consistent with the rules for the recovery of housing benefit, because error and/or fraud often span both council tax and housing benefits.

*The role and effectiveness of Government in increasing council tax benefit uptake levels*

8. All councils that administer housing and council tax benefit have a duty to ensure that those who may be entitled to the benefits are aware of them. Increasing council tax benefit take-up is important, as part of the Commission's priority to meet the changing needs of diverse communities and provide fair access for all. Our work with councils contributes to improving take up through, for example, our inspections involving "Access to Services". We will be developing our approach to this in our inspections of benefits from April 2008.

9. Our study into efficiency in revenues and benefits services *The Efficiency Challenge—The administration costs of revenues and benefits* revealed a number of examples of effective local benefit take-up campaigns. In Kent, the councils worked effectively together to increase take-up for pensioners. The examples are replicated below.

*Case study 3***Kent councils**

The Kent Benefits Partnership (KBP) involves all of the 13 benefits authorities in Kent and Medway and it includes Kent County Council. The project aims to maximise council tax benefit take-up in the area. The partnership processes new claims for council tax benefit for pensioner owner-occupiers for 10 of the 13 authorities.

The team of assessment staff has access to all five different computer systems operate dby the councils involved. The IT links were enabled by the Kent Connects project and by Kent County Council's ICT staff working with ICT staff in each district. Funding has been provided by all the councils involved along with a grant from the DWP performance standards fund. In 2005–06 the KBP is planning to expand so that it processes the full range of council tax and housing benefits.

The partnership is still at an early stage and, as yet, the financial benefits are not clear. Nevertheless, it has already helped to increase council tax benefit take-up directly by around 1,500 successful claims. The team of assessment staff is also a useful potential training ground for the district councils. One assessor has already moved from the project team to a council.

*Source: Audit Commission.*

10. Salford has adopted an imaginative approach to improving health outcomes for older people at the same time as increasing benefit take-up. The case study below was also featured in *The Efficiency Challenge—the administration costs of revenues and benefits*:

Salford Council has worked closely with its Primary Care Trust and has linked benefit take-up to health issues. Joint surgeries have helped to contribute to a large increase in flu vaccinations for older people. This is helping to add value to other services and helps to improve the quality of life for local people. This shows that different types of collaboration can bring different benefits. The advantage of all possible solutions should be actively considered by councils challenging their services.

11. Kirklees Council has recently introduced a new council tax reduction for all those aged 65 and over. The exercise was also used to provide a "benefits check" on entitlement. The Council received over 6,000 requests from local people, resulting in at least 1,000 additional claims.

12. Effectively promoting benefits take-up relies on being able to reach all members of the community as it can be challenging to reach the most vulnerable and isolated groups of potential customers. Our evidence suggests that local campaigns are most likely to succeed. Local intelligence enables take-up to be targeted effectively, including through collaborative working with a wide range of local organisations.

13. Council tax computer systems do not hold dates of birth because councils do not need this information to determine council tax liability. This makes it difficult to identify pensioners for targeted publicity about benefits. Enabling information about potential eligibility to be passed between councils and those dealing with Pension Credits could help councils maximise take-up. Changes would be required to ensure that Data Protection Act requirements were fully met.

14. Benefit take-up would be a good area for further research. The product could be a good practice guide showing which initiatives and campaigns have worked best across councils.

*The case for improvements to the processing of pension credit claims to enable the Pension Service to act as a portal to rebates for all callers, regardless of pension credit eligibility, and to examine steps to improve data sharing*

15. This is a positive suggestion. Any change would need to ensure that relevant controls are in place to protect the public purse from fraud and error. The more automatic the process the greater risk of fraud, so councils would need to risk assess claims and perform additional security checks.

*The case for reform of the council tax benefit eligibility criteria including the case for changing or abolishing the saving limit in council tax benefit for pensioners, and the case for aligning council tax rebate thresholds with other parts of the tax system*

16. The amount of savings pensioners can have before being disqualified from receiving benefit differs across different types of income and income support. For example, the lower limit of savings for council tax benefit is £6,000; the upper limit is £16,000. The upper limit for pension credits is £47,000. State pension has no upper limit. There is an opportunity to align the thresholds across all Social Security and Tax Credit schemes. This would reduce confusion for customers and help to prevent error.

17. The poorest pensioners are unlikely to have significant savings, so raising or abolishing the savings limit would not affect this group.

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### Memorandum by Dr Michael Orton (CTB 3)

#### 1. SUMMARY

1.1. This memorandum is based on research I undertook for the Joseph Rowntree Foundation, published in 2006 as *Struggling to pay council tax: a new perspective on the debate about local taxation*. It makes the following key points.

1.2 Council Tax is a very regressive form of taxation; sight must not be lost of this fact and that CTB is being tasked not just with assisting people on low incomes, but with ameliorating the regressive impact of Council Tax.

1.3 There is a need to distinguish between different groups of potential CTB recipients: attention is often given to people with low incomes in high value properties (the “wealth rich but income poor”) but there are few such households.

1.4 There is a failure to connect the Council Tax debate with issues of welfare to work, and making work pay.

1.5 Increasing the take-up of CTB does not necessarily address the difficulties faced by those in work but on low wages.

1.6 Abolishing savings limits may favour people in higher value properties—the likelihood of having more than £20,000 savings increases significantly by Council Tax band.

1.7 Given long-standing problems with CTB, options for revising Council Tax bands as identified in the Lyons report, may be a better means of assisting people on low incomes to pay Council Tax.

#### 2. BACKGROUND

##### 2.1 Council Tax and regressivity

2.1.1 Council Tax is a very regressive form of taxation, and sight must not be lost of this fact. Table 1 demonstrates that (net of discounts and CTB), local tax accounts for 5.2% of household income for those in the bottom income quintile, and 1.7% for the top quintile. The percentage of household income accounted for by local tax has increased over the last three years for all households other than those in the top quintile. CTB is being tasked not just with assisting people on low incomes, but with ameliorating the regressive impact of Council Tax.

**Table 1**

#### LOCAL TAX IN THE UK AS A PERCENTAGE OF GROSS HOUSEHOLD INCOME BY QUINTILE (NET OF DISCOUNTS AND CTB)

	<i>Bottom quintile</i>	<i>2nd quintile</i>	<i>3rd quintile</i>	<i>4th quintile</i>	<i>Top quintile</i>
2002–03	4.6	3.4	2.9	2.3	1.6
2003–04	4.9	3.6	3.0	2.5	1.7
2004–05	5.1	3.8	3.2	2.6	1.7
2005–06	5.2	3.9	3.2	2.7	1.7

Source: ONS—[www.statistics.gov.uk/StatBase/Product.asp?vlnk=10336](http://www.statistics.gov.uk/StatBase/Product.asp?vlnk=10336)

## 2.2 *The exceptional position of low income households in high value properties*

2.2.1 Attention is often given to people with low incomes in high value properties (the “wealth rich but income poor”): however, there are few such households. Households with low incomes in bands F, G and H combined represent 0.7% of all households in Britain. Households in bands F-H with a modest income represent a further 0.8% of all households. Those with low incomes in the bottom three valuation bands (A-C) constitute 22.8% of all households, while those with modest incomes in bands A-C represent a further 15.6% of all households. In short, 38.4% of all households have low/modest incomes and live in band A-C properties, whereas only 1.5% of households have a low/modest income and live in a band F-H property. Households in band A which have a high income constitute just 0.9% of all households

**Table 2**

### HOUSEHOLDS IN EACH COUNCIL TAX BAND BY INCOME LEVEL, AS A PERCENTAGE OF ALL HOUSEHOLDS IN GREAT BRITAIN

<i>Income level</i>	<i>Band A</i>	<i>Band B</i>	<i>Band C</i>	<i>Band D</i>	<i>Band E</i>	<i>Band F</i>	<i>Band G</i>	<i>Band H</i>
Low income (less than 60% of median income)	12.4	6.5	4.9	2.9	1.3	0.4	0.3	0.0
Modest income (between 60% of median income and median)	6.6	4.8	4.0	2.8	1.3	0.5	0.3	0.0
Above average (between median and twice median income)	5.4	6.8	7.2	5.8	3.1	1.5	0.8	0.1
High income (more than twice median income)	0.9	1.8	3.2	4.2	3.7	2.4	2.1	0.4

*Source:* Family Resources Survey (percentage values do not sum to 100 due to rounding).

(For numbers of households—rather than percentages—see table 4 in Appendix 2)

## 2.3 *CTB and making work pay—working age adults*

2.3.1 There is a particular failure to connect the Council Tax debate with issues of welfare to work, and making work pay. CTB is very effective in protecting people on subsistence benefits. But the loss of CTB and Housing Benefit, as people move off benefits into work, can mean an effective marginal tax rate of 90% (Alcock and Pearson, 1999). There is also a complex interplay between CTB and tax credits. For a person who was entitled to CTB but then receives Working Tax Credit, 20% of the latter is immediately “lost” as CTB is reduced because of the income from the tax credit (New Policy Institute, 2005). Reform of CTB and Housing Benefit “remains one of the biggest challenges to any government wanting to make work pay” (Brewer and Shephard, 2004: ix).

2.3.2 Increasing the take-up of CTB does not necessarily address the difficulties faced by those in work. The New Policy Institute (2005: 1) argues that “there are three basic problems with CTB as it affects working-age households: it is mean, it is full of anomalies and its administration is deficient”. Even amongst working-age households in poverty (ie with incomes below 60% of the median) the majority get either no CTB or at best only partial CTB. 45% of children in poverty are in households that get no CTB, while a further 21% are in households that get only partial CTB, thus affecting 2.4 million children. There are a quarter of a million households whose income falls below the poverty line by an amount less than they pay in Council Tax; “the Council Tax they pay may be said to be the immediate cause of their being in poverty” (*ibid*).

2.3.3 The findings from my research supported these contentions. In interviews with people struggling to pay Council Tax, interviewees focused not on take-up of CTB, but on the meanness of the scheme, administrative problems and the sheer complexity of CTB and its interaction with other benefits (including tax credits)—illustrative examples are included in appendix 1.

## 2.4 *CTB and Incapacity Benefit*

2.4.1 My research also illustrated the position of people in receipt of Incapacity Benefit (IB). People in receipt of IB are entitled to some, but not 100%, CTB. The amount of Council Tax interviewees in receipt of IB had to pay was in cash terms minimal, but so was their level of income. In one example, a woman had an annual liability of £45. When she fell into arrears and received a summons, the summons costs were greater than her annual bill. There are questions as to both the fairness and efficiency of collecting very small amounts of Council Tax from people in receipt of benefits, particularly Incapacity Benefit.

## 2.5 Savings and Council Tax bands

2.5.1 Abolishing savings limits may favour people in higher value properties—the likelihood of having more than £20,000 savings increases significantly by Council Tax band.

**Table 3**

PERCENTAGE OF HOUSEHOLDS IN GREAT BRITAIN WITH SAVINGS AND INVESTMENTS OF OVER £20,000, BY COUNCIL TAX BAND							
<i>Band A</i>	<i>Band B</i>	<i>Band C</i>	<i>Band D</i>	<i>Band E</i>	<i>Band F</i>	<i>B and G</i>	<i>B and H</i>
6.5%	12.0%	21.3%	32.4%	47.5%	62.2%	74.5%	83.0%

*Source:* Family Resources Survey

## 3. REFORMING CTB

3.1 There is a need to distinguish between different groups of potential CTB recipients. While improving take-up of CTB may help pensioners, the issues relating to those of working age are different. However, given that CTB take-up stands at 62–68% and has fallen by eight to 10 percentage points over the last decade (despite a variety of attempts to improve take-up, and the fact that Council Tax has been the subject of very considerable media and popular attention), there must be some scepticism as to whether significant improvements in take-up can be achieved.

3.2 There is no shortage of ideas regarding reform. Suggestions include offering older people the option to build up a Council Tax charge with accumulated interest, to be settled upon the sale of the dwelling or the death of the surviving resident spouse (Muellbauer and Cameron, 2000) or changing CTB from a means tested benefit to a “maximum liability scheme” whereby people would apply for a cap on their Council Tax liability based on their income (New Policy Institute, 2004). Other reforms could include increasing the income threshold at which people cease to be entitled to CTB, or disregarding some forms of income eg Working Tax Credit, so as to make CTB more generous for those in work. Some of these points were examined in the Lyons report along with options such as a “circuit breaker” rebate and exemption for non income tax payers.

3.3 However, sight must not be lost of the fact that Council Tax is regressive meaning those on low and middle incomes pay proportionately more than those on high incomes. CTB in some ways is being used to try to remedy a problem created by the regressive nature of Council Tax. In the light of low take-up of CTB, its meanness and complexity, an alternative approach would be to focus more on the structure of Council Tax. The Lyons report (p237) considered possible options and found that:

3.3.1 if new bands at both the top and the bottom of the scale were created, even without revaluation, approximately 2.5 million households would move into the new lower band and see their tax reduced—over 85 per cent of all households—would not change bands. This would reduce Council Tax bills for many households, including many low-income households in band A. Since many of those households receive full or partial CTB, some of the reduction in bills would translate into reduced costs in the CTB bill for government. It is estimated that adding new bands in this way could reduce total CTB costs by around £110 million;

3.3.2 another option would be to leave the band structure unchanged, but alter the ratios applied to each band. This would effectively redistribute the tax burden by requiring the higher bands to pay more, and the lower bands less. Again, this would be expected to reduce Council Tax bills (before CTB) for a large number of low-income households. As before, part of that saving would accrue to the Government through reductions in the costs of paying CTB to those households. Total CTB costs could be reduced by up to £570 million, based on the band ratios in the options modelled.<sup>1</sup>

## 4. CONCLUSION

4.1 Given long-standing problems with CTB, other options such as those identified in the Lyons report may be a better means of assisting people on low incomes to pay Council Tax.

<sup>1</sup> Lyons also noted that a point value property tax (under which, bills would be based on a set percentage of property value) might reduce the average burden of tax as a proportion of income for the poorest by around 15%, and reduce CTB costs by up to £1 billion.

## 5. APPENDIX 1

*Illustrative examples of people's experience of CTB (from "Struggling to pay council tax: a new perspective on the debate about local taxation")*

5.1 The research included statistical analyses which estimated the extent of Council Tax debt, and examined distributions of income and savings by Council Tax band. 51 qualitative interviews were conducted with people who had received a Council Tax summons.

5.2 For interviewees who were in employment the key issue was not take-up of CTB, but the very low level of income at which a person ceases to receive CTB, along with a strong sense of CTB as part of a system which gives money in one way, but takes it back in another.

5.3 As interviewees expressed it:

"When my wages were lower I did used to get them [Housing Benefit and CTB]. But then I got the new [higher paid] job . . . and I get tax credit . . . but it doesn't entitle me to no money off anything, so I pay the full whack of everything [rent and Council Tax]. Your money goes up, but so does what you have to pay out". (Care worker, female, 40s)

"We used to get Council Tax Benefit but not now because they gave us . . . they give us tax credits. That puts you over the barrier [ie CTB threshold] . . . So you either don't take your tax credits and have your Council Tax Benefit, or you take your tax credits and not your Council Tax Benefits". (Woman, self-employed, 30s)

5.4 The sheer complexity of the system was a strong theme. For example: a married woman in her 70s had first received a 25% Council Tax discount due to her husband's disability; attendance allowance was then awarded which did not take account of income; CTB took account of her husband's disability (in terms of a disability premium) but also assessed income; she ran an occasional bed and breakfast business to supplement her small private pension—she gave up the business and then became entitled to CTB; however, she was aware that if her pension increased, CTB would be reduced (she had already been overpaid CTB once). As she put it:

"They couldn't make it more complicated if they tried". (Pensioner, female, 70s).

5.5 The theme of CTB as a cause of problems, rather than a solution, was emphasised by this interviewee's experience:

"We did apply [for CTB] once . . . first they said we would get some. Then her money [his wife's wages] went up a bit so we told them. It took ages . . . but in the end they turned round and said we owed them money [ie there had been an overpayment]. We owed them! It was supposed to help us, but we ended up owing them!" [School caretaker, male, 60s]

## 6. APPENDIX 2

Table 4

## NUMBER OF HOUSEHOLDS IN EACH COUNCIL TAX BAND BY INCOME LEVEL OF HOUSEHOLD—GREAT BRITAIN

<i>Income measure</i>	<i>Band A</i>	<i>Band B</i>	<i>Band C</i>	<i>Band D</i>	<i>Band E</i>	<i>Band F</i>	<i>Band G</i>	<i>Band H</i>	<i>Total</i>
low income	2,989,884	1,567,127	1,183,822	713,022	308,575	108,757	60,962	11,731	7,137,203
<i>of which pensioners</i>	<i>1,384,586</i>	<i>827,430</i>	<i>686,872</i>	<i>445,058</i>	<i>193,101</i>	<i>62,099</i>	<i>32,731</i>	<i>6,178</i>	<i>3,684,429</i>
modest income	1,586,548	1,172,735	974,545	668,973	303,631	122,704	63,563	7,454	4,985,107
<i>of which pensioners</i>	<i>379,703</i>	<i>314,812</i>	<i>327,880</i>	<i>292,652</i>	<i>162,934</i>	<i>63,641</i>	<i>31,539</i>	<i>4,627</i>	<i>1,586,572</i>
above average	1,306,770	1,640,411	1,741,137	1,397,615	760,230	353,596	182,048	26,143	7,506,952
<i>of which pensioners</i>	<i>97,976</i>	<i>115,680</i>	<i>156,778</i>	<i>209,667</i>	<i>179,798</i>	<i>121,513</i>	<i>71,873</i>	<i>9,441</i>	<i>965,611</i>
high income	215,391	431,965	765,838	1,024,222	903,677	571,391	500,557	103,688	4,566,542
<i>of which pensioners</i>	<i>5,427</i>	<i>153,60</i>	<i>209,00</i>	<i>34,593</i>	<i>40,842</i>	<i>49,326</i>	<i>59,117</i>	<i>18,414</i>	<i>244,922</i>
Total	6,098,593	4,812,237	4,665,342	3,803,832	2,276,112	1,156,448	807,130	149,016	24,195,803
<i>of which pensioners</i>	<i>1,867,690</i>	<i>1,273,282</i>	<i>1,192,430</i>	<i>981,969</i>	<i>576,674</i>	<i>296,578</i>	<i>195,259</i>	<i>38,660</i>	<i>6,481,533</i>

Source: Family Resources Survey.



*Note*

- low income = less than 60% of median income.  
 modest income = between 60% of median income and median.  
 above average = between median and twice median income.  
 high income = more than twice median income.

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**Memorandum by London Councils (CTB 4)**

London Councils welcomes the opportunity to submit written evidence to the Communities and Local Government Committee on council tax benefit. We believe this is an important opportunity to identify specific reforms which would improve the administration, take up and fairness of this benefit.

**BACKGROUND**

The final report of the Lyon's Inquiry highlights that "reform and more effective delivery of council tax benefit are the key to dealing with perceptions of unfairness associated with council tax." The recommendations predominately focus on take up and reform of the system for pensioners. While London Councils agrees that these two elements need to be addressed, we believe there are other pressing anomalies which affect the fairness of council tax benefit (CTB) and create disincentives to work. All these concerns need to be tackled together to ensure the system treats all claimants equitably.

It is important to recognise that CTB heavily penalises non pensioner claimants, particularly working households. This is the group most likely to have difficulty in paying council tax. This paper identifies a range of problems arising from the current CTB system and proposes solutions to help create a benefit which would provide better targeted support for everyone on a low income.

**THE PROBLEMS**

*The CTB calculation is particularly "mean" and does not provide an incentive to work because it is quickly withdrawn as income rises*

Council Tax is more regressive for low income households, because it accounts for a larger proportion of expenditure for those on low incomes than those with higher incomes. Warwick University, on behalf of the Joseph Rowntree Foundation,<sup>2</sup> found that households struggling to pay council tax in their survey were predominantly in employment but on low wages. Low income makes these households more vulnerable to missing payments and problems repaying arrears.

The research undertaken by the Centre for Economic and Social Exclusion (CESE), *Making Working Pay*,<sup>3</sup> and the New Policy Institute's study, *Making it fair*,<sup>4</sup> both highlight the "meanness" of council tax benefit and focus on the fairly significant proportions of council tax that non pensioner households on low incomes need to pay, and how soon CTB drops away.

CESE points out "The main problem is the impact of the taper at the point of the minimum wage for a full time job".<sup>5</sup> They conclude that CTB "does not provide sufficient support for people on low incomes, especially around the minimum income".<sup>6</sup>

NPI identifies that the CTB calculation is particularly "mean" to working age households with benefit thresholds significantly lower than the thresholds for pensioners. The system implies that pensioners on low incomes require twice as much for their living requirements as other non pensioner adults. For example, a single working age adult will pay some council tax when they exceed an income which is about half the level at which a single pensioner begins to lose CTB.<sup>7</sup>

*CTB is inconsistent*

CTB is out of line with government tax and benefit calculations because it is so much "meaner". A working couple without children on a single low wage would start paying council tax well before paying income tax or National Insurance.<sup>8</sup>

Although single people get a 25% discount on council tax, a single person receiving some but not full CTB will typically be paying more council tax than a couple in an identical property and with the same income.<sup>9</sup>

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<sup>2</sup> *Struggling to pay council tax: new perspective on the local taxation debate*, JRF, September 2006.

<sup>3</sup> *Making work pay in London*, Centre for Economics and Social Inclusion, October 2003.

<sup>4</sup> *Making it fair, council tax benefit and working households*, New Policy Institute, June 2005.

<sup>5</sup> *Making work pay in London*, Centre for Economics and Social Inclusion, October 2003.

<sup>6</sup> *Ibid.*

<sup>7</sup> *Making it fair, council tax benefit and working households*, New Policy Institute, June 2005.

<sup>8</sup> *Ibid.*

<sup>9</sup> *Ibid.*

Most households become liable to pay council tax before they become eligible for Working Tax Credit (WTC).<sup>10</sup>

Households receiving Working Tax Credit face an immediate fall in the amount of CTB and a corresponding rise in council tax payable. As a result, CTB further undermines the extent to which WTC actually helps to make work pay. This does not happen with Child Tax Credit because the CTB system includes an offsetting disregard.<sup>11</sup>

*The CTB system is not helping children in poverty*

The current CTB system is doing little to alleviate child poverty. NPI's analysis of Children (defined as deprived by the government's definition) found that just under half (48%) lived in households who did not any receive CTB.<sup>12</sup> This is a particular problem for London where levels of child poverty are significantly higher than in other regions.

*The CTB calculation acts as a disincentive to lone parents in areas when child care costs are higher than average*

London Councils is concerned that lone parents in London are particularly penalised by the CTB system because it does not recognise the higher child care costs in London and this acts as a disincentive to lone parents moving from benefits to employment. The rate of withdrawal of CTB is faster than many other benefits. In some circumstances CTB can be completely withdrawn if a claimant earns enough to be better off, even marginally so. This particularly hurts lone parents because the cost of child care in London can be significantly higher than in other parts of the country but this is not taken into account in the CTB calculation. Currently, lone parents in the capital are treated inequitably by the CTB system.

*A benefit not a penalty*

JRF's 2006 study<sup>13</sup> into the reasons why people have difficulty paying council tax and build up arrears pointed out that "Questions arise as to the efficiency and fairness of collecting very small amounts of council tax from people in receipt of benefits, particularly Incapacity Benefit". JRF's work highlights one case where the summons costs were actually higher than the council tax liability.

*Non dependant deductions are an unnecessary complication*

London Councils believes the government should consider ending non-dependant deductions for CTB as they have less rationale for claimants than the equivalent deductions for rent allowance or rent rebate. Deductions from CTB for non-dependants are an unwelcome complication, which reduce the effectiveness of the benefit. They are not well understood by claimants or by non-dependants, and frequently no contribution is made by the non dependant to cover these deductions. This can have a drastic effect on the claimant's disposable income after housing costs. In many cases benefit entitlement is wiped out if there are one or more non-dependants in the household, even if they themselves are on a low income.

*Take up initiatives are important but they do not make CTB fairer*

London Councils believes that take up and awareness initiatives are important in ensuring that all potential claimants are familiar with the benefits they are entitled to but they can not address some of the key criticisms of the current CTB system. Improved take up will help some individuals struggling to pay council tax bills but it will not tackle CTB's fundamental "meanness" in supporting low income working age households or the CT debt problems which often build up as a consequence of the rate at which CTB is withdrawn for working claimants who are still on low wages.

*"Interviewees' experience of council tax benefit focused not on take-up, but on the meanness of the scheme, administrative problems and the sheer complexity of council tax benefit and its interaction with other benefits (including tax credits)."*<sup>14</sup>

## POTENTIAL SOLUTIONS

The final Lyon's report recommends that "It may be better that hardship for working-age households is considered in the context of wider welfare policy". While it is certainly true that CTB for these households ought to interface more effectively with other welfare benefits, London Councils feels this should not delay policy makers from making CTB fairer for all claimants not just pensioners.

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<sup>10</sup> *Ibid.*

<sup>11</sup> *Ibid.*

<sup>12</sup> *Making it fair, council tax benefit and working households*, New Policy Institute, June 2005.

<sup>13</sup> *Struggling to pay council tax: new perspective on the local taxation debate*, JRF, September 2006.

<sup>14</sup> *Ibid.*

As we have pointed out, under the current system the pensioner threshold, or in other words the income assumed to be necessary for a pensioner's living requirements, is in some circumstances already twice as much as the threshold for a working age household. To focus solely on take up and pensioner reforms and ignore the plight of low income working households, arguably the claimant group suffering the greatest financial hardship in meeting council tax payments, would be a mistake.

#### PROVIDING AN INCENTIVE THROUGH CTB

The current speed at which CTB is withdrawn when a claimant is earning income from work especially at levels around the minimum wage means that it is not providing sufficient support for working claimants on low incomes and currently acts as a disincentive to moving off benefits and into work. CTB should help support low income claimants into work by extending the point at which it is fully withdrawn. Providing a little bit of extra CTB help to claimants entering employment is a cost effective policy which should ultimately reduce the overall benefits bill and levels of poverty.

#### *Tackling the "meanness" of council tax benefit*

London Councils believes that the lower earnings threshold for working age households is too low. A solution could be found by using one of the three approaches identified by the New Policy Institute to tackle the meanness of CTB thresholds:

- NPI believes that there is no obvious reason why the lower earnings CTB threshold (the point at which some council tax becomes payable) should be lower than the income tax allowance. Such an alignment would create greater consistency and intelligibility across the tax and benefits systems.
- Aligning the lower earnings threshold with the level at which a qualifying household is entitled to full WTC would provide an even greater incentive to work.
- Even greater equity in the way the system treats different claimants could be achieved by aligning thresholds with those of pensioners.

#### *Developing a CTB system which helps lift children and their families out of poverty rather than reinforcing it*

London Councils believes that higher child care disregards in regions with higher than average child care costs would help provide an incentive to work, particularly to lone parents who are trapped into poverty by the current CTB system's failure to deviate from standard child care disregards. This may be a contributory factor in the persistently high levels of child poverty in London.

#### *Removing non dependant deductions for CTB claimants*

London Councils believes that removing the non dependant deductions for CTB would simplify the system, by making it easier to claim, and making it more cost effective by reducing the number of grown-up children who leave households on benefit. This could reduce the overall benefit bill in areas, such as London, where young people, who were previously non dependants, can struggle to find affordable accommodation and may also need to turn to the housing and council tax benefit system to support their costs.

#### *Weighing up administrative costs versus small council tax liability*

The government should consider full CTB for claimants on benefits such as Incapacity Benefit where a small council tax liability creates disproportionate collection administration and is not cost effective. When a small CT liability is created after CTB is calculated for a welfare benefit recipient, if it is below a specified de minus level, additional CTB should be granted which is equivalent to the full CTB.

#### *Improving take-up and rebranding CTB*

London Councils supports the Lyons recommendation to remove barriers to greater data sharing to help improve take-up through better targeting.

Additionally, if there is clear evidence to suggest that rebranding CTB as a rebate will reduce the stigma of claiming a benefit and improve take up, London Councils would support a rebranding exercise.

June 2006

## Memorandum by Help the Aged (CTB 5)

### INTRODUCTION

1. Help the Aged welcomes the opportunity to submit evidence to the Select Committee's Inquiry on Council Tax Benefit following the publication of the Lyons Inquiry into Local Government. Older people, particularly those on low fixed incomes pay disproportionate amounts of their incomes on Council Tax and Help the Aged has consistently campaigned for improvements to be made to the current system. We warmly welcome the Lyons Inquiry recommendations which, if implemented, could bring about significant benefits for pensioners and create a much fairer system of local taxation. We will address each of the issues from the Committee's terms of reference in turn.

### SUMMARY

- 2.23 million pensioners fail to claim Council Tax Benefit.
- £1.36 billion is left unclaimed each year, an average of £598 per year for individuals.

Help the Aged believes that until all those currently failing to claim Council Tax Benefit are receiving the money, the system will remain, to an extent, unfair. Help the Aged firmly believes that payment of CTB needs to be made fully automatic as soon as feasibly possible.

- 40% of those on low incomes (under £13,500 a year) paid more than 10% of their incomes on council tax.
- 10% of over 65s paid their council tax but had nothing left at the end of the month, 13% cut back on hobbies to pay, 8% cut back on heating and 5% on food.

We are concerned at the wider burden of Council Tax on those who have modest incomes but are not currently entitled to help. We believe that Council Tax Benefit needs to be more generous. Help the Aged would like to see the generosity of Council Tax Benefit improved by abolishing the current savings limits which reduce eligibility.

### THE CASE FOR REBRANDING COUNCIL TAX BENEFIT AS A REBATE

2. For accuracy alone there is a strong argument that Council Tax Benefit ought to be rebranded as a rebate. A report for Help the Aged by the New Policy Institute in 2003 argued that Council Tax Benefit effectively assesses individuals liability to pay tax and as such is misnamed at the moment.

3. There is also evidence to suggest that redesignating Council Tax Benefit as a rebate could significantly increase takeup: under the old system of rebates for domestic rates pensioners had take-up rates of 90%, this compares to 53% with the current system. Help the Aged staff working in projects to improve Benefit Takeup frequently express the view that changing the name of Council Tax Benefit would make their jobs easier. There is often little aversion amongst older people to claiming back tax, but many individuals continue have misconceptions around entitlement to Benefits. A good example of this is Kirklees Council where it was announced that pensioners would not be subject to any rise in council tax if they registered with the Council, over 15,000 signed up within 24 hours, takeup of Council Tax Benefit was greatly improved as a result.

### THE ROLE AND EFFECTIVENESS OF GOVERNMENT IN INCREASING COUNCIL TAX BENEFIT UPTAKE LEVELS

4. The Pension Service has taken some important steps towards improving takeup of Council Tax Benefit including:

- Allowing those claiming Pension Credit over the phone to also claim Council Tax Benefit—a pre-populated three page form is sent to individuals for them to sign and return.
- The Local Pension Service now carry out home visits which assess individuals for their full benefit entitlement including Council Tax Benefit.

### THE CASE FOR IMPROVEMENTS IN THE PROCESSING OF PENSION CREDIT CLAIMS TO ENABLE THE PENSION SERVICE TO ACT AS A PORTAL TO REBATES FOR ALL CALLERS, REGARDLESS OF PENSION CREDIT ELIGIBILITY, AND TO EXAMINE STEPS TO IMPROVE DATA SHARING

5. Despite improvements listed above there is a long way to go. Initial research on the three page form introduced by the Pension Service has indicated that half of these are never returned. In addition, there is no help available over the phone for those who are not eligible for Pension Credit—these individuals have to make full claims to their local authorities normally filling in a 28 page form.

6. Investing in the Pension Credit application line so it could take CTB claims for all pensioners would be very helpful. At the moment Local Authorities and even the Local Pension Service, are picking up the costs of finding these pensioners and helping them through the process of claiming. So even if investment is required, this could be justified by efficiency savings elsewhere. Help the Aged believes that Government

needs to pull its full weight in improving CTB takeup, rather than leaving it to local authorities. As Sir Michael Lyons noted, “low takeup is a systemic as well as a local issue.” However, improving the phone service could only go so far in improving takeup, as it would not itself offer a way of reaching those who currently believe themselves to be ineligible for benefits, those who do not know about benefits or those who are not claiming because of stigma or the perceived complexity of claiming.

7. Help the Aged believes that the only way the current property based system of local taxation can be made fair for older people is by introducing a system which pays Council Tax Benefit to older people automatically. Central Government holds the relevant data on individuals’ state and private pension incomes, it also has information on the returns people receive on their savings which can be used to generate a profile of their overall savings. If this information were used to best effect and then shared with Local Authorities, then Council Tax Benefit (or Rebate) could be deducted automatically from people’s bills. Pensioners would not need to claim at all, which would circumvent all the problems of takeup. Clearly this is no small project and would require upfront investment. The rewards of doing this would be very great and we have listed some below:

- Thousands of pensioners would be removed from poverty (the NAO estimated that for every 10% increase in Council Tax Benefit and Housing Benefit takeup, 100,000 pensioners would be taken out of poverty).
- More money would be spent in local areas as a result of people having more money in their pockets—this would be particularly so in deprived areas where CTB eligibility is higher.
- Capacity in the public sector and voluntary sector would be freed up and staff could concentrate on helping older people claim disability entitlements or enabling people to access services.

If the Committee would like further information on the practical issues around automatic payment Help the Aged would be happy to provide supplementary evidence.

#### THE CASE FOR REFORM OF THE COUNCIL TAX BENEFIT ELIGIBILITY CRITERIA INCLUDING: THE CASE FOR CHANGING OR ABOLISHING THE SAVING LIMIT IN COUNCIL TAX BENEFIT FOR PENSIONERS AND THE CASE FOR ALIGNING COUNCIL TAX REBATE THRESHOLDS WITH OTHER PARTS OF THE TAX SYSTEM

8. At the moment individuals cannot receive help with Council Tax if they have more than £16,000 in savings. The only exception to this is where the individual or couple are receiving the guarantee component of Pension Credit, as savings are assessed in a different way for this benefit. The £16,000 limit creates an anomalous situation shown by the example below.

Couple A: Joint income of £285 a week including an assessed income of £8 a week from their savings of £10,000.

- = will receive council tax benefit of £16 a week; and
- = pay £17 a week in council tax equal to approx 6% of their income.

Couple B: Joint income of £168 a week including an assessed income of £21 a week from their savings of £16,500.

- = no help with council tax; and
- = pay £33 a week equal to approx 20% of their income.

Couple A are £6,000 better off for the whole year. Yet it is couple A who receive over £800 in state help with their council tax bills. In this situation it is only rational for Couple B to spend their savings until they are below the savings limit.

9. Help the Aged is very concerned about the impact of Council Tax on older people’s incomes. Research we carried out with NOP showed that many older people were cutting back in order to pay bills. We believe that CTB needs to be more generous and we support wholeheartedly the proposal that the capital limit ought to be increased to at least £50,000 and preferably abolished and that the lower limit should move to £10,000. An average benefit of £10 per week to new claimants might not seem much, but amounts to around £500 a year. Our research on poverty has shown that small sums such as these can make a significant difference to people on low incomes. As with automatic payment we would expect there to be benefits in terms of reductions in levels of pensioner poverty, and increased spending in local areas. At an estimated cost of £260 million to benefit over 1 million pensioners, this seems a very cost effective way of improving Council Tax.

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## Memorandum by Citizens Advice (CTB 6)

### SUMMARY

- Council tax benefit (CTB) is the critical factor in ensuring that council tax is fair and affordable for people on low incomes. Low take-up of CTB undermines public acceptance of council tax as a fair and reasonable means of paying for local services. Reform is therefore urgently required.
- Citizens Advice agrees with many of the recommendations made in the Lyons Review in relation to CTB. In the short-term, a number of changes should be made to make it easier for those eligible for assistance to receive help in paying their council tax bill. Specifically:
  - Council tax benefit should be rebranded as a rebate rather than a benefit to help avoid the stigma associated with claiming benefits which puts some people off receiving what is rightfully theirs;
  - Local authorities should be required to take positive steps to identify who should be eligible for CTB and local authority staff, particularly those working in council tax arrears and enforcement, should have sufficient knowledge of council tax benefit to identify possible entitlement and help people make claims.
  - Staff at the DWP's Pension Service should also take proactive steps to identify CTB eligibility, even where callers may not be eligible for Pension Credit;
  - The process for claiming council tax benefit should be simplified since the length of the CTB application form and its complexity continues to deter many people from submitting applications. For this to be effective reform of the CTB calculation is also required, particularly in relation to tariff income and non-dependent deductions.
- Over the longer-term, we would be supportive of proactively delivering council tax rebates to those who are entitled, thereby removing the need for the overly-complex and off-putting benefit application process. This is likely to be of particular benefit to pensioner householders whose income is fairly stable. Such a change would, at a stroke, overcome the problem of low take-up which currently bedevils CTB.

### 1 INTRODUCTION

1.1 Citizens Advice welcomes the opportunity to submit written evidence to the Communities and Local Government Committee Inquiry into council tax benefit (CTB).

1.2 Citizens Advice is the national co-ordinating body for Citizens Advice Bureaux in England and Wales. We co-ordinate the largest independent network of free advice centres in Europe, providing advice from over 3,000 outlets, ranging from GPs' surgeries, hospitals, community centres, county courts and magistrates courts. Citizens Advice Bureaux (CABx) are rooted in almost every local authority area in England.

1.3 The CAB service has two equal aims:

- to ensure that individuals do not suffer through lack of knowledge of their rights and responsibilities or of the services available to them, or through an inability to express their needs effectively; and
- equally, to exercise a responsible influence on the development of social policies and services, both locally and nationally.

1.4 In 2005–6 the CAB service dealt with over 5.2 million new enquiries. Of these enquiries:

- over 1.4 million were debt related, with council tax debt accounting for 89,000 enquiries, and overpayments of council tax benefit and housing benefit generating a further 15,000 enquiries; and
- 52,000 related to tax and of these almost 17,000 related to council tax. Analysis of this data reveals that the largest topics dealt with under council tax related to discounts/reductions/exemptions (estimated 5,500 issues) and payment disputes (3,000).

1.5 In addition, bureaux dealt with 166,000 enquiries about council tax benefit (an increase of 7,000 on the previous year). Analysis of all types of benefit cases bureaux dealt with shows:

- 54% of all Benefit issues relate to determining clients' eligibility and entitlement;
- 8% involve form-filling and checking;
- 6% involve appeals. Two out of three of all Benefits Appeals advice issues involve disability benefits; and
- 2% of all issues relate to poor administration of the benefit (delays, lost forms, mistakes, etc).

1.6 Many of our clients are on low incomes or benefits, or are disadvantaged in some way. For example, research by MORI for Citizens Advice found that CAB users tend to be in social grades DE and the unemployed, or living in social housing.<sup>15</sup>

## 2. THE CASE FOR REBRANDING CTB AS A REBATE

2.1 The Lyons Report points out in the starkest terms that while CTB has the potential to alleviate the burden of council tax for low income households, currently it is failing to achieve this. This is because of the low level of take-up of CTB, with just 62–68% of those eligible actually receiving CTB. Such disappointing levels of take-up mean that many of those on the lowest incomes currently have to pay council tax bills which can account for up to 8% of their net household income.<sup>16</sup> This can cause severe financial hardship:

A Central London CAB Westminster 62874604 reported that their client, a 59 year old woman who has been a widow for two years, was in receipt of incapacity benefit and full housing benefit but was still paying council tax. The client lives on a meagre income and is struggling to make ends meet as she has to pay rent arrears. Payment of council tax has meant that her income has been significantly reduced. When the client's husband died, she continued to pay council tax and did not know she could claim CTB.

2.2 Given these circumstances, we are supportive of proposals to rebrand CTB as a rebate as part of a package of measures to boost take-up. Research by Citizens Advice on benefit take-up campaigns for older people found that one of the deterrents in claiming benefits—particularly for elderly people—was the stigma associated with claiming means-tested benefits.<sup>17</sup>

2.3 Rebranding CTB in this way would also seem to bring the terminology employed into line with other reductions offered to certain groups in paying council tax, such as the single person discount.

2.4 The rebranding exercise should not be seen simply as a cosmetic change but one that might have important positive consequences for take-up. We note with interest that take-up of the rebate available against the old domestic rates reached 75%, with pensioners having take-up rates of approximately 90%<sup>18</sup>—a striking difference to the current situation where take-up of CTB among pensioner households accounts for just 53–58% of those who are eligible.

2.5 To maximise the effectiveness of any rebranding exercise, the change should not be carried out in isolation but should form part of a package of measures to achieve a significant boost in the number of people claiming CTB, such as improvements in local and central government activities in relation to take-up and simplification of the process for claiming council tax benefit. We discuss these in more detail below.

## 3. TAKE-UP—ROLE OF LOCAL AUTHORITIES

3.1 Positive and sustained encouragement of CTB take-up by local authorities can have a positive impact on the number of people in receipt of CTB. Good practice exists, such as that undertaken by Halton Borough Council and Milton Keynes Council. In addition, a number of local authorities have pro-actively funded CAB initiatives to encourage the take-up of benefits, and this has proved very successful. As well as ensuring that council tax liabilities reflect ability to pay, clients often obtain other benefits to which they are entitled. Research by Citizens Advice on benefit take-up campaigns for older people found that:<sup>19</sup>

- Deterrents to elderly people claiming benefits include the isolation from mainstream sources of information, the stigma associated with means-tested benefits and the complexity of forms and the length of procedures.
- Face-to-face contact is essential for this client group to overcome these deterrents.
- Targeting generates a higher proportion of successful awards. For this to be successful, advisers need to go to places where elderly people live or gather regularly such as pensioner groups, sheltered housing or surgeries.
- It is not sufficient for the take-up campaign to focus solely on identifying unclaimed benefits and helping people complete claim forms. Older people need ongoing support and advocacy when claiming to ensure they receive their benefit entitlement and can access services.
- Co-operation with a partner agency or agencies was vital to the success of the campaign.
- The average benefit gain per £1 spent was £85.

<sup>15</sup> Financial Overcommitment, research study conducted for Citizens Advice by MORI, July 2003.

<sup>16</sup> Lyons Inquiry into Local Government—Final Report, p 250.

<sup>17</sup> CAB campaigns for benefit take up among older people, Citizens Advice, 2002.

<sup>18</sup> Lyons Inquiry into Local Government—Final Report, p 249.

<sup>19</sup> CAB campaigns for benefit take up among older people, Citizens Advice, 2002.

3.2 However, although good practice exists, it is patchy and examples of poor practice continue to be reported by bureaux on a regular basis:

A CAB in Lancashire reported that a man had got into debt when he had to give up work due to ill-health four years earlier. He went along to the DWP office to find out what benefits he could claim, and was told that as his wife was working more than 16 hours per week, he was not entitled to anything, even though he should have been entitled to some council tax benefit and possibly disability living allowance. The client fell behind with his council tax payments and eventually the council issued a means-enquiry summons. At the hearing, the magistrate remitted part of the debt, as he felt that the client should have been entitled to council tax benefit for the period the debt covered. However, the local authority did not follow up on this to make sure that the client claimed council tax benefit.

A CAB in North London reported that their client, a single person with two dependent children living in temporary assured short-hold property, submitted a claim for council tax benefit and housing benefit in September 2006. The client had still not heard anything from the council about their decision by the end of January 2007, despite submitting all the documentation requested of her. The client informed the CAB adviser that she has now received her yearly council tax bill, which states that she has to pay an outstanding balance of £470. Since the client had received no communication from the council about her claim she was unsure whether she has been awarded CTB.

3.3 Citizens Advice considers that local authorities should be required to take positive steps to identify who should be eligible for Council Tax Benefit. As part of this, local authority staff, particularly those working in council tax arrears and enforcement, should have sufficient knowledge of council tax benefit to proactively identify possible entitlement and help people make claims. One effective way of boosting take-up levels for CTB would be through the funding of long-term take-up campaigns.

#### 4. TAKE-UP—ROLE OF DWP

4.1 Steps that have been taken by the Pension Service to simplify the claims process for CTB, such as pre-populating CTB claim forms for pension credit claimants, are welcome. However, the DWP, and particularly the Pension Service, needs to do more to boost take-up of CTB.

4.2 Evidence from CABx shows the impact of lack of information about potential eligibility for other benefits on pension credit entitlement letters which are sent to customers. In some cases Pension Service staff visiting pensioners to help them make a claim for pension credit do not seem able to identify possible claims for CTB:

A Dorset CAB reported that they visited an elderly disabled woman at home to advise her on entitlement to attendance allowance and to help her complete the form. In the course of discussion the adviser discovered that the client and her husband received guarantee pension credit and were therefore entitled to council tax benefit. The client told the CAB that at the time pension credit was launched an officer from the DWP called at the client's home to help with completion of pension credit application forms. However the officer did not tell her that her and her husband would be entitled to council tax benefit. The CAB helped her to apply for the benefit and request backdating.

A CAB in South London reported that a client in receipt of savings pension credit successfully claimed attendance allowance. This entitled her to guarantee pension credit. The award letter the client received from the Pensions Service did not include any information about her possible entitlement to council tax benefit. The CAB helped the client successfully apply for CTB to be backdated to the date she became entitled to guarantee pension credit.

4.3 Citizens Advice recommends that the Pension Service ensures that letters of entitlement to guarantee pension credit include information about entitlement to council tax benefit, and that all staff visiting claimants or helping them complete claim forms for pension credit should have sufficient knowledge of CTB to identify potential claims.

4.4 Citizens Advice Bureaux also report many cases which reveal the confusion caused by the treatment of income from the savings credit element of pension credit, and the negative impact that this can have on eligibility for CTB. Ultimately, the knock-on effect is that even where clients are found to be eligible for savings credit they can decide not to proceed with their application in order to avoid the hassle of claiming and dealing with changes to their existing award of CTB (and housing benefit).

A CAB in the Midlands conducted a benefit check for a client which showed that they could claim the savings credit element of pension credit but that this would mean that they would lose some council tax benefit and housing benefit. Despite the fact that the client would have been £4 per week better off overall, he did not wish to proceed with the claim as he did not consider that completing the claim form and having to start to organise the payment of small amounts of rent and council tax was not worth the effort.

A CAB in Greater Manchester dealt with a case in which their clients, a couple both aged 85 with the husband suffering from a terminal illness, although eligible for savings credit had decided not to apply. The clients were currently receiving £41.02 housing benefit and £13.88 council tax benefit



per week. Although the clients were entitled to claim savings credit worth approximately £9 per week, this claim would reduce the amount of HB and CTB they received, so that they would only be about £3 per week better off. The clients decided not to claim the savings credit because of the impact on their HB/CTB, since it will be too much trouble to deal with a new claim and to changes to their existing award of HB/CTB.

4.5 The process for notifying people about changes in eligibility to pension credit (and hence to CTB and HB) can also be far from straightforward, leading some clients to receive overpayments through no fault of their own.

A Surrey CAB reported a case in which their client had been receiving incapacity benefit topped up by pension credit. When the client turned 65 he received notification of the payment of his state retirement pension plus his revised pension credit notification. The client took all this paperwork to his local authority to show how his income had changed so they could calculate his CTB and HB eligibility. The revised pension credit notification gave the amount to be paid from age 65 but provided no breakdown of the calculation. The local authority responded by sending the client four different letters, each with different calculations, with the last letter seeking repayment of overpayments. The client made several phone calls to both the local authority and the Pension Service and was told that while in receipt of pension credit he would get full HB/CTB. The CAB adviser finally discovered that the client's revised entitlement to pension credit was for the savings credit only as the client's state retirement pension exceeded the pension credit guarantee applicable amount. The Pension Service agreed that the revised notification did not specify this or provide a breakdown from which the local authority could deduce this significant change. This had led to the client receiving overpayments of CTB. The client currently has to appeal the recoverability of these CTB and HB overpayments.

4.6 Citizens Advice recommends that there should be a review of the way the pension credit savings credit is treated in the calculation of CTB/HB. Ideally the system should be clear, fair and provide strong incentives to encourage people to claim what they are entitled to. More immediately, we recommend that the Pension Service review their awards letters so that they outline not just how much income someone is to receive but what this figure is made up of.

4.7 In addition, it would seem eminently sensible if the Pension Service were able to deal with claims for CTB eligibility, even where callers were not entitled to Pension Credit.

4.8 Over the longer-term, efforts to improve the processing of CTB claims would be assisted greatly by data sharing among agencies including DWP, Her Majesty's Revenue and Customs (HMRC) and local authorities, which would mean that local authorities were aware of the people in their area who were getting means tested benefits. Such an innovation, which would obviously require appropriate safeguards to be built in about the use of personal data, would pave the way for achieving a step-change in the take-up of council tax benefit since, rather than relying on eligible pensioners claiming CTB, the process would be automated with CTB paid to people automatically. In this way, council tax payers would only receive a bill for what they actually owe and would not have to claim money off or money back.

## 5. SIMPLIFICATION OF THE PROCESS FOR CLAIMING COUNCIL TAX BENEFIT

5.1 Citizens Advice considers that the process for claiming council tax benefit needs to be simplified. CAB evidence shows that some people feel that the length and level of detail needed to complete a claim form can dissuade them from making a claim:

A CAB in Cumbria reported that a couple with children on a low income were put off claiming council tax benefit due to the length of the claim form and the level of the detail requested. They were particularly concerned about the question asking for details of their children's savings, which they felt were irrelevant to the claim and designed to deter people from claiming.

An elderly woman with arthritis sought help from a CAB in Kent Tonbridge with filling in a state pension form as she found it difficult to write, and to find out if she was entitled to pension credit. When the CAB asked if she received any other benefits, the client said that she and her husband had given up on claiming council tax benefit because the form was too long and complicated.

5.2 Greater clarity is also required in relation to the guidance given to people considering applying for CTB about their potential eligibility. At present, the application form is not clear enough and this deters people from submitting applications.

A CAB in Greater Manchester reported a case in which they assisted their client to submit a claim for carers allowance and pension credit. While carrying out a benefit check the adviser noticed that the client would also be eligible for full council tax benefit. However, the client considered that he was unable to claim this as he has more than £16,000 in savings, and the application form states (on page 10 section 4) "if you have £16,000 or more you will not qualify". The form fails to make it clear that people who receive guaranteed pension credit will qualify no matter what their savings are.

5.3 However, in order to make the claiming process more effective, it is not enough to look at simplifying the claim form or the process of claiming. Citizens Advice considers that reform of the calculation of council tax benefit is required, particularly in relation to capital limits, tariff income and non-dependent deductions. We examine each of these issues in turn:

## 6. CAPITAL LIMITS AND TARIFF INCOME

6.1 Citizens Advice is sympathetic to the recommendation in the Lyons Report that the Government should increase the savings limits on council tax rebate eligibility to £50,000 for pensioners. While Citizens Advice does not have a view as to what the capital limit should be for CTB, the current benefits system, which has different capital limits for certain benefits, throws up anomalies in entitlement which can cause confusion and resentment.

A CAB in Hertfordshire reported a case in which their client's father-in-law, who is 86 years old and lives alone in council property, is not eligible for CTB because he has an income of £122 a week from state and private pensions and also has savings of £20,000. The client's father-in-law has to pay full rent and council tax as he is only eligible for the savings element of pension credit, not the guarantee PC. This means he is caught by £16,000 capital limit for CTB. If his pensions were £3 a week less, he would qualify for guarantee pension credit and have all his council tax covered by benefits, and so would be over £100 a week better off.

A CAB in the Midlands reported a case in which their client, a single pensioner, had a weekly income of just £119.05 which meant that she was eligible for the savings element of the pension credit. However, because she had £16,500 in savings she was unable to claim CTB or housing benefit. The adviser calculated that if the client's savings were below £16,000 the client would have been entitled to CTB and HB and her weekly income would have increased to £174.24.

6.2 This perplexing state of affairs has been summed up by Help the Aged in their submission the Lyons inquiry into local government where they state: "You are left with the bizarre anomaly that someone could be claiming guarantee credit with £40,000 of savings in the bank and therefore be passported to full council tax benefit. If on the other hand they have £16,100 savings but only receive savings credit they will receive no help with council tax at all."<sup>20</sup>

6.3 The impact of making a change to the capital limits was quantified in the Lyons Report, which concluded that "raising the upper savings limit to £50,000 could have a significant impact for many pensioner households whose savings currently make them ineligible for CTB, who would gain rebates of around £10 per week on average. Around 370,000 pensioner households would be brought into eligibility for CTB by such a change, including 135,000 of the poorest pensioner households."<sup>21</sup>

6.4 Citizens Advice would therefore support raising the upper capital limit to £50,000 for pensioners. However, Citizens Advice also considers that it is also vital to examine two additional issues:

- Tariff income from capital between £6,000 and £16,000; and
- Non-dependent deductions.

## 7. TARIFF INCOME FROM CAPITAL BETWEEN £6,000 AND £16,000

7.1 The rules for CTB (and other means-tested benefits) state that every £250 of savings over the £6,000 is assumed to produce a weekly income of £1. These rates of return are unrealistic. Currently, once a person has £6,000 in capital, they are assumed to be receiving a rate of return of 10.4%, even though the current base rate is 5.5%. For example:

A CAB in Sussex reported that an 87 year old widow sought advice about entitlement to council tax benefit. She had £16,000 in savings, and had a pension of £115 per week. The client would have been entitled to council tax benefit if it had not been for the £40 per week tariff income from her savings.

7.2 In contrast, the tax credits system takes into account actual income from savings and investments. Citizens Advice considers that this is a much fairer system, which should be adopted by the benefits system.

## 8. NON-DEPENDENT DEDUCTIONS

8.1 If a person lives with other people, an amount may be deducted from their council tax benefit for any non-dependant living with her/him. This deduction is made on the assumption that the non-dependant should make a contribution to the client's council tax of at least the amount of the deduction.

8.2 The rules are complex, requiring the local authority to collect a lot of information about the circumstances and income of the non-dependent. For example, there are four rates of non-dependant deduction, but a non-dependant deduction will not be made for certain categories of people (eg someone

<sup>20</sup> Submission to Lyons Inquiry into local government, Help the Aged, March 2006.

<sup>21</sup> Lyons Inquiry into Local Government—Final Report, p 257.

who lives with a client to look after her/him or her/his partner and who is employed by a voluntary body which charges the client for this service) or for people disregarded for council tax discount purposes. When a deduction is made, the amount depends on:

- whether the non-dependant works;
- the hours the non-dependant works; and
- the amount of the non-dependant's gross income.

8.3 This information may be difficult for the CTB claimant to provide if the non-dependent is uncooperative. For example:

A CAB in South-East Wales reported that a woman with severe mental health problems sought advice about a liability order summons for council tax arrears, even though she was on income support and should receive maximum CTB. It transpired that the council had discovered that her adult son and daughter were living with her and had imposed non-dependent deductions. The client could not persuade her son and daughter to reveal their income or pay a contribution to household expenses.

A CAB in Buckinghamshire reported a case in which the client's son, aged 40, had moved back to his mother's house after a relationship breakdown. The client's son had told her that she did not need to advise the council, so she did nothing for over 2 years. This led to the accumulation of £1,500 in rent arrears and £900 in council tax arrears due to overpayment of housing and council tax benefit. The client is struggling to meet the council tax payments for the current year and for the arrears as she is living on a very low income, made up of income support of £51.65 per week plus £7.50 per week maintenance. The council would not accept the payment of £3 per week towards the client's council tax arrears as they know the son's income and advise that he should be making the payments as per the non-dependant deduction rate. However the client's son has refused to do so, and so the client has ended up agreeing to payments of £10 per week to cover the arrears plus £30 per month for current council tax liability, causing her real financial hardship.

8.4 Where there is no information on the circumstances of the non-dependent, the maximum level of deduction is imposed. From 1 April 2007 the maximum level of deduction imposed is £6.95 per week. Any failure to act on a change of circumstances, or lost information can therefore result in council tax arrears:

A CAB in Greater Manchester reported that a client had received a demand for council tax arrears. She could not understand why as she got full housing and council tax benefit. When the CAB contacted the council tax office, it transpired that the client's adult son had moved in with her, but she had not supplied them with information about his income, so they had applied the maximum deduction to his benefit.

A CAB in Northumberland reported that a lone parent who worked part time found it difficult to cope with bureaucracy and benefit applications. Her rent and council tax arrears problems appear to have begun when her daughter left school and her benefit entitlement was therefore reduced. She failed to communicate her daughter's earnings to the local authority so housing benefit overpayment resulted. Although her daughter had since moved out, her son stopped working and refused to sign on for jobseekers allowance. This affected the client's housing/council tax benefit as they required proof of his income and he refused to cooperate. During this time she was feeding and keeping him on her meagre income.

8.5 Citizens Advice considers that the rules for non-dependent deductions from council tax benefit should be reformed. Options for change might range from removing the right to make non-dependent deductions to reducing the number of rates of non-dependant deduction so there is a single rate and setting this at a more affordable maximum level, such as £2 or £3.

## 9. DEFRA CONSULTATION ON THE INCENTIVES FOR RECYCLING BY HOUSEHOLDS

9.1 In May 2007 the Department for Environment, Food and Rural Affairs (Defra) published a consultation document entitled *Incentives for Recycling for households*. The consultation seeks views on government proposals to give local authorities the power to introduce a scheme to incentivise householders to recycle and to reduce waste.

9.2 While we welcome efforts to promote recycling and more efficient use of resources, we are concerned that proposals which seek to reward "good" behaviour (and, by implication, punish "bad" behaviour) may have a negative impact on people in receipt of CTB, who may be incentivised through reductions in their CTB payments.

9.3 The consultation states that "authorities will be required to design schemes to avoid disadvantaging certain groups. Those that could be covered include householders receiving Council Tax benefit".<sup>22</sup> Citizens Advice considers that it is essential for this to be the case. Since decisions on the mitigation of distributional impacts will be devolved to local authorities, some form of compliance monitoring will also be required to

<sup>22</sup> Consultation on the Incentives for Recycling by Households, defra, May 2007, p 21.

make sure that CTB recipients do not disproportionately lose out under measures designed to boost recycling. It is also essential for Defra to consider how charging extra for refuse collection will fit with the council tax benefit system. It is not clear from Defra's consultation paper whether this is on their agenda.

June 2007

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### **Memorandum by Northgate Information Solutions (CTB 7)**

#### **INTRODUCTION**

1. Northgate Information Solutions welcomes the opportunity to respond to the Communities and Local Government Committee's inquiry, Local Government Finance: Council Tax Benefit.

2. Northgate is committed to the intelligent use of technology, and to ensuring that it can make a real difference to people's lives—be they benefits managers, staff working on the front line, or individual citizens wishing to access their entitlements.

3. This memorandum makes some general comments on citizen-centred services and public trust, and also focuses on the need to improve the delivery of council tax benefit through ensuring information is collected and shared appropriately within and between local councils and other relevant public authorities.

#### **CITIZEN-CENTRED SERVICES**

4. All citizens have the right to enjoy accessible and responsive public services, able to deliver sustained improvement to the quality of life. It is fundamental to community well-being. Community well-being is founded on trust between local citizens and public authorities. Where there is perceived inactivity on the part of public authorities in dealing with citizens' day to day concerns, people are less likely to trust their ability to deliver fair and efficient public services.

5. There is no one-size fits all approach to public service delivery. People may choose to access services in different ways. What remains crucial is that services are easily and equally accessible.

6. The challenge is to meet citizens' demands for services that are more proactive, responsive to individual need and keep pace with changing expectations, whilst ensuring that information collected is used for clear and appropriate purposes, in line with data protection and human rights legislation.

#### **BUILDING PUBLIC TRUST**

7. A strong benefits system is at the heart of a just society. Benefit delays can cause undue hardship, problems with health and even homelessness. Yet as many as one in ten people are also under-claiming on housing and council tax benefit. In May 2007, The Public Accounts Committee also found that a third of eligible pensioners were not receiving pension credit.

8. Recent changes in the income thresholds for council tax benefit entitlement has also meant a significant increase in the number of citizens eligible. Yet many are not known to the benefits system, and may not themselves be aware that they are missing out. It is clear that action must be taken if we are to reverse declining take-up, build trust in the operation of the benefits system and ensure that citizens are not missing out on their rights.

#### **UNDERSTANDING POOR TAKE-UP**

9. The Department for Work and Pensions has recently accepted that it is not fully aware of the reasons for the low take-up of benefits. Northgate therefore believes that the case for re-branding council tax benefit as a rebate cannot be proven at this point. We would like to see further research undertaken into why people do not take up their benefits so that appropriate and evidenced-based action can be taken. This research should be suitably segmented so that entitlement and take-up levels across key target groups can be identified and monitored, and appropriate solutions developed.

10. One of the reasons for poor take-up that has already been widely acknowledged is the complexity of the benefits system. Citizens are required to negotiate their way through the benefits maze and understand the claims processes of different awarding authorities. Northgate believes there is a strong case for greater streamlining of the benefits system so as to present citizens with the simplest route to a range of benefits.

11. We welcome the increased joint working with the Pension Service, where local authorities have sought to deliver a more citizen-centred service through conducting assessments for pension credit, housing benefit and council tax benefit at the same time. However, in our experience, local authority benefit officers have found they are required to complete two separate but very similar claim forms with the citizen—a process which takes up to three hours.

12. Northgate would like to see consideration of how one claim form could be developed and used to assess eligibility for these benefits. This would enable citizens to enjoy a personalised service and quickly access their entitlements whilst also delivering efficiencies for hard-pressed staff.

13. Citizens in receipt of certain benefits may still be missing out on others due to the fact that organisations have not shared information. In our experience, informal joint working is no longer sufficient to meet citizens' demands for seamless services. Formal information-sharing and exchange networks between a range of organisations can support the development of proactive and holistic services tailored to individual need.

14. We would like to see consideration of how information on citizen entitlement could be shared more effectively between government departments to enable efficiencies and promote improved benefits take-up.

#### REACHING OUT TO COMMUNITIES

15. Citizens increasingly expect services to be personalised to their needs and it remains essential that these services are equally accessed by and accessible to all. We would like to see greater use of new and innovative forms of communication to reach out to the diverse needs of different communities to promote increased take-up.

16. The proactive use of mobile technology can support this process through ensuring that benefits advisers are able to target and support hard-to-reach groups effectively whilst delivering personalised services within people's homes. Increased partnership working with third party organisations such as CABs or registered social landlords can also extend the points of contact for citizens who may be unaware of their entitlement and raise awareness of the support that may be available as citizens' circumstances change.

#### INFORMATION SHARING AND JOINT WORKING

17. Whilst the complexity of the benefits system has been found to be a key contributor to low take-up, data protection legislation has also caused confusion in relation to whether personal information, for example that collected in assessments for means-tested benefits, can in fact be shared without consent.

18. Northgate believes that it is essential for data collection, information and analysis to be effectively managed, citizen-centred and meet any legislative requirements. We welcome the recent statement on information sharing by local authorities, published by the Information Commissioner's Office, which outlines the key factors to consider before sharing data and stresses that the approach should be one that balances the need to comply with data protection legislation with the need to deliver high-quality public services.

19. We believe that the type and volume of data collected should be kept under review, using systems flexible enough to respond to changing needs. There, are of course, dangers with such an approach. People's civil rights and security need to be protected, and people's nervousness about giving personal information needs to be addressed. There are ways to overcome this.

20. Step one is to define the services on offer and to deliver them on an incremental basis. Step two is to work with the public to educate and inform them on what whole-life issues are to be addressed. If the public knows and understands this, they are less likely to feel nervous about being drawn into something for which they have not given consent. Step three is to establish clear protocols and rules for shared data. Step four is to offer proactive services on the basis of this consent.

#### SPEEDING UP ACCESS TO BENEFITS

21. Rules-based technology is already supporting the effective delivery of benefits by local authorities through ensuring that accurate entitlement decisions for council tax benefit, housing benefit, and free school meals can be made quickly by non-specialist staff, including those working out in the field or at authorised third-party organisations such as CABs and registered social landlords.

22. Rules-based systems present advisers with only the relevant questions they need to determine a citizen's eligibility and entitlement. They can then tell what evidence is needed to support the claim and create a comprehensive decisions audit trail showing how the decision has been made in law. Firstly, information is captured and processed by a high-level calculator. Using up to date and accurate legislative rules, the system then provides details of potential entitlements and guides advisers through a citizens' application for benefits. A "consent to share information" document is then available which can be digitally signed or printed off for citizens. Finally, an entitlement summary is provided to the citizen with an indicative level of benefit that would be awarded.

23. Northgate would like to see consideration of how rules-based technology can be used more widely in the administration of benefits to streamline processes and increase take-up.

## CONCLUSION

24. In summary, Northgate would like to see:

- research undertaken into low take-up, segmented by key target groups, so that appropriate and evidenced-based action can be taken;
- greater use of new and innovative forms of communication to reach out to the diverse needs of different communities to promote increased take-up;
- consideration of how one claim form could be developed and used to assess eligibility for a range of benefits to ensure that citizens can enjoy a personalised service and quick access to their entitlements;
- consideration of how information on citizen entitlement could be shared more effectively between government departments to enable efficiencies and promote improved benefits take-up; and
- consideration of how rules-based technology could be used more widely in the administration of range of benefits.

June 2007

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## Memorandum by Age Concern England (CTB 8)

### 1. INTRODUCTION

1.1 Age Concern England (the National Council on Ageing) brings together Age Concern organisations working at a local level and 100 national bodies, including charities, professional bodies and representational groups with an interest in older people and ageing issues. Through our national information line, which receives 170,000 telephone and postal enquiries a year, and the information services offered by local Age Concern organisations, we are in day to day contact with older people and their concerns.

1.2 Age Concern welcomes the opportunity to give evidence to the Committee. As recognised by the Lyons Inquiry council tax is a major concern for many older people. We receive many complaints from older people who have to meet rising bills from fixed incomes. Age Concern has long believed that a property based tax is particularly unfair for older people and would like to see major reform to the council tax system to make it more closely related to ability to pay. However in the context of the current system we agree with the Lyons Inquiry that reform and more effective delivery of council tax benefit is key to improving the system for the poorest households.

1.3 Our main points are:

- Take-up of Council Tax Benefit is a major concern as up to 2.2 million pensioners are missing out on the benefit that is due to them.
- We support the idea of rebranding the benefit as a rebate but this is only likely to have a significant impact on take-up if accompanied by other measures.
- It is important that the Government continues to promote and encourage benefit take-up in conjunction with other organisations.
- There is a strong case for moving towards a system of automatic delivery of benefits. In the shorter-term the Pension Service telephone service should take claims for Council Tax Benefit and Housing Benefit even if someone is not claiming Pension Credit.
- We recommend that the £16,000 capital limit is removed for older people applying for Council Tax Benefit (and Housing Benefit) to produce a fairer system more closely aligned with Pension Credit.

### 2. TAKE-UP

*Take-up of Council Tax Benefit is a major concern as up to 2.2 million pensioners are missing out on the benefit that is due to them*

2.1 Under the current system many older people are not receiving the Council Tax Benefit they are entitled to. The most recent DWP estimates indicate that between 1.8 and 2.2 million pensioner households (53% to 58% of those entitled) are missing out on between £1 and 1.4 billion of Council Tax Benefit each year.<sup>1</sup> On average they are missing out on around £600 a year.

2.2 Benefit take-up is particularly low among homeowners. Only around 40% of eligible homeowners are claiming as compared to around 80% of private tenants and 90% of local authority tenants. Although these figures are for all age groups pensioners are likely to make up a substantial proportion of homeowners missing out.

2.3 Research and the day to day experience of organisations such as Age Concern working with older people point to a range of inter-related reasons why older people do not claim their entitlements. Barriers include: lack of basic knowledge, lack of perceived entitlement, concerns about providing personal information, the general process of claiming, and attitudes toward claiming means-tested support.

### 3. THE CASE FOR REBRANDING

*We support the idea of rebranding the benefit as a rebate but this is only likely to have a significant impact on take-up if accompanied by other measures*

3.1 The Lyons Inquiry recommends that Council Tax Benefit is re-named as Council Tax Rebate. We agree that rebate would be a better description and that most older people would prefer this term over benefit. However we do not believe that rebranding alone will have a significant impact on take-up.

3.2 The Lyons Inquiry noted that under the domestic rates system in the 1970s take-up of rebates was higher at around 90% for pensioners. However we suspect that the name was not the only factor influencing take-up. For example since that time homeownership has increased markedly (from 49% in 1971 to 69% in 2002) and as seen above take-up is particularly low among homeowners. We also note that a higher proportion of pensioners (over 80%) claim help with their rent although this is called Housing Benefit.

3.3 While we support rebranding we believe that it is not so much the name “benefit” that deters older people from claiming but the associated complexities about understanding and claiming means-tested support. A name change would need to be accompanied by other measures to address some of the barriers to take-up set out above in order to be effective.

### 4. ROLE AND EFFECTIVENESS OF GOVERNMENT IN INCREASING TAKE-UP

*It is important that the Government continues to promote and encourage benefit take-up in conjunction with other organisations*

4.1 We welcome the Government’s attempts to proactively encourage older people to claim the benefits to which they are entitled. In recent years central government messages have mainly focussed on Pension Credit although more recently Council Tax Benefit take-up has also been encouraged. Some local authorities have been actively involved in promoting take-up for many years.

4.2 The introduction of Pension Credit represented the first major Department for Work and Pensions (DWP) initiative around benefit take-up for older people. The Pension Service has carried out national advertising, sent personalised letters to all pensioners, and the local Pension Service has telephoned and visited many people who appeared to be eligible. It has also worked in partnership with local authorities and voluntary organisations to promote benefit take-up. This approach combined with the ongoing work from other organisations has meant that whereas there were 1.8 million people entitled to Minimum Income Guarantee in 2003 there are now around 2.7 million pensioners who receive the somewhat more generous Pension Credit and awareness of the benefit is high. However despite all the ongoing initiatives there continues to be between 1.2 and 1.7 million people entitled but not claiming Pension Credit.<sup>ii</sup>

4.3 Age Concern is pleased that the approach is now moving to one focussed on all benefits. The more that services operate in a holistic way the more that eligibility to Council Tax Benefit will be identified even if the individual makes an inquiry about a different benefit. We also believe the DWP, Pension Service, and local authority benefit services need to work closely with other government departments to promote take-up. For example many missing out on benefits will be in contact with health and care services or different local authority departments and if staff have some understanding of benefits they can provide basic information, encourage claims and make referrals to specialist benefit services where appropriate.

4.4 Age Concern believes it is essential for the Government to continue to send out a clear message around the importance of claiming benefits and to work with local authorities, voluntary organisations and others to raise awareness and encourage claims. However such measures are never likely to achieve full take-up and we believe that in addition it is important to look at improving the systems.

### 5. CASE FOR IMPROVEMENTS TO PROCESSING AND DATA SHARING

*There is a strong case for moving towards a system of automatic delivery of benefits. In the shorter-term the Pension Service telephone service should take claims for Council Tax Benefit and Housing Benefit even if someone is not claiming Pension Credit*

5.1 Age Concern strongly supports the need to improve the processing of benefits and for the system to move towards one where entitlements are delivered automatically. We welcome the project being undertaken by the DWP looking at the use of data sharing to identify entitlement to rebate. Ultimately this could lead to bills being sent out with the rebate already given and the individual either asked to respond if the information held is incorrect or to verify that the information is right before rebate is awarded. We endorse the Lyons Inquiry recommendation calling for Ministers to examine the scope for data sharing to

proactively deliver council tax rebates. Age Concern accepts that there are some risks with automatic delivery but we feel these are more than outweighed by the very real need to make the council tax system fairer for those on low incomes and to ensure that people receive the entitlements for which Parliament has legislated.

5.2 However in the shorter-term there are other steps that could be taken—in particular enabling the Pension Service to take claims for Council Tax and/or Housing Benefit from people not claiming Pension Credit as well as those who are. We have welcomed changes that enable people claiming Pension Credit to complete just a short three page additional Council Tax and Housing Benefit claim form and the plans to further improve the system by enabling the Pension Service to pass information directly to the local authority. However currently people who are not claiming Pension Credit, or who start a telephone claim but are told that they are not entitled and advised not to continue, must then contact their local authority for a lengthy paper claim form.

5.3 If there was a single telephone point to claim all three benefits this would make promotion of Council Tax Benefit clearer and make the system much quicker and easier for individuals. We believe this would be an important step towards a more integrated system and would help improve take-up. Currently if the local Pension Service visits an older person at home they will provide help with claiming Housing Benefit and Council Tax Benefit (and other benefits such as Attendance Allowance) and we feel it is only fair that those contacting the Pension Service by telephone receive the same level of service. While increasing the scope of the telephone service would increase the workload for the Pension Service this would be at least partly offset elsewhere as local authorities would have to deal with fewer time consuming paper applications.

## 6. THE CASE FOR REFORM OF BENEFIT RULES

*We recommend that the £16,000 capital limit is removed for older people applying for Council Tax Benefit (and Housing Benefit) to produce a fairer system more closely aligned with Pension Credit*

6.1 The main reform we would like to see is the removal of the £16,000 capital limit for Council Tax Benefit (and Housing Benefit). This would make the system fairer for those with modest savings and low incomes, simplify the benefit system by aligning capital rules with those for Pension Credit, and remove current anomalies for those receiving different elements of Pension Credit.

### *A fairer system*

6.2 Removing the £16,000 limit would assist those older people with low incomes but modest savings who currently must spend down their savings before they can receive any help with their bills and who often tell us that they feel being penalised for having saved. This would include older tenants who have built up some savings but have been unable to, or preferred not to, use these to buy a home and can now receive no help with council tax (or rent) if they have savings over £16,000.

### *Simplifying the benefit systems*

6.3 Removing the capital limit would simplify systems by aligning capital rules with those for Pension Credit. Assessment of income and savings for Pension Credit and Council Tax Benefit are similar in many respects but they have different savings rules making it harder to put out simple messages promoting take-up and causing confusion and increased administrative complexity. For example the different rules can mean that an older person receiving both Pension Credit and Council Tax Benefit whose savings increase may need to: report this change to the Pension Service but not the local authority; or may have to report it to the local authority but not the Pension Service; or may not need to report the increase at all.

### *Removing anomalies*

6.4 Under the current system there is no capital limit for Housing Benefit and Council Tax Benefit if someone is receiving the guarantee credit element of Pension Credit. However the £16,000 capital limit applies to people not receiving Pension Credit and those only receiving the savings credit element of Pension Credit. This can lead to people with similar financial circumstances receiving markedly different levels of benefit as in the following example.



*Example*

Mrs A is 63 and has an income from pensions totalling £91 and £20,000 savings (for benefit purposes this is assumed to produce £28 a week income). She is entitled to just 5 pence a week Pension Credit guarantee but this enables her to have all her council tax bill of around £950 paid by benefit (around the average payment for a Band D property with a single person discount).

Her neighbour Mrs B is in a very similar situation except that her pension income is 10 pence a week higher taking her income just above the level to receive Pension Credit guarantee. Because of her savings she cannot receive Council Tax Benefit. Her pension income is a couple of pounds a year higher than her neighbour's but she loses out on a rebate worth £950 a year.

6.5 The Lyons Inquiry recommends that the threshold is increased to £50,000 for pensioners and abolished altogether over time. We agree that an increase to £50,000 would have an important impact although for the sake of simplicity and being able to promote a clear message around entitlement criteria we believe that it would be better to remove the limit altogether. Any changes should also apply to Housing Benefit because otherwise the complexity and unfairness of the current benefit system will continue for tenants.

*References*

- <sup>i</sup> Income-related benefits estimates of Take-up 2004-05 DWP, 2006.
- <sup>ii</sup> Pension Credit estimates of take up in 2005-06, 2007.

June 2007

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**Memorandum by Halton Borough Council (CTB 9)**

1.1 INTRODUCTION

Halton Borough Council has been invited to submit this Memorandum to the Local Government Select Committee as it has been cited in both Sir David Varney's Report, *Service Transformation. A better service for the citizens and businesses, a better deal for the taxpayer* (see appendix 1) and Sir Michaels Lyon's Report, *Lyon's Enquiry Into Local Government* (see appendix 2). Both reports refer to Halton Council's Benefit Express Project as best practice for the take up of Housing Benefit and Council Tax Benefit.

1.2 THE BENEFIT EXPRESS PROJECT

Halton Council's Benefit Express Project is an innovative approach to reducing much of the bureaucracy attached to the claiming of benefits. It is based on the principle of putting the customer at the core of the service. The project developed from the findings of a best value review of the service. The review carried out in conjunction with all our stakeholders emphasised the problem of the paper chase associated with the claim process as the biggest barrier to customers claiming benefit. Since the introduction of the Verification Framework, the amount of information required from the customers is considerable. Whilst this no doubt helps towards the prevention of fraud and error entering the benefit system the converse is that it is a barrier to the claiming of benefit.

In summary the service at Halton was restructured as follows:

- The review of the service highlighted that there were delay "hot spots" in the application process. Delays are almost "in-built" into the process of applying for benefits as claimants invariably either don't have all the information to hand or omit sending important documents. Councils therefore had to write to the customer asking for supporting documentation to be supplied. Some customers would not reply, some would reply after a period of time. Of those who did reply, many did not include the correct evidence and the process of writing started again. Not only did this lead to a delay in customers receiving their entitlement it also led to frustration and confusion. Halton Council decided that to cut through the process and would arrange to visit customers in their homes rather than write to them. A team of Visiting Officers was set up to explain at the time of the home visit, what was required and, importantly, why it was required. This alleviated the fear of many people, especially pensioners who did not want to send pension books or saving books in the post. The staff also helped the customer fill in the form for although the claim form complies with recommendations of the Plain English Society, it is still a very complicated form to complete correctly.

Halton also decided, in an innovative move, to equip the Visiting Officers with laptop computers linked directly to the benefits system so that the claim could be processed in real time and so provide the customer with an instant decision in their home. This innovative software ensured that the claim process was completed in full. To further speed up the process, digital cameras were introduced, to enable the Visiting Officer to capture electronically all the supporting evidence

needed to support the claim. The captured images were then downloaded into the Council's Document Imaging system. This ensured that no evidence had to be taken from the customer's home which naturally put the customer at ease.

Instead of a claim being passed back and forth between the Council and the customer, which often took up to six weeks, a claim can now be processed at the time of the visit.

- The second part of the Benefit Express Project involves a bus, which in essence offers the service of a mobile office. The bus is located in key town centre locations. It is staffed by Advice Officers and normally one or more key stakeholders such as a Registered Social Landlord. Customers use the facility to drop in and ask for advice and again any claim to either Housing Benefit or Council Tax Benefit can be processed instantly on line while the customer waits. This is a whole new concept of taking the service to the customer.

### 1.3 Evidence.

- The Council's Revenues and Benefits Division's performance has consistently achieved top quartile performance, as measured by the Department of Work and Pensions, since the introduction of the Benefit Express Project.
- Customer feed back has rated the service at 98% total satisfaction.
- Feedback received from key stakeholders and partners has been extremely positive and supportive.

## 2.1 OTHER RECOMMENDATIONS OUTLINED IN THE LETTER OF 8 MAY

With regard to the other recommendations, as outlined in the letter dated 8th May 2007, the Council would reply as follows.

### 2.2 *The case for rebranding council tax benefit as a "rebate"*

The Council believes that this would remove a barrier for people who view "benefits" as state aid but "rebates" as legitimate tax savings.

### 2.3 *Role and effectiveness of Government in increasing council tax benefit uptake*

The Government undoubtedly has a part to play in the national uptake of Benefits. The Council would like to see more national advertising campaigns on specific benefits at specific times. Halton Council believes, however that local government is best placed to turn national advertising campaigns into local action. The Council can point to numerous take up campaigns it has launched in conjunction with local partners to increase benefit uptake. In addition to general uptake work, the interrogation of the Council's benefit system enables specifically targeted campaigns to be undertaken. At Halton Council Take Up campaigns realise over £50,000 extra benefit per annum. It would be advantageous for the government to develop a best practice database for such campaigns and for this to be shared between all Local Authorities.

### 2.3 *The case for the for improvements to the processing of pension credit claims to enable the Pension Service to act as a portal to rebates for all callers, regardless of pension credit eligibility, and to examine steps to improve data sharing*

The Council welcomes any approach to one stop entry into the benefits system. The Council works extremely closely with the local Pension Service. Six staff of the Pension Service visiting team are co located with Halton's Benefit staff, to ensure a joined up approach to visiting. Halton Council would welcome moves for entry into the benefits system to be undertaken by any of the key stakeholders in benefits. For example, the Benefit Express project could and should be utilised for people to apply for all benefits not just those administered by the Council. The Council operates four One Stop Shops in the Borough. These again could be used at convenient town centre locations for people applying for any benefit. At the present moment Halton Council integrates its benefit system and targeted customers not claiming Pension Credit. In 2006-07 this campaign realised an additional £200,000 in Pension Credits

Sharing data is essential. The Council does this internally and has just streamlined the process of claiming for Free School Meals by the effective use of data sharing. The new process ensures that mutual customers do not have to apply twice to the Council for different entitlements. It would, however, welcome greater clarity regarding what can and cannot be shared between both local and central government and the voluntary sector.

Technology has opened up the possibility of sharing data electronically. Innovative data sharing would remove the need for most formal applications made by older people. Data could be drawn from social security and local authority sources and subjected to a sophisticated matching process, enabling entitlement to be calculated automatically. This approach is in line with the recent government paper on information sharing in the public sector.

#### 2.4 *The case for reform of Council tax eligibility criteria*

The Council would welcome the changing or abolition of the savings limit in council tax benefit for pensioners as this has been highlighted as a major barrier to effective claiming. However, the Council is aware that there would be a cost to this. Halton Council would like to see other areas of the Benefit system considered especially in relation to non dependant deductions and the steep tapers that effectively take claimants out of benefit too sharply. Any reform of the capital limits must be costed in relation to other parts of the system, which could be reformed to give a more balanced approach to the claim process.

### 3. CONCLUSION

In conclusion Halton Council welcomes the initiatives outlined in the Lyons Report for Council Tax Benefit. It hopes that this short Memorandum illustrates that not only is reform of the entitlement rules welcome, but the demonstrative success of the Benefit Express Project suggests that a reform of the manner in which benefits are administered should also be considered as an effective way for benefit uptake.

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## Memorandum by IndependentAge (CTB 10)

### 1. INTRODUCTION

1.1 IndependentAge is a national charity that helps people over 65 on low incomes. Our practical support enables older people to remain in their own homes for as long as they wish and to lead active and fulfilled lives. We have over 6,000 beneficiaries and 1,100 volunteers.

1.2 We welcome this Inquiry into Council Tax Benefit (CTB). Our research shows that, after good health, financial security is older people's main concern.<sup>23</sup> Since 1997, council tax bills in England have risen at twice the rate of the state pension.<sup>24</sup> Council tax is a considerable financial burden on many of our beneficiaries, over half (55%) of whom have a weekly income between £101–150 and 11% of whom have a weekly income of less than £100.<sup>25</sup> The average council tax bill is £1,321, therefore paying council tax equates to a high proportion of pensioners' expenditure. According to our research, 79% of people believe that the Government should reduce pensioners' council tax payments.<sup>26</sup>

### 2. THE CASE FOR RE-BRANDING COUNCIL TAX BENEFIT AS A "REBATE"

2.1 We welcome the Committee's decision to consider the suggestion made by the Lyons Inquiry that CTB should be re-branded as a "rebate". IndependentAge supports this change in terminology in as much as it addresses the stigma associated with the term "claiming benefit". The word "rebate" would provide pensioners with a greater sense of legitimate entitlement to the relief.

2.2 However, CTB is the means-tested benefit with the highest number of potential claimants but the lowest level of take-up.<sup>27</sup> The potential re-branding of CTB does not of itself address inherent problems with the current council tax system including its complexity and reliance on means-testing. The name change needs to be more than a cosmetic exercise.

2.3 The Public Accounts Committee Report on Pensioner Poverty suggested that the complexity of the system puts pensioners off.<sup>28</sup> This is unsurprising, not least because many eligible pensioners have never come in contact with the benefits system before.<sup>29</sup>

2.4 Many older people are proud of their independence and do not like asking for help. We have researched older people's attitudes towards means-testing and discovered that one in seven pensioners would not undergo means-testing, even if this meant foregoing benefits.<sup>30</sup> An internal survey of our own beneficiaries revealed that 76% think that pensioners should automatically receive retirement benefits without means-testing.<sup>31</sup>

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<sup>23</sup> The Mori/IndependentAge Survey, February 2005 (This survey was a nationally representative quota sample of 2,048 adults interviewed throughout Great Britain by MORI in 191 different sampling points between 6 and 11 January, 2005. Results are weighted to the GB-wide population profile.)

<sup>24</sup> Local Government Association Survey, 30 January 2006.

<sup>25</sup> IndependentAge Beneficiaries Survey, Spring 2006 (IA surveyed approx. one third of its beneficiaries—2,816 individuals).

<sup>26</sup> *Yours/IndependentAge Survey*, August 2005 (637 people completed a survey in *Yours* magazine between 17–31 August 2005).

<sup>27</sup> Lyons Inquiry, March 2007.

<sup>28</sup> House of Commons Committee of Public Accounts: Department for Work and Pensions: Progress in tackling pensioner poverty/encouraging take-up of entitlements, May 2007.

<sup>29</sup> *Ibid.*

<sup>30</sup> The Mori/IndependentAge Survey, February 2005 (This survey was a nationally representative quota sample of 2,048 adults interviewed throughout Great Britain by MORI in 191 different sampling points between 6 and 11 January, 2005. Results are weighted to the GB-wide population profile.)

<sup>31</sup> IndependentAge Beneficiaries Survey, Spring 2006 (IA surveyed approximately one third of its beneficiaries—2,816 individuals).

### 3. THE ROLE AND EFFECTIVENESS OF GOVERNMENT IN INCREASING COUNCIL TAX BENEFIT UPTAKE LEVELS

3.1 There has been some progress in simplifying the process of claiming CTB. The Pension Service is now able to take claims for the State Pension, Pension Credit, Housing Benefit and CTB in one phone call. However, many older people remain unsure of the system. In November 2006, nearly half of all recipients of CTB were over 60.<sup>32</sup> However, despite improvements in the uptake of Pension Credit, the number of pensioners claiming CTB has fallen, and now stands at between 53%–58%.<sup>33</sup>

3.2 There have been welcome developments in reducing the amount of repeat information and form-filling that older people have to contend with when applying for CTB. We endorse the shortening of the application form from 40 pages to three.

3.3 The Public Accounts Committee has urged the Department of Work and Pensions to investigate the reasons for regional variation in uptake of CTB and identify best practice.<sup>34</sup> This research would improve the overall level of service in areas that are performing poorly.

3.4 Pensioner poverty and pensioner taxation are areas of cross-departmental concern. Information and data should be more widely shared between departments to reduce overlap and duplication.

### 4. THE CASE FOR IMPROVEMENTS TO THE PROCESSING OF PENSION CREDIT CLAIMS TO ENABLE THE PENSION SERVICE TO ACT AS A PORTAL TO REBATES FOR ALL CALLERS, REGARDLESS OF PENSION CREDIT ELIGIBILITY, AND TO EXAMINE STEPS TO IMPROVE DATA SHARING

4.1 Despite improvements, over a third of those eligible for Pension Credit are still not in receipt of their entitlement.<sup>35</sup> There is a risk that this group of non-recipients are also not in receipt of CTB.

4.2 The Pension Service has taken steps to ensure that current recipients of Pension Credit do not miss out on CTB by contacting individuals directly. Over the last 18 months, this has led to an increased uptake of approximately 59,000 pensioners.

4.3 However, our research indicates that while 89% of our beneficiaries are aware of CTB, a third of our beneficiaries are unaware of the Pension Service.<sup>36</sup> This suggests that if the Pension Service is to play an increased role in the administration of CTB, it will need to raise its profile.

4.4 The Pension Service should develop more partnerships with local voluntary organisations, which can refer their beneficiaries and contacts to appropriate advisors. Local network building is essential to effectively communicating to older members of the community and thereby improving take up. The Pension Service has no buildings of its own but pensioners would be helped by an increase in the number of outlets where face-to-face, local advice is available. These could be provided by voluntary organisations. Alternatively the Pension Service could work in partnership with volunteer visitors from organisations such as IndependentAge. Our network of over 1,100 volunteers regularly visit our beneficiaries and can provide information as appropriate. Often older people would prefer a volunteer friend to visit them in their home rather than someone they have never met before.

### 5. THE CASE FOR REFORM OF THE COUNCIL TAX BENEFIT ELIGIBILITY CRITERIA INCLUDING THE CASE FOR CHANGING OR ABOLISHING THE SAVING LIMIT IN COUNCIL TAX BENEFIT FOR PENSIONERS, AND THE CASE FOR ALIGNING COUNCIL TAX REBATE THRESHOLDS WITH OTHER PARTS OF THE SYSTEM

5.1 We agree with the long-term strategy outlined by the Lyons Report that all those eligible for Pension Credit should receive CTB automatically without further means-testing. The Government should abolish the CTB savings limit for pensioners in order to align council tax rebate thresholds with the criteria for eligibility to the Pension Credit.

### 6. CONCLUSION

6.1 In the absence of an increased state pension, the retirement benefits system should be simplified. There should be a reduction in the number of means-tested benefits and data should be shared between Government departments and agencies to reduce multiple form-filling.

6.2 IndependentAge supports changes to the CTB which tackle barriers to receiving the entitlement, namely bureaucracy, stigma and its reliance on means-testing. We are in favour of re-branding the benefit and aligning it with the Pension Credit in order to ensure automatic entitlement.

6.3 IndependentAge would be happy to help the Committee further in its Inquiry by providing additional information based on our own research and giving evidence as the Committee sees fit.

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<sup>32</sup> DWP National Statistics Quarterly Report, 16 May 2007.

<sup>33</sup> House of Commons Committee of Public Accounts: Department for Work and Pensions: Progress in tackling pensioner poverty/encouraging take-up of entitlements, May 2007.

<sup>34</sup> *Ibid.*

<sup>35</sup> DWP National Statistics: Estimates of Pension Credit take-Up 2005–06, 29 March 2007.

<sup>36</sup> 14 IndependentAge Beneficiaries Survey, Spring 2006 (IA surveyed approx. one third of its beneficiaries—2,816 individuals).

## Memorandum by the Institute of Revenues Rating and Valuation (CTB 11)

The IRRV is the professional body concerned with all aspects of local taxation in the United Kingdom. Its members are engaged in local authority benefits administration, the valuation of property for taxation, local tax administration, the appeals process and financial management in local government. The Institute represents the professional interests of its 5,000 members who work within this broad church. The Institute strives to bring about improvements in the benefits administration processes; a recent example of this is its well-regarded and detailed Committee of Enquiry findings regarding local authority benefits administration—a copy of which has been submitted electronically with this letter for reference.

### THE CASE FOR REBRANDING COUNCIL TAX BENEFIT AS A “REBATE”

Replacement of the word “benefit” with the word “rebate” would remove a barrier for people who view benefits as state aid but rebates as legitimate tax savings. Practitioners who suggested this change as part of the IRRV’s recent Benefits Committee of Inquiry suggested this as a result of liaison with older taxpayers. It is widely accepted by a significant proportion of practitioners that the term “benefit” has a degree of stigma attached to it, which puts many customers off claiming their entitlements. One authority has even taken to using the terms “rebate” and “relief” in promotional activities, though no quantifiable results are available.

Hand in hand with the stigma argument however, goes the view that people are often put off claiming their entitlements because of the complexities of the system and the need to divulge large quantities of personal information. Also, over recent years, the Government has placed such an emphasis on tackling fraud in the system that some customers are reluctant to claim because they feel that they will get into trouble if they fail to pick up on an error, or notify a relevant change of circumstance on time. There is also a lot of fear in the public conscience about identity theft and fraud which does not help when they are asked to hand over their last two months bank statements, their passport etc. Obviously from the local authority perspective these checks are necessary. Perhaps the case for using the Pension Service as a portal for all claims is a serious option for consideration.

A change of name from benefit to rebate is important, but the Government needs to do more than this to increase take-up. It needs to take steps to promote the fairness and successes of the scheme. High levels of publicity given to fraud cases by the media often put older customers off claiming. However, the media has been less willing to promote “good news” stories, such as the recent take-up campaign in the East Riding of Yorkshire Council. The shift in emphasis should be tackled at a higher level.

We recognise that rebranding may have minimal impact on DWP direct customers—who being accustomed to claiming benefits are unlikely to be affected by any negative view of welfare benefit entitlement. The group primarily targeted by the proposal are the potential direct claim customers on the grounds that rebranding may remove some resistance to claiming.

### THE ROLE AND EFFECTIVENESS OF GOVERNMENT IN INCREASING COUNCIL TAX BENEFIT UPTAKE LEVELS

There are several reform measures that can be adopted that would increase eligibility and thus would improve take-up: targeted relief, removal of capital limits and revision of the rules on derived income; and abolition of non-dependant deductions and a review of status discounts.

The IRRV would recommend the removal of the capital limit of £16,000 and a review of the derived income from capital. These two elements are major barriers to eligibility and thus take-up.

Reviews of the 20% taper and the disregard for earned income are long overdue. Both act as disincentives to taking up paid work and they have been largely ignored by government since 1987.

Abolition of non-dependant deductions and the second adult rebate should also be implemented. Non-dependant deductions have been used by successive governments to cut the cost of benefits and serve no useful purpose in a modern rebate system. The second adult rebate has a poor take-up and is an administrative nuisance to local authorities.

The Government should consider the introduction of a new application process for older taxpayers and those of pensionable age. This would be based on modern use of data sharing and would remove the need for most formal applications made by older people. Data would be drawn from social security, HMRC and local authority sources and subjected to a sophisticated matching process, enabling entitlement to be calculated automatically. This would then be used to add data on entitlement to council tax bills. An award would be triggered by a similar “passport” process to the one used in the original housing benefit (HB) scheme in 1982. If taxpayers did not want the rebate, they would have to opt out. The data would be held on the council tax record as a code which would enable entitlement to be calculated automatically in future years. In-year adjustments to entitlement would be achieved by data matching and the taxpayer would be notified. This approach is in line with the report on data sharing in the public sector published by the then Department for Constitutional Affairs and the efficiency reviews arising from the Gershon report. We understand that the DWP have been looking at these issues in various studies that have been taking place in the north of England and the Glasgow “solutions” centre.

We also recommend that the government considers a targeted relief scheme to meet specific claimant needs. This would vary the measurement of need as part of the annual uprating to include particular claimant groups. The effect would be to target assistance and scarce resources to those most in need, avoiding the scatter gun approach of the current status discount scheme. An alternative would be a local scheme fixed each year as a charge to the tax base, although we are concerned at this degree of local discretion and the impact on local administration. For people living in higher value properties who have low fixed income, the market value of the property is not reflected in the household income; a targeted relief scheme would assist households like this, including those just above the benefits threshold. The focus would be on ability to pay and the need to target those in greatest need. Such a scheme has been introduced successfully in Northern Ireland

It is important to note that, while the proposed special relief scheme would run in parallel with the current CTB system, it would not be a state benefit itself. Rather it would be funded from the exchequer or the local tax base. As a result, the better off would pay a little more to support those on low incomes. The relief would be additional to, and separate from, any means tested benefits. In fact, those who have applied but not been eligible for HB might still be entitled to assistance through this scheme. This would target support where it was most needed and create maximum impact.

Given a population demographic in which the proportion of those of pension age is increasing in comparison with those of working age, and the inevitable financial pressure this will create for the welfare state in the future, the Government needs to take a leadership role in redefining the role of the state and the individual when it comes to financial responsibility, thus enabling it to target financial support to those in greatest need.

It also needs to do much more to end the stigma associated with support from the welfare state, to encourage partnership working and to end the barriers that exist to the exchange of information. It also needs to encourage its own agencies, most notably the Pensions Service, to make much better use of local authorities in the administration of all benefits, not just HB and CTB. Local Authorities have a ready-made network of local offices available to their customers and teams of visiting staff.

Therefore if the Government is serious about increasing CTB take-up and indeed the take-up of other welfare benefits available to pensioners, it needs to put local authorities at the forefront of that strategy: after all local authorities have a proven track record of managing and delivering change, including major IT projects. They are innovative and have greater flexibility and speedier decision-making processes than the larger government agencies currently delivering services to pensioners.

It also makes more sense to put local authorities at the forefront of services for pensioners, given that they are largely responsible either directly or indirectly for the provision of home care, housing support and accommodation, be it main stream or sheltered housing or nursing home care for pensioners.

Local authorities are told that there are a great number of people not claiming benefit, but they are not told where the data come from and who these people may be. Authorities would welcome good statistics and clear advice in this area. Pro-active measures to ensure that referrals from other benefits are claiming all they should could be carried out centrally as a spin-off from the data matching exercises that are done. A lot of non-dependants are not eligible for HB/CTB in their own right but still claim other benefits. We need the data to be clearer and used effectively to allow us to target and individually approach people in an authority's area. Data Protection provisions should be used to help not hinder this aim.

Improved data sharing is key. Authorities already receive assistance with identifying discrepancies to combat fraud (through the Housing Benefit Management System). There could be opportunities for that information to be used to identify gaps in take-up. Government should play a role in funding the appropriate IT to enable improved and sophisticated data sharing to assist. HMRC hold information that would indicate entitlement but it is not used pro-actively.

The effectiveness of the Government in the area of take-up is questionable due to the poor results. The data-scans that authorities have received, designed to aid CTB take-up, have been reported as being far from accurate. Often customers either have no liability, have long since moved out of our area or have even died several years ago. However, through local partnerships, authorities are reaching residents that they have identified as having a potential entitlement to benefit.

#### THE CASE FOR IMPROVEMENTS TO THE PROCESSING OF PENSION CREDIT CLAIMS TO ENABLE THE PENSION SERVICE TO ACT AS A PORTAL TO REBATES FOR ALL CALLERS, REGARDLESS OF PENSION CREDIT ELIGIBILITY, AND TO EXAMINE STEPS TO IMPROVE DATA SHARING

This is a good idea -but it should flow both ways. Local authorities are just that—local; and the Pension Service is not—local authorities could be the conduit for all benefit claims as well as other agencies.

It makes sense for the eligibility for CTB to be identified at the earliest point. The Pension Service is an ideal point of contact to reach this demographic group. Checks should be made when a customer applies for their State Retirement Pension, regardless of Pension Credit eligibility to ensure that they receive, or are at very least aware of their full range of entitlements. As outlined earlier, the importance of sharing correct data in a timely and effective manner is key.

Local authorities however are very good at identifying where customers are not receiving their correct entitlements. They can see where people are below their applicable amounts, can visit customers in their homes and can very quickly identify where there are needs. As local authorities are experienced and effective in this area, they deserve the same investment as other agencies. There are numerous examples of take-up initiatives that have been very successful—these should form a basis for a higher degree of sharing of good practice. The IRRV is particularly keen to promote this area.

**THE CASE FOR REFORM OF THE COUNCIL TAX BENEFIT ELIGIBILITY CRITERIA INCLUDING THE CASE FOR CHANGING OR ABOLISHING THE SAVING LIMIT IN COUNCIL TAX BENEFIT FOR PENSIONERS, AND THE CASE FOR ALIGNING COUNCIL TAX REBATE THRESHOLDS WITH OTHER PARTS OF THE TAX SYSTEM**

These issues have been raised earlier in this letter, but it should be reiterated that there is a strong case for reforming the eligibility criteria, particularly the savings thresholds and tariff income from capital calculation, as these do not appear to have any basis in reality. The capital limits are out of date and should be revised or abolished across the board. If the benefits are based on income, income should be the factor and not (inappropriate) assumed levels of income from capital.

Many pensioners who pay Council Tax and feel aggrieved that they do not qualify for benefit have too much capital. But the capital is not liquid and as the increases in Council Tax outstrip the rate of inflation their position is eroded. Had the level of capital been increased with the rate of inflation, rather than been held at £16,000, then more people would have been eligible for benefit. Through having realistic levels of tariff income for capital above set values we could effectively increase the level of benefit that people would receive where they have what could be considered excessive savings.

However the reform of council tax eligibility criteria should not be solely confined to pensioners because if it is, the situation could arise whereby a working age person with exactly the same income, capital and household circumstances as a pensioner receives less HB and CTB. This would not be sustainable in terms of the age equality legislation.

Another consideration would be to simplify the scheme to just have bandings of income for main CTB so that it is really clear how much people will qualify for. This could operate in a similar way to second adult rebate and have set percentages of discount, dependant on the level of assessed income.

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**Memorandum by the New Policy Institute (CTB 12)**

**INTRODUCTION AND SUMMARY**

1. The New Policy Institute is pleased to have the opportunity to submit evidence to your inquiry into Council Tax Benefit (CTB). Over the last six years, we have carried out many studies of different aspects of the council tax system, often with and for local government bodies but also with others who have an interest, including Help the Aged. In addition, we gave evidence to both the Balance of Funding Review and the Lyons Inquiry. As time has gone by, so CTB has assumed an ever greater importance in our thinking.

2. Our memorandum tries to answer the questions you pose. Before summarising those answers, however, we would like to try to explain why we reach them. In essence, we have come to understand that there are two ways to look at the “council tax system”:

- the conventional way is to see it as a property-based council tax which is offset by CTB, in part or in whole, if a household’s income is low enough;
- the alternative view is that it is actually a hybrid of two taxes, one property-based and one income-based, in which a household pays whichever is the lower amount.

3. It should be stressed that the latter view is not a proposal for reform but a different—and in our opinion, more accurate—view of the current system. Drawing on this view, a summary of our answers to your questions are as follows:

- CTB rebate thresholds should be aligned with the income tax system to ensure that no household has to pay council tax if its income is below the level at which it has to pay income tax. The rate of tax on income within CTB should also be reduced.
- If savings are to affect CTB at all, they should be treated as they are for the purposes of income tax proper. The upper limit on savings above which entitlement to CTB is lost should be abolished. Actual income rather than notional (“tariff”) income should be used. Working-age and pensioner households should be treated the same.
- Re-branding CTB as a “rebate” is worthwhile if it is the linguistic key that allows Government to see CTB as part of the tax system rather than the benefit system.

- The involvement of the Pension Service makes sense if its role is to assess how much council tax a pensioner household would have to pay on the basis of its income—but it can only play such a “light” role if the whole idea of “benefits” or “rebates” is abandoned in favour of an explicit presentation that lower income households actually pay council tax on the basis of their income.
- Since CTB is no less an issue for working-age households than pensioner ones, any new role given to the Pension Service should also be given to HMRC. Provided that role is a “light” one, that is perfectly feasible.

#### ALIGNING CTB THRESHOLDS WITH OTHER PARTS OF THE TAX SYSTEM

4. Viewed as a means-tested benefit, the basic details of the way CTB works make sense. A household is usually entitled to “full” benefit if its income is equal to, or below the appropriate Income Support level. If its income is above that level, the amount of benefit is reduced by a proportion. Entitlement to benefit can also be restricted if the household has a certain amount of savings.

5. Why, therefore, should CTB be aligned with other parts of the tax system, income tax in particular? Part of the answer is that CTB is not really a benefit at all but rather a reduction in the tax that has to be paid. This may be what lies behind the idea of re-branding CTB as a rebate. But re-branding in itself does not make the case for a link to the income tax system.

6. To achieve that, a shift of focus is needed. Whatever it is called, CTB is the part of normal council tax that a lower income household does not have to pay. But what about the part that it still does have to pay? It turns out that a household entitled to partial CTB is in fact paying council tax at the rate of 20 pence in the pound for every £1 of net income above the level at which it would be entitled to full CTB. In other words, it is actually subject to a form of income tax. This shift of focus is so important to our argument that the next few paragraphs are devoted to explaining it in more detail.

7. The conventional view of the council tax system is that it has two parts, as follows:

- *A property-related council tax.* This is what everybody thinks of as normal council tax. It depends on (a) the council tax band the property belongs to; (b) the band D council tax rate set by the local authority; and (c) the 25% reduction for single adult households if applicable.
- *Council tax benefit.* The amount of CTB that a household is entitled to depends on (a) its normal council tax and (b) its income. With a very low income (below what could be called a lower income threshold), CTB is equal to normal council tax. As income rises, CTB falls by 20 pence for every £1 of net income. Savings alters the details of this, but not the overall picture.

8. In this conventional view of the system, the amount a household actually has to pay is equal to its property-related council tax less any CTB to which it is entitled. But without making any change to the way the council tax system works, there is another way of looking at it. In this alternative view, the two parts are:

- *A property-related council tax.* As above.
- *An income-related council tax.* With a very low income (ie below the lower income threshold), income-related council tax is nil. Above that level, income-related council tax rises by 20 pence for every £1 by which the household’s net income exceeds the lower income threshold.

9. In this alternative view, the amount of council tax a household has to pay is whichever is the less of the two amounts, namely the property-related assessment or the income-related one.

10. The key point brought out by the alternative view is that behind CTB there lurks a “local” income tax. With five million people across Britain receiving either full or partial CTB in 2006, and an official estimate of CTB take-up (for 2003–04) of 65%, this means that around a third of households are in theory subject to this tax.

11. The part of CTB that needs to be aligned with the income tax system is the level of income at which tax first starts to be paid. At present, a low income household starts losing CTB—and therefore starts paying council tax—on an income that is still too low to require income tax to be paid. For example, an adult paid at the national minimum wage first become liable for income tax if they work 19 hours a week. By contrast, if they are a lone parent, or have a non-working partner, they have to start paying council tax after only 16 hours—or just 12 hours if they are a single adult. A similar story, although at higher levels of income for both council tax and income tax, applies to pensioners too.

12. CTB’s unfavourable treatment of income for tax purposes should be ended. To do this, the so-called income “disregards” in the CTB system should be raised to ensure that households do not become liable for council tax until their income is high enough to make them liable for income tax. This could be done at the stroke of a pen.

13. There is also the matter of the rate of tax on income implied by CTB: 20 pence in the pound. This takes the combined tax rate on income that is liable for both income tax and council tax to nearly 40%—almost the same as the top rate of income tax. The rate of tax on income within CTB should be lowered in the interests of improving work incentives among the lowest earnings households and in the interests of social justice.



## CHANGING THE WAY SAVINGS ARE TREATED IN CTB

14. Except for those over 60 and in receipt of the guarantee credit element of Pension Credit, savings over £16,000 usually preclude any entitlement to CTB. Savings over £6,000 affect how much CTB is actually payable. As we have already noted, the existence of savings conditions for the payment of true benefits is reasonable. But to attach them to CTB is not.

15. The way savings are treated within the council tax system is that every £1,000 of savings above £6,000 but below £16,000 is assumed to yield an income of £4 per week for a working-age household or £2 per week for a pensioner one. This sum is then in effect taxed at 20%, with CTB being reduced by 80 or 40 pence per week respectively. There are a number of things wrong here. First, the implied rates of interest on savings (20% for working-age adults and 10% for pensioners) are absurd: something around 5% would be much more appropriate. Second, the adverse treatment of working-age adults compared with pensioners is without justification. Third, to tax people on notional rather than actual income may be administratively convenient but it is also utterly unprincipled.

16. Once it is recognised that behind CTB lies a tax on income, the answer as to what to do with savings becomes clear: if it is to be taxed at all within the council tax system, savings should be treated in the same way as in the income tax system proper. If that principle were followed, all three of the above problems would automatically disappear. The application of that principle also means that the upper limit on savings, above which any entitlement to council tax disappears, should be abolished.

17. The more fundamental question is whether the council tax system should be taxing savings income. Since it is only lower income households who are affected by this, it seems to us that the only possible answer on the grounds of social justice is “no”.

## REBRANDING CTB AS A “REBATE”

18. If altering “benefit” to “rebate” is a cosmetic change only, it is hard to imagine that it will make much difference to anything. It must be possible, however, that this simple change of name could be the key that allows Government to treat CTB as something other than a “real” benefit. Since that is certainly necessary, such a change is to be welcomed. On the other hand, it should be noted that a rebate, no less than CTB, remains part of the conventional view of the council tax system.

## AN EXTENDED ROLE FOR THE PENSION SERVICE?

19. The wisdom of involving the Pension Service in the administration of CTB or rebates depends on how radical Government intends to be. In principle, there is a good case for its involvement. But unless Government is prepared not to just think about the subject from the alternative view (as we have been arguing up to now that it should) but also to present the whole matter in that way to the public, the involvement of the Pension Service is a bureaucratic and incomplete response to the problem which is likely to be unsuccessful.

20. The basic case for involving the Pension Service is that once a household claims for Pension Credit, it has the information necessary to calculate how much council tax that household has to pay on the basis of its income. As a result, the household could be provided automatically with that figure by the Pension Service, without the need to make a “claim”.

21. If the Government were prepared to present the system in the alternative way, what could then happen is this. Instead of making a claim for CTB (or a rebate) to the local authority, the household would simply tell the local authority (supported by the documentation the household had received from the Pension Service) how much council tax it should be paying on the basis of its income. The local authority would then bill the household for whichever is the lesser amount, the income-related figure or the property-related one.

22. Of course we recognise that in practice, quite a lot of rough edges would need to be smoothed out. This simple model assumes that pensioners are perfectly capable of getting hold of, and then passing on, a piece of paper that cannot increase, but may reduce, their normal council tax bill. This would not be right for everyone. But shouldn't this bureaucracy-light approach, which also the merit of doing away with the need to claim, be the starting point?

23. As it is, the model implied by your question, in which the Pension Service is presumably required to calculate the rebate, is much more burdensome. To do that calculation, the Pension Service would need to know the household's property-related council tax, something it does not know at the moment. Presumably, the resulting CTB/rebate figure would be sent back by the Pension Service to the local authority, opening up the possibility of disagreement between the over the proper amount of CTB. Confusion would reign, to the detriment of households who would be even less inclined to claim than before,

24. A further very strong reason for preferring the light to the heavy approach is that it is not just the Pension Service that should be playing that role but HMRC too. For CTB and its reform is just as much an issue for working-age households as for pensioner ones. While we have not looked into the detailed information requirements, for any working household claiming a tax credit, HMRC must have the information needed to calculate how much council tax it should be paying on the basis of its income.

#### CONCLUDING REMARKS

25. We have used the fact that the current council tax system contains a form of income tax as the basis of our argument for the reform of CTB. The point we would stress is that even if it decided that the system should continued to be presented as a benefit/rebate system (ie the conventional view), it should nevertheless be analysed and designed from the alternative perspective. Council tax bears down hard on lower income households and this alternative perspective shows where and how. If calling it a rebate is what is necessary to allow this shift to happen, it is to be welcomed.

26. Alignment with the income tax system is the minimum that is required. We have long thought that a government that was interested in cutting tax for lower income households would pay close attention to the income side of council tax, not only because it is so burdensome, but also because tax cuts here do not spill over into tax cuts for all. This is not the case when changes are made at the bottom of the income tax system, which benefit all taxpayers and not just low income ones.

27. Our view, however, is that besides thinking about the council tax system according to the alternative view, Government should present it to the public in this way too. As well as the reasons given in the last few paragraphs for doing so, there is one more: this alternative view of the council tax system makes it clear that anyone paying council tax on the basis of their income only pays more tax if their income goes up. Yet this is precisely the demand of those who believe a fair council tax system is one that is related to the ability to pay—which means that for anyone entitled to CTB, the current system is actually fair. If this were better understood, council tax would surely enjoy greater legitimacy.

*June 2007*

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### Memorandum by the Local Government Association (CTB 13)

#### COUNCIL TAX BENEFIT

1. The Local Government Association is pleased to submit written evidence to the CLG Select Committee on the question of council tax benefits, following the recommendations of the Final Report of Sir Michael Lyons' Inquiry recommending reforms to council tax benefit.

#### CONTEXT

2. The LGA has long been concerned about council tax benefit. In a paper published in January 2005 we made the following points:

- (a) Council tax as whole is regressive. For the poorest fifth of pensioners, council tax, before benefits are taken into account, represents 10.1% of their income. In contrast, council tax represents just 1.4% of income for richest fifth of the non-retired population. This situation has continued. According to more recent Lyons Inquiry analysis,<sup>37</sup> for the lowest income decile council tax before benefits are taken into account represents 14% of income, compared to 3% for the highest decile.
- (b) Council tax benefit (CTB) provides an inadequate safeguard. After taking account of benefits, council tax still represents almost 7.6% of income for the poorest fifth of pensioners. CTB also fails to provide protection for people who are low-income earners if they have savings above £16,000. Research by the Warwick Institute of Employment Research<sup>38</sup> estimated that approximately 39–52% of pensioner owner-occupiers in band E-G properties who have a low income (less than 60% of median income) have savings above £20,000. Although the actual number of low-income earners in band E–G properties is small (around 10%), the research claimed that the “severe impact of council tax rises . . . should not be underestimated”, citing an example of a band E pensioner paying £23/week in council tax from a net weekly income of £123.
- (c) The savings limit for CTB hasn't changed for 15 years. Neither has the “tariff income” formula, which determines how much savings affect entitlement to council tax benefit between the lower

<sup>37</sup> Final Report, March 2007, Chart 7.9 on page 250.

<sup>38</sup> The research was commissioned by the Joseph Rowntree Foundation and published in September 2006.. A summary of its findings is at [www.jrf.org.uk/knowledge/findings/socialpolicy/pdf/1947.pdf](http://www.jrf.org.uk/knowledge/findings/socialpolicy/pdf/1947.pdf)

and maximum savings limits. We recommended increasing the lower savings limit (it was in fact increased to £6000 in the 2004 budget) and raising the upper savings limit to £32,000 or abolishing it entirely. For pensioners, we recommended a lower savings limit of £12,000.

- (d) We argued, in line with work done by the New Policy Institute,<sup>39</sup> that CTB should be changed from a benefit to an entitlement.
- (e) Finally, we argued that measures to increase benefit take-up promoted by many authorities were welcome but not enough.

3. We have welcomed Sir Michael's recommendations; that the Government should increase the savings limit on council tax rebate eligibility to £50,000 for pensioners and that it should, over time, abolish the savings limit in CTB for pensioners, so aligning council tax rebates with the criteria for eligibility to the pension credit. However it is not only pensioners, but the low paid who are disadvantaged by the council tax benefit system. We are concerned the current system offers a disincentive to work. Raising the CTB thresholds and aligning them with other parts of the tax system, as detailed in paragraph 16 below would be of help here.

4. We have also made the point that reforms to council tax benefit should ideally be seen as part of a comprehensive reform of the council tax system. This could include, for example, new bands at the top and at the bottom as recommended by Sir Michael. The Government have made it clear that they will not be going ahead with revaluation until the end of the forthcoming spending review at the earliest. This strengthens the case for early and substantial reform to the council tax benefit system.

#### THE CASE FOR REBRANDING COUNCIL TAX BENEFIT AS A REBATE

5. We agree with this recommendation of Sir Michael's, as it more properly explains the function of CTB. We understand that Government ministers have indicated that they agree with it. There would have to be primary and secondary legislation changes and some administrative costs for authorities, but it would be worth it within a package of changes to CTB which made it fairer. Particularly as the Government has in its response to the Lyons Inquiry report ruled out a revaluation of Council Tax in England within the lifetime of the current Parliament, early and decisive action to improve the working of CTB would do much to improve the perceived fairness of Council tax as a whole.

#### THE ROLE AND EFFECTIVENESS OF GOVERNMENT IN INCREASING COUNCIL TAX BENEFIT UPTAKE LEVELS

6. We would see the role of Government as:

- (a) Ensuring that local government has the resources to process council tax benefit applications speedily and effectively. One unwelcome development is the cutting of the Council Tax Benefit Administration Grant, Initially DWP proposed to reduce this by 5% although we understand they may now be rethinking this proposal. The amount of council tax subsidy grant should not be cut in CSR 07.
- (b) Simplification of the eligibility policy for CTB and its interaction with other benefits and with tax credits.
- (c) Taking the lead in delivering a consistent benefit verification framework across all benefits, whether administered by central or local government.
- (d) National benefit take-up publicity campaigns.

7. It is local government's particular role to administer CTB efficiently, and to promote take-up as part of Councils' overall responsibility for well-being in their localities. Councils have been active in encouraging take-up, although we have noted the role of the Pension Service below. Sir Michael mentions work in Halton, through their "Benefits Express" and in Milton Keynes;<sup>40</sup> we would also mention East Sussex County Council, which has increased take-up by £3 million through work with Age Concern, as part of the Council's Local Area Agreement, and the Kent Benefits partnership. Many other authorities have run benefit take-up campaigns as part of their wider anti-poverty work. Authorities which have offered council tax discounts for pensioners have also found that this publicity leads to increased benefit applications; Kirklees Council report this to have happened.

8. However, Councils' effectiveness in encouraging CTB take-up is hampered by the underlying complexity of the benefit. Sir Michael Lyons refers to Help the Aged's conclusion that the effort involved in claiming the benefit may put older people off applying.<sup>41</sup> The findings of the Warwick Institute of Employment Research, referred to earlier, document compelling evidence of the complexity of CTB and of its interaction with other benefits and tax credits. Simplification of policy is therefore likely to assist efforts to improve take-up. It would also reduce the unit costs of administration, making delivery of the benefit more efficient.

<sup>39</sup> Published in Making it fair: Council Tax Benefit and working households (June 2005) Peter Kenway and Guy Palmer and available at <http://www.npi.org.uk/publications/council%20tax.htm>

<sup>40</sup> Final report, March 2007, page 252.

<sup>41</sup> Final report, March 2007, paragraph 7.131, page 251.

9. Currently the administration grant available to local authorities is allocated on a weighted caseload basis. If the caseload increases as a result of take-up campaigns, there is not an automatic increase in the grant due to the lagged nature of the data. There is therefore no immediate incentive for authorities to increase take-up. This is a major concern for Councils and the LGA, given the significant pressures on funding for local authority services highlighted in our submission to the Comprehensive Spending Review.

10. Changes should be considered to the verification framework for CTB. Examples of this are:

- (a) Standardise and simplify all verification standards (currently local authorities work to a higher specification than government departments);
- (b) Simplify non-dependent deductions;
- (c) Increase the working income disregard allowance; and
- (d) Reduce the excess income tapers which would allow applications to retain more of any increase in income before becoming ineligible for benefit.

11. These would, if actioned, assist in bringing more low paid applicants into the scheme. There is however a national concern that even under the current rules, low paid workers may qualify for CTB and Housing Benefit but fail to claim.

#### THE CASE FOR IMPROVEMENTS TO THE PROCESSING OF PENSION CREDIT CLAIMS TO ENABLE THE PENSION SERVICE TO ACT AS A PORTAL TO REBATES FOR ALL CALLERS, REGARDLESS OF PENSION CREDIT ELIGIBILITY, AND TO EXAMINE STEPS TO IMPROVE DATA SHARING

12. There are encouraging developments here. New applicants for pension credit are being automatically considered for council tax benefit. As Sir Michael notes,<sup>42</sup> through this method 120,000 applicants for council tax benefit last year received a pre-completed form in this way. We also understand that the Pension Service has undertaken a project by checking cases in receipt of Pension Credit and not shown as in receipt of CTB.

13. The Pension Service is also involved with the simplified three page form to encourage application for CTB at the point of Pension Credit application. This could develop, when all relevant CTB and Housing Benefit information is incorporated, to the point of “near automatic” awards.

14. A number of other IT projects are being discussed or developed which could improve takeup or lead to near automatic awards of CTB.

15. However, there is more that could be done. There is scope for more data transfer between the Pensions Service and local authorities; as the aim of this would to increase benefits for applicants we would not see the data protection legislation as a bar to this. The new Welfare Reform Act increases data sharing powers and this would enable local authorities to issue targeted mailshots as part of their take-up campaigns. Action to improve the processing of pension credit claims, whilst helpful, does not address fundamental issues of low take-up of CTB which among pensioner households stands at 53–58%, a drop of 11 percentage points since 1997.

#### THE CASE FOR REFORM OF THE COUNCIL TAX BENEFIT ELIGIBILITY CRITERIA INCLUDING THE CASE FOR CHANGING OR ABOLISHING THE SAVING LIMIT IN COUNCIL TAX BENEFIT FOR PENSIONERS, AND THE CASE FOR ALIGNING COUNCIL TAX REBATE THRESHOLDS WITH OTHER PARTS OF THE TAX SYSTEM

16. As we have said above; we agree with Sir Michael Lyons that the savings limit should be raised to £50,000 for pensioners and it should be abolished over a period of time. We would also like to see thresholds rise in line with inflation non pensioner claimants. This would raise the minimum to around £12,500 and the maximum savings limit to £25,000, applying the change in the RPI from April 1991 to April 2007.

17. Consideration should be given to bringing CTB into line with tax credits, to deal with the problem highlighted by the New Policy Institute whereby for a person who was entitled to CTB but then receives Working Tax Credit, 20% of the latter is immediately “lost” as CTB is reduced because of the income from the tax credit. This is a specific example of a more general issue of complexity of interaction between benefits whose policies have been developed separately.

8 June 2007

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<sup>42</sup> Final report, march 2007, paragraph 7.137, page 252.

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## Memorandum by the Low Incomes Tax Reform Group, the Chartered Institute of Taxation (CTB 14)

### SUMMARY

The concern of the Low Incomes Tax Reform Group (LITRG) is that any system of taxation should be transparent, as simple as possible and related to the ability of the individual to pay. Many people on very low incomes remain liable for some council tax even after they receive CTB. Many more retain a full CT liability because they do not realise that they can apply for CTB. Many suffer the high marginal deduction rates from interactions with other benefits, tax credits, tax and national insurance, and claimants from whom tax credit overpayments are collected directly experience particular disadvantage. The current arrangements for CTB are self-evidently failing because take-up is so low, especially amongst older people.

We suggest the following changes:

- Collection of CT arrears should follow the more measured approach to arrears and overpayments adopted by DWP and HMRC. Local authorities should be instructed to refer council tax arrears to bailiffs only as a last resort, and given power to seek recovery through modest deductions from contributory benefits, as is already the case for means tested benefits.
- CTB should be rebranded as a “rebate”. The change of name should be accompanied by a changed onus upon the local authority, so that it should be responsible for ensuring that people on low incomes only pay CT in the first place at a level appropriate to their financial circumstances.
- HMRC, DWP and DCLG should work together to ensure that opportunities are taken to use the dealings that HMRC, the Pension Service and local authorities have with pensioners, and people approaching state pension age, to reinforce the view that people should only pay what they need to pay based on their financial circumstances.
- It would be desirable to have changes in the liability rules to make the system as simple as possible for the public to understand and for local authorities to operate. We suggest that the government should engage in consultation on how to achieve this.
- The rebate should be backdated for as long as the taxpayer has had the low income which qualifies them for the rebate.
- The saving limit of £16,000 for CTB should be removed both for people of working age and those over state retirement age not in receipt of guarantee pension credit.
- If CT is going to move to a closer alignment with income tax principles and the ability to pay, the notional income rate for savings should be specifically reviewed.
- The scope for aligning systems across local and central government, so that information already held by one part of Government can be used to fix entitlement to a CT rebate, should be examined. Further, the level of CT rebate thresholds should be set with reference to rates and thresholds elsewhere in the tax and benefits systems, not simply in isolation.
- The complex rules about the effect that a non-dependent adult in a household has on CTB should be reviewed.

### INTRODUCTION

1. The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation to give a voice to the unrepresented in the tax system. As part of that remit we have been involved in the consultations on the future of Council Tax, and made submissions in response to Lyons in April 2005 and March 2006 (available on our website at <http://www.litrg.org.uk/uploadedfiles/document/1—341—lyonsinquiry counciltax110405.pdf>

<http://www.litrg.org.uk/uploadedfiles/document/1—341—Lyonsinquiry130306.pdf>).

2. Our concern is that any system of taxation should be transparent, as simple as possible and related to the ability of the individual to pay. The structure of council tax (CT) as it now exists does not meet these criteria. The report by Michael Orton, for the Joseph Rowntree Foundation, *Struggling to Pay Council Tax* (2006) suggests that more than two million households struggle to pay their council tax each year.

3. The current arrangements for council tax benefit (CTB) are self-evidently failing because take-up is only 62–68% (Lyons, page 250) and is particularly low (53–58%) amongst older owner occupiers.

4. Against this background, we make first some general observations about the structure of CTB, its interactions with other benefits and tax credits, and the way in which CT debt is collected (paras 5 to 9); we then address the specific issues raised by the Committee (para 10 onwards).

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 GENERAL OBSERVATIONS
*Structure of council tax benefit*

5. People on low incomes, who have a council tax liability, can be assisted with the costs of CT through CTB which is administered by local authorities, alongside housing benefit, according to nationally set rules. Those who receive income-based jobseeker's allowance, income support or guarantee pension credit are passported to full CTB and generally have their entire CT bill covered, subject to any non-dependent deductions. For people who are not in receipt of those benefits, CTB is calculated by comparing income against an "applicable amount" which is determined by reference to a set level plus the circumstances of the claimant. Those who have income less than or equal to their applicable amount receive full CTB. However, those whose income is above their applicable amount have CTB reduced by 20p for every £1 of the excess. Possession of capital of more than £16,000 (other than the value of your home) removes eligibility for CTB, except for people over 60 who qualify for the guarantee element of Pension Credit. Any capital above £6,000 has an income imputed to it.

6. These rules mean that many people on very low incomes remain liable for some council tax even after they receive CTB. Many more retain a full CT liability because they do not realise that they can apply for CTB, or find it too humiliating or complex to have to give all the personal financial information to apply. Many people whose sole income is long term incapacity benefit have a residual CT liability because their income is slightly higher than the level of means tested benefits.

*Interactions with other benefits and tax credits*

7. Those who do not benefit from a passport to full CTB also suffer high marginal deduction rates from the interactions between CTB and other benefits such as housing benefit (HB) and tax credits. Although the withdrawal rate for CTB may only be 20%, it has to be seen alongside the 65% withdrawal rate for HB and 37% withdrawal rate for working tax credit, let alone tax and NIC. We are concerned that this means that people on low incomes can be left little better off as a result of extra income from employment.

8. Those who do not benefit from automatic passport to full CTB are also disadvantaged by the interaction with tax credit overpayments. CTB is calculated using actual tax credits received. If a tax credit claimant is being paid too much in tax credits, CTB will be reduced accordingly. While the overpayment is being recovered from the ongoing award, CTB will increase accordingly. CTB paid therefore balances out in relation to tax credit overpaid or recovered. However, where a tax credit award has finished and the former claimant is having to repay any overpayment on their previous award directly to HMRC, CTB does not take into account any repayments made. While the overpayment is being directly repaid: CTB is no longer increased to compensate. The result, for CTB purposes, is unequal treatment as between those with tax credit overpayments being collected from ongoing awards, and those whose overpayments are being collected from them by direct payment.

*Council tax debt*

9. People on low incomes who fall behind with their CT are liable to incur additional costs because of the vigorous enforcement of arrears collection that the government requires of local authorities. Court costs and bailiffs' charges can add greatly to the financial burden of CT for low income households as well as causing a great deal of stress. We consider that collection of CT arrears should follow the more measured approach to arrears and overpayments adopted by DWP and HMRC; that local authorities should be instructed to refer council tax arrears to bailiffs only as a last resort; and that they should be expected and given power to seek recovery through modest deductions from contributory benefits in place of the use of bailiffs, as is already the case for means tested benefits.

## SPECIFIC ISSUES RAISED BY THE COMMITTEE

*Rebranding CTB as a "rebate"*

10. The current concept of CTB being a "benefit" for which people must apply in order to reduce the amount of CT they must pay is administratively cumbersome, ineffective as take-up shows and out of line with Government approaches in other areas, such as income tax or tax credits. No-one suggests that income tax should be based on a flat rate charge and then every citizen should put in a claim for allowances and reliefs in order to receive a rebate. If the principle is that a householder's liability to pay CT should be related to his or her means then the state should only demand the amount that is appropriate to those means. Calling the help available a "rebate" is a step in the right direction but is not enough in itself.

11. The change of name should be accompanied by a changed onus upon the local authority, so that it should be responsible for ensuring that people on low incomes only pay CT in the first place at a level appropriate to their financial circumstances.

*The role of the Government in increasing CTB uptake*

12. The efforts that the Government has made to increase CTB uptake are welcome. When introducing the new tax credits, the Government wanted to move to a situation where the entitlement was universal based on income levels and the support of children. It wanted to remove the stigma of applying cap in hand for a benefit. This has largely been achieved and take-up rates are high despite some of the administrative failings that have occurred.

13. The claim process for pension credit has long included seeking to record information for a HB and CTB claim, and we are given to understand that by Spring 2008 these processes will become more effective with less responsibility on the claimant to claim CTB. This has now also been introduced into the claim process for working age benefits. These are useful developments, but the low take-up figures suggest that they do not go far enough. In particular more needs to be done to ensure that people on low incomes, who are not in receipt of means-tested benefits, are aware that they may be eligible for help with their CT. This is why it is so important that the concept of a “rebate” of CT should be introduced, and it should be made clear that this rebate is an entitlement for those on low incomes.

14. While we are aware of work already in progress to institute automatic awards of CTB, we suggest that putting the onus on the local authority to check whether an automatic rebate is due might make it clearer to all concerned that this process is all part of the authority arriving at the “right amount of tax” to be paid.

*The Pension Service as a portal for CT rebates, and data sharing*

15. The failure of the Pension Service to meet its take-up targets for pension credit (PC) demonstrates how difficult it can be to persuade older people to apply for money to which they are entitled, and also suggests that the PC claimline will not be approached by all the pensioners with a CTB entitlement. Nevertheless, we welcome anything that the PC claimline can do to ensure that low income pensioners receive any CT rebate to which they are entitled, even if they do not qualify for PC. It should be possible for the PC claimline to gather the information for a CTB claim and to pass this on to the local authority for these people, just as they do at present for people awarded PC. We recommend that the Pension Service should introduce this.

16. Virtually everyone claims state retirement pension, usually now by telephone. We have not seen the scripts for these calls, but we suggest that the Pension Service should consider how they could provide the opportunity to try to generate a claim for CTB, as well as for State Retirement Pension and PC. Clearly, the caller is more likely to be positive about seeking relief from their CT burden if they are told that this is by means of a “rebate” and an “entitlement” rather than a “benefit”.

17. As the LITRG Report *Older People on Low Incomes—The Case for Tax Reform* (May 2007) points out, large numbers of older people need to have dealings with HMRC over income tax matters. We see scope for HMRC, DWP and DCLG to work together to ensure that opportunities are taken to use these dealings to reinforce the view that people should only pay what they need to pay based on their financial circumstances, and to ensure that older people receive appropriate help and advice about minimising their CT liabilities. See also para 25.

*Eligibility criteria for CTB, the savings limit, and alignment of CT rebate thresholds with other parts of the tax system*

18. It would be desirable to have changes in the liability rules to make the system as simple as possible for the public to understand and for local authorities to operate. We suggest that the government should engage in consultation on how to achieve this. Possible options for debate could be:

- any household which is wholly reliant on benefits for its income to have a nil CT liability (thereby extending nil liability to people dependent on Incapacity Benefit); and
- any household with an income of no more than, say, 110% of its applicable amount for means tested benefits to have a nil CT liability.

19. Currently people of working age can only get backdated CTB for up to 52 weeks if they can show they have a good reason for not claiming earlier. People over 60 can generally get 12 months backdating providing they can show that they qualified for the whole period. There is no logic in this age distinction. It means that people on low incomes, including those who have been on means tested benefits, may find themselves being pursued for CT arrears just because they did not apply for CTB as soon as they would have qualified. We consider that the rebate should be backdated for as long as the taxpayer has had the low income which qualifies them for the rebate.

20. The supposed justification for the £16,000 saving limit in CTB is that there is a similar limit for income support or income-based jobseekers allowance. This justification becomes anomalous as PC has no such limit. Nor is there a saving limit for CTB for recipients of guarantee pension credit, although, strangely, the limit is retained for those people who receive only savings pension credit. That leads to a cliff-edge situation in which a change of £1 in income or savings can lead somebody going from paying all their rent and CT,

to paying none of it—or vice versa. Lyons called for the saving limit for pensioners to be raised to £50,000 immediately and abolished in due course. We recommend that the saving limit of £16,000 for CTB should be removed both for people of working age and those over state retirement age.

21. This will not lead to people with free capital escaping CT, since savings will still generate an imputed income. The levels imputed—£2 a week per thousand for over sixties, and £4 a week per thousand for people of working age are much above the interest that they generate. We believe that if CT is going to move to a closer alignment with income tax principles and the ability to pay, the notional income rate for savings should be specifically reviewed.

*Alignment of rebate thresholds with other parts of the tax system*

22. The Committee requests evidence on the case for aligning council tax rebate thresholds with other parts of the tax system. We certainly regard it as undesirable that rates and thresholds in different parts of the tax and benefits systems should be fixed without reference to each other, and some form of alignment is usually preferable where the bases of assessment are the same.

23. On that basis there may be some merit in aligning CT rebate thresholds with income tax allowances so that people with no income tax liability are exempt from CT, and vice versa. But full alignment is impossible while there are different bases of assessment, with income tax being based on individual income and CTB (or its successor) on a couple's joint income. The difficulties of fully aligning tax and tax credits are illustrative of the problem.

24. Moreover, personal allowances within the income tax system give no additional consideration for those with a disability (other than blindness) or dependants, children etc, whereas the current CTB does at least vary the thresholds to take account of such needs or responsibilities.

25. Alignment of rates and thresholds is one thing: more useful from the point of view of people on low incomes is compatibility of systems, so that there can be one contact point with Government to which a citizen can give all the personal information necessary to determine their liability for tax (including CT) together with their eligibility for tax credits, benefits and CT rebates. While such has been an aspiration of Government for some time, practical attainment is still a long way off; but our recommendation in the meantime would be for Government to consider carefully what scope there may be for aligning systems so that information already available for tax or benefits purposes does not have to be collected yet again from CT rebate claimants.

26. We further recommend that whether or not alignment of rates or thresholds of CT rebate with the tax or any part of the benefits system is attainable or desirable, those with policy responsibility for setting such rates or thresholds be encouraged to look across to equivalents elsewhere in the tax, tax credits and benefits systems with a view to achieving a coherent and easily comprehensible rate structure across the board.

*Non-dependent adults*

27. There are complex rules about the effect that a non-dependent adult (other than a spouse or civil partner) in a household has on CTB. A particular anomaly is that people who are not working and not getting means tested benefits are expected to contribute £2.30 a week towards CT. We recommend that these rules should be reviewed.

11 June 2007

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**Memorandum by the Department for Communities and Local Government and  
the Department for Work and Pensions (CTB 15)**

1. SUMMARY

1.1 This memorandum is submitted by Communities and Local Government, which has policy responsibility for council tax, and the Department for Work and Pensions (DWP), which has policy responsibility for Council Tax Benefit, in response to a request for the information from the Committee. It addresses the following terms of reference:

- the case for rebranding of Council Tax Benefit as a “rebate”;
- the role and effectiveness of Government in increasing Council Tax Benefit uptake levels;
- the case for improvements to the processing of Pension Credit claims to enable The Pension Service to act as a portal to rebates for all callers, regardless of Pension Credit eligibility, and to examine steps to improve data sharing; and



- the case for reform of the Council Tax Benefit eligibility criteria including the case for changing or abolishing the saving limit in Council Tax Benefit for pensioners, and the case for aligning council tax rebate thresholds with other parts of the tax system.

1.2 The memorandum also addresses a number of other issues raised by the committee.

## 2. INTRODUCTION

### 2.1 *What is council tax?*

Council tax is a local property tax set by councils to help pay for local services. The amount of council tax is based on the value of a domestic dwelling. Domestic dwellings are valued by the Valuation Office Agency (VOA) and placed into one of eight valuation bands. The bands are based on 1991 values.

### 2.2 *What is Council Tax Benefit?*

2.2.1 Council Tax Benefit (CTB) is a non-contributory, income-related, social security benefit that provides help to people with low incomes to pay their council tax whether they are in or out of work. It is administered by local authorities (LAs) and is paid direct as a rebate to reduce the council tax liability. A person has to make a claim for CTB in order for their entitlement to be assessed.

2.2.2 CTB works in effect by calculating how much a person should contribute towards their council tax bill. If this is less than the total charge, CTB is paid to cover the difference. If this is the same as or more than the total charge, no CTB is paid.

2.2.3 Details on how CTB is worked out are at Annex 1.

2.2.4 CTB is closely aligned with Housing Benefit (HB). HB is a social security benefit that provides help with rent. It is also administered by LAs and many LAs process HB and CTB claims simultaneously. The rules for HB are broadly aligned with those for CTB. Therefore any proposed changes to CTB need to be considered in terms of their impact on HB, as the two are so closely linked.

2.2.5 Within DWP, the Housing Benefit Strategy Division also has policy responsibility for CTB (and HB).

Information about CTB requested by the Communities and Local Government select committee

## 3. REBRANDING OF COUNCIL TAX BENEFIT AS A “REBATE”

3.1 CTB is, in effect, a rebate. It is unique among income-related benefits in that it is applied directly as an annual rebate to reduce the annual council tax liability, rather than being paid to the customer. However because under the current system the customer has to make a claim for CTB, some people may be put off because they do not want to claim an income-related benefit.

3.2 Renaming CTB as a rebate to reflect its true nature as a tax rebate might help encourage more people to make a claim for it.

3.3 DWP would therefore consider re-branding CTB as a rebate, or possibly a personal allowance, as part of a wider package of measures to improve delivery. The Department does not however think that simply changing the name without making any other changes to the way the benefit is delivered would do much to alter public perception.

## 4. THE ROLE AND EFFECTIVENESS OF GOVERNMENT IN INCREASING COUNCIL TAX BENEFIT UPTAKE LEVELS

### 4.1 *What is take-up?*

4.1.1 Take-up is measured in two ways: by caseload and by expenditure:

Caseload take-up compares the number of benefit recipients—averaged over the year—with the number of people who are entitled to receive that benefit.

Expenditure take-up compares the total amount of benefit received, in the course of a year, with the total amount that would be received if everyone took up their entitlement for the full period of their entitlement. Take-up would reach 100 percent only if all those eligible claimed, and did so for the full duration of their entitlement.

See Annex 4 for more detail on caseload and take-up.

#### 4.2 *Council Tax Benefit take-up*

(Figures quoted are for caseload take-up, based on 2004–05 figures).

4.2.1 Take-up of CTB is lowest of all the income-related benefits. The latest available figures for 2004–05 estimated that take-up rates for CTB were between 62–68%.

4.2.2 Within these figures, pensioners have the lowest take-up of all the client groups, estimated at 53–58%. Take-up is highest amongst lone parents (87–95%).

4.2.3 When measured by tenure type, take-up is lowest amongst owner-occupiers, at 36–41%, compared to LA tenants (who have the highest take-up) at 87–93% and private tenants (78–86%).

#### 4.3 *Amount of CTB unclaimed*

(Figures quoted are for caseload take-up, based on 2004–05 figures).

It is estimated that between £1.33 billion and £1.8 billion of CTB is going unclaimed each year. Within this amount, between £1.06 and £1.36 billion is unclaimed by pensioners.

#### 4.4 *What is DWP doing to improve take-up?*

4.4.1 CTB makes an important contribution to the financial security of nearly 5 million people on low incomes. The Government is concerned that people are not taking up their entitlement and that up to four out of ten pensioners may be entitled to, but not claiming, CTB.

4.4.2 Pensioners on low incomes are among the most vulnerable people in our society: DWP wants to ensure as far as possible that they get the support they are entitled to.

4.4.3 Pensioners are therefore the Department's priority for CTB take-up and it has put in place measures to ensure take-up is improved.

#### 4.5 *Work undertaken by The Pension Service*

4.5.1 When Pension Credit was introduced in October 2003, the Government increased the applicable amounts in HB and CTB at a cost of almost £1 billion a year so no-one lost out. This meant that around 2 million pensioner households became either entitled to CTB for the first time or qualified for more help.

4.5.2 The Pension Service ran computer scans in February 2005 to identify people who were getting Pension Credit but not claiming CTB. These scans identified some 340,000 cases where Pension Credit was in payment with no evidence of CTB (or HB) payment. Of these, around 220,000 pensioners were getting the Pension Credit Guarantee Credit but not CTB. This information was passed to LAs in order for them to contact the people concerned.

4.5.3 In December 2005 DWP also introduced a shortened CTB claim form for people receiving or applying for Pension Credit—reduced from 26 pages to just three—with additional supplementary forms for the small numbers of customers with non-dependants or children. This form is filled in by Pension Service staff while the customer is on the phone, and sent to them to check, sign and send to their LA.

4.5.4 The new simplified process means that Pension Credit customers only have to provide information once—the income and savings information supplied for the Pension Credit application is used for the CTB claim. People newly applying for Pension Credit can now access CTB (and HB) in one phone call.

4.5.5 From September 2007, as part of this simplified form process, when customers contact The Pension Service to report a change of circumstances, staff will check whether those who are eligible for HB/CTB are getting it. Customers who are not getting HB/CTB will be asked whether they would like to claim using the shortened claim form. This will ensure that all Pension Credit customers are given the opportunity to claim using the easier, shortened process.

4.5.6 The introduction of the 3-page form process has succeeded in increasing the number of entitled pensioners who get CTB. Since the process was introduced, The Pension Service has issued over 155,000 forms and over 65,000 customers have been paid benefit as a result.

4.5.7 In addition, between September 2005 and March 2006 The Pension Service conducted an outbound calling exercise which involved their staff telephoning customers who were already getting Pension Credit and who were potentially entitled to but not getting HB/CTB. Calls lasted around five minutes and the information obtained was used to fill in the shortened 3-page claim form. This was then sent to the customer to check, sign and send to their LA.

4.5.8 During this exercise 70,000 claim forms were completed resulting in £24 million being paid out in arrears of HB/CTB, and an additional £650,000 a week in support for council tax and rent is now being paid to pensioners as a result of this initiative.

#### 4.6 *Improving administration*

4.6.1 It is of course crucial that CTB is administered effectively and efficiently by LAs and the Government has invested substantial amounts of money to improve administration.

##### 4.6.2 *The Housing Benefit Reform Fund*

4.6.2.1 As part of its 2004 Spending Review settlement, DWP was allocated a Housing Benefit Reform Fund (HBRF) of £180 million to deliver further progress in reforming HB (building on the £200 million Performance Standards Fund allocated in the 2002 Spending Review—see section 4.6 below and section 24 for details of this Fund). This continued investment in HB administration underpins a rolling programme of reform, and supports the delivery of two of the Department's PSA targets: to improve the time taken to process HB claims, and to reduce levels of fraud and error in HB.

4.6.2.2 Over the current 2004 Spending Review period the HBRF has primarily been allocated to: funding the administrative costs of rolling out the Local Housing Allowance (LHA) in the private rented sector; providing additional funding to The Rent Service to maintain its existing levels of service until the LHA is nationally implemented (after its budget was reduced in anticipation of an earlier roll-out of the LHA); developing IT links; and to develop a number of initiatives aimed at reducing levels of fraud and error in the system.

##### 4.6.3 *The DWP Performance Standards*

4.6.3.1 In March 2002, DWP issued national performance standards for HB/CTB administration which set out clearly for the first time the standards of service that LAs should be aiming to deliver.

4.6.3.2 As mentioned above in para 4.6.2.1, £200 million was allocated in the 2002 Spending Review to a Performance Standards Fund to provide financial support to LAs to improve their performance. £2.2 million was awarded from this fund to 38 LAs to increase take up of HB/CTB. The size of the awards ranged from £5,000 to £300,000.

4.6.3.3 The majority of the awards were to cover the costs for additional staff to either process expected increase in claims or for administrative staff to promote or run the take-up campaigns. Money was also awarded for press and radio advertising, leaflets and various other forms of promotion. The LAs often included third parties in the campaign such as Citizens Advice or Help the Aged.

5. Improvements to the processing of Pension Credit claims to enable the Pension Service to act as a portal to rebates for all callers, regardless of Pension Credit eligibility, and to examine steps to improve data sharing.

#### 5.1 *Access to CTB via The Pension Service*

5.1.1 Where the same information is needed for different benefits, it makes sense for the customer to be able to provide information and verification once and for this to be shared with those who need it to assess the customer's entitlement to different benefits. This makes for more efficient administration and a better service for customers.

5.1.2 The Pension Service's assessment of the customer's income is used by the LA to assess CTB entitlement. The additional questions which are specific to CTB add only five minutes to the Pension Credit phone call.

5.1.3 Customers also contact The Pension Service by phone to apply for State Pension only, either because they are not eligible for Pension Credit or they do not wish to apply for it. The information provided for State Pension purposes is considerably different to the amount and type of information needed for CTB as State Pension is not income-related. So rather than adding just an extra five minutes to the call for the HB/CTB claim, which is the case Pension Credit customers, it would take much longer to gather all the information required.

5.1.4 In addition, The Pension Service is not able to assess whether customers who only apply for State Pension are likely to be eligible for CTB before they claim it. Taking all State Pension customers through a CTB claim could raise customer expectations unfairly if they are subsequently found to be not entitled. Such a process would generate a great deal of nugatory work, both for the customer (in providing all the information and verification) and the LA responsible for processing the CTB claim.

5.1.5 In the longer term, DWP wants to ensure that CTB is delivered as accessibly, simply and securely as possible. The Department intends to carry out more research into the feasibility of using data held across government departments in order to build up profiles of people likely to be entitled. It also intends to develop the concept of a "single point of contact" for pensioners for access to their benefits, coupled with alignment of application processes. This would produce a better public service as well as greater efficiency.

5.1.6 DWP will consider, in its research, the impact on fraud and error and issues of practicality and affordability, alongside priorities for the tax and benefits system as a whole. DWP will also consider the relative merits of piloting any changes and rolling them out nationally.

## 5.2 *Research to date into data sharing*

5.2.1 DWP ran a research project in 2006 with a team comprised of officials from Housing Benefit Strategy Division, together with representatives from LAs, Jobcentre Plus, The Pension Service and Her Majesty's Revenue and Customs, to look at ways in which Council Tax Benefit could be made more accessible.

5.2.2 The project's remit was to carry out pre-feasibility research to develop options for delivering support for council tax liability to all client groups as automatically, simply and securely as possible.

5.2.3 The concept the project proposed was that customers who claim either a income-related or non income-related benefit through DWP or HM Revenue and Customs (HMRC), or who are identified as being on a low income, could be automatically considered and assessed for entitlement to CTB, using known data held within those departments.

5.2.4 The project was a "proof of concept" exercise which meant that it demonstrated that this proposal could work in principle. However, no feasibility work has been done yet to consider whether such a process could be used in practice, or how much this would cost to develop and implement.

6. Reform of the Council Tax Benefit eligibility criteria including the case for changing or abolishing the saving limit in Council Tax Benefit for pensioners, and the case for aligning council tax rebate thresholds with other parts of the tax system.

### 6.1 *The lower capital limit*

The lower capital limit is the amount which is disregarded in the CTB assessment. The capital limit for people over 60 was doubled in 2001 from £3,000 to £6,000, and for all customers across all the income-related benefits, including CTB, in 2006.

### 6.2 *The upper capital limit*

6.2.1 The upper capital limit (currently £16,000) is a cut-off above which people are no longer entitled to CTB, so raising it brings more people into benefit entitlement.

6.2.2 Raising the upper capital limit does not help the worst off. Those who are asset-rich but income-poor are more likely to gain. It would, however, be likely to send positive signals about encouraging saving. DWP is keeping the level of this limit under review.

### 6.3 CTB and the interaction with Working Tax Credit (WTC) and Pension Credit (PC).

6.3.1 CTB and PC are income-related benefits which are the responsibility of DWP. WTC is the responsibility of HMRC.

6.3.2 Annex 1 explains how CTB is calculated. The CTB "taper" of 20% means that for each extra £1 of income (after tax) above a prescribed amount the individual is expected to contribute 20 pence towards their council tax bill.

### 6.4 *WTC and CTB*

6.4.1 WTC is aimed at offsetting the impact of taxes on earnings for individuals on a low income and is therefore based on gross income and is only paid to people who are in work. The WTC "taper" is 37% so as income earned increases, WTC is reduced at this rate. WTC is taken into account as income when calculating CTB entitlement.

6.4.2 This means that someone getting both CTB and WTC will be affected by two tapers. For example, if gross earnings increase by £1:

Gross increase in earnings	£1.00
Assuming a basic 20% tax rate	– £0.20
WTC falls by 37 pence	– £0.37
<hr/>	
Net increase in income for CTB purposes	£0.43
CTB falls by 20% of the net increased income (therefore council tax to pay increases by this amount)	– £0.09
<hr/>	
Customer's total net increase in income	£0.34
[note: this example is for illustrative purposes only].	

6.4.3 So, from the extra £1 of earned income, the customer will have a net income increase of around 35 pence as income tax and council tax increase and WTC reduces.

## 6.5 *CTB and Pension Credit*

6.5.1 There are two components of Pension Credit and customers can be awarded either or both of these.

6.5.2 The aim of Pension Credit is to combat poverty among people aged 60 and over by ensuring a minimum guaranteed income (the Guarantee Credit) of £119.05 a week for a single pensioner and £181.70 for couples, plus where appropriate, an additional amount for people with (certain housing costs, severe disability and caring responsibilities).

6.5.3 It also rewards people aged 65 and over who have made modest provision for their retirement. The Savings Credit is worth up to £19.05 a week for single pensioners and £25.26 for couples. This means that people aged over 65 may still qualify for Pension Credit even if their income is up to around £167 a week for a single person and £245 a week for a couple.

6.5.4 The Guarantee Credit whether awarded on its own, or with Savings Credit, acts as a “passport” to maximum CTB (subject to any deductions for non dependants). This means that the customer is treated for CTB purposes as having no income or capital.

6.5.5 Savings Credit, when it is awarded on its own, is counted as income for CTB purposes and these customers will be subject to the CTB “taper” if their income is more than a prescribed amount (see Annex 1 para. 5).

## 6.6 *Alignment of CTB with WTC and PC*

There are key differences between the three benefits which mean they would be difficult to align.

### 6.6.1 *CTB*

The purpose of CTB is the help people with low incomes pay their council tax bill. Particular features of CTB include:

- Payment to customers in and out of work.
- Calculation is based on net income for those customers in work.
- Entitlement is based on personal allowances relating to the customer and their partner (if they have one) and age, and premiums based on family structure and disability.
- Any capital under £6,000 is ignored; for every £250 or part of (£500 for pensioners) over £6,000, £1 is taken into account as income. Capital over £16,000 generally disqualifies people from CTB.
- Any change in income will immediately affect CTB entitlement.

### 6.6.2 *PC*

The purpose of PC is to provide extra income to those who have limited income and modest savings in retirement. Particular features of PC include:

- Guarantee Credit is paid from age 60 and Savings Credit from age 65.
- PC is paid to people in and out of work.
- Entitlement is based on allowances relating to the customer and their partner (if they have one) and disability, or caring responsibilities.
- Any capital under £6,000 is ignored; every £500 of capital over £6,000 is classed as £1 of income. Unlike CTB, there is no upper capital limit in PC.

### 6.6.3 *WTC*

The purpose of WTC is to offset the impact of taxes on earnings for low income individuals. Particular features of WTC include:

- WTC is only paid to customers in work.
- Calculation is based on gross income.
- Entitlement is based on rates related to the customer, their partner (if they have one), disability status, and hours worked.
- There are no capital limits, but capital and savings are taken into account as income.
- Entitlement is worked out annually and any change to income up to £25000 will not change entitlement for the year.

7. Government action taken since 1997 to reform the Council Tax Benefit system including changes to discounts, exemptions, threshold levels for council tax liability, align Council Tax Benefit with other elements of the tax and benefit system.

7.1 Details of changes made to Council Tax Benefit since 1997 are at Annex 2.

## 7.2 Changes to council tax discounts and exemptions since 1997.

A number of small changes to discounts/exemptions have been made since 1997 that have had only a minor impact on the overall picture.

The Local Government Act 2003 introduced the following:

- LAs have discretion to reduce the discount on second homes from 50 percent to 10 percent. Any additional council tax raised will be retained locally by the LA—in force from 18 December 2003 with effect for financial years from 1 April 2004
- LAs are able to reduce or remove the current 50 percent discount on long term empty property—in force from 18 December 2003 with effect for financial years from 1 April 2004. Generally, properties which have extensive refurbishment/structural work, which makes them uninhabitable, are exempt for a maximum of up to 12 months.
- LAs are able to offer local discounts or exemptions, with the costs falling on other council tax payers—in force from 18 November 2003

## 7.3 CTB and Pension Credit.

7.3.1 As section 6.5 explains, customers getting Savings Credit only will have this counted as income for CTB purposes. However, when Pension Credit was introduced in October 2003, the Government invested almost £1 billion a year in increasing the amounts on which HB and CTB are based to allow for the maximum amount of Savings Credit being awarded.

7.3.2 This measure prevented CTB entitlement being eroded by awards of Savings Credit and ensured that pensioners getting Pension Credit and CTB were financially better off overall. Around two million pensioner households became either entitled to CTB for the first time or qualified for more help.

## 7.4 CTB and Working Tax Credit (WTC).

7.4.1 Working Tax Credit is included as income in the CTB assessment. The actual amount of WTC the customer is getting is the amount taken into account.

7.4.2 There is an extra earnings disregard (currently £15.45) for people who work 30 hours or more and who qualify (or would qualify if they claimed) for WTC. This means this amount of earnings is disregarded in the CTB calculation.

7.4.3 The rules were reformulated for tax credit recipients when WTC was introduced in 2003 to help eliminate any poverty trap that would otherwise impact on low-paid workers who lose entitlement to Income Support or Jobseekers Allowance when they start work.

## 8. The Government response to the Lyons report recommendations on Council Tax Benefit reform.

There is a great deal for the Government to consider, much of which Sir Michael Lyons identified as being for the longer term. The Government is not intending to make a single formal response. Sir Michael's recommendations will help to inform, and will be taken account of within, policy development. Specifically, on the recommendations regarding Council Tax Benefit reform, DWP's intention is primarily to carry out further research into whether CTB can be made more accessible, as set out in section 5.

9. Progress in responding to recommendations 18 and 20 of the predecessor committee's report on Local Government Revenue, Session 2003–04, HC 402-1.

### 9.1 Recommendation 18 from the previous report said:

18. Whatever other changes are made to Council Tax Benefit, the Government needs to give a higher priority to increasing its take-up by a number of readily identifiable target groups, in particular pensioners, and low-income households. It is unfortunate that the central Government is saving over £1.2 billion of unpaid Council Tax Benefit every year, and that 2 million households are paying more than they should to local government. (Paragraph 130)  
DWP's work to improve take-up, particularly amongst pensioners, is detailed in section 4.

### 9.2 Recommendation 20 from the previous report said:

20. The Government should do further work to ensure equity release schemes, or other means of deferring payment, are available. (Paragraph 133) It is currently possible for local authorities to recover outstanding council tax by means of a charging order on the property, but that can only happen if arrears exceed £1,000 and the authority has started enforcement action. The Government looks to the Lyons inquiry to advise on any proposals to make council tax payments easier.

The Government has no plans to introduce an equity release scheme specifically to assist people to pay their council tax.

10. Details of action taken, and consideration given, by the Government since 1997 to reduce the complexity of the claim form, and please specify any improvements made.

### 10.1 *Methods of claiming CTB*

10.1.1 There are two main ways for people to claim CTB: by claiming alongside another DWP benefit or claiming direct from their LA. The majority of working age customers claiming CTB via Jobcentre Plus make their claim through a combined telephone claim process. Pension Credit customers can claim via The Pension Service using the 3 page form process (detailed in section 4.5).

10.1.2 Detailed information about the claim form and copies of the forms are at Annex 3.

## 11. TAKE-UP AND CASELOAD STATISTICS

### 11.1 *Background*

- The term “caseload” refers to the number of people in receipt of a benefit at any one time. It is therefore given as a number, eg 4.86 million people were in receipt of Council Tax Benefit during 2004–05.
- The term “take-up” compares the number of recipients of a benefit—averaged over one year—with the number of people who are entitled to receive that benefit. It is therefore given as a proportion, for example, take-up of Council Tax Benefit at any point in time during 2004–05 was between 62–68%.

### 11.2 *Availability of take-up estimates at a regional level*

- Estimates of take-up are based on two data sources. The first is the number of recipients of a particular benefit, which can be obtained from DWP’s administrative data. The second is an estimate of the number of people who are eligible, but not receiving that benefit. This estimate is derived from the Family Resources Survey (FRS).
- The FRS is designed to be a nationally representative sample, and the size of the sample allows estimates of eligibility to be made at the level of Great Britain. Estimates of eligibility below the level of Great Britain would require reliable estimates of the numbers of people entitled to but not receiving a benefit, which do not exist. This is because of the restrictive sample sizes below the level of Great Britain, and also because the survey data cannot be reliably corrected for variations in the level of people not responding.
- As a result, estimates of take-up are only available at the level of Great Britain.

### 11.3 Why take-up estimates lag behind estimates of caseload:

- It takes time to carry out and analyse surveys so the information is often out of date.
- Because of their complexity, there is a significant lag in the production of take-up statistics. The complexity surrounds the judgement of which biases may be present in DWP estimates of take-up, and if they are present, to what extent.
- This means that it is hard to immediately evaluate the impact of any take-up initiatives, especially those on a local level given that DWP is unable to produce estimates below a national level.
- However, due to improvements in timeliness, take-up estimates are now published significantly earlier than in previous years.
- The following table shows the time lag between the end of the reporting period and date of publication, for the last five reporting years.

**Figure A**

<i>Financial year</i>	<i>Months after end of financial year</i>
2004–05	19 months
2003–04	22 months
2002–03	23 months
2001–02	23 months
2000–01	26 months

## 12. An explanation of why overall take-up figures for Council Tax Benefit have dropped since 1997.

- Each year, Council Tax Benefit applicable amounts (see Annex 1 para 5) for pensioners have been increased by more than the basic state Retirement Pension rate increased. This has had the effect of increasing the number of pensioners entitled to Council Tax Benefit.
- Removing from the analysis those who have been brought into entitlement by the above inflation increases in benefit amounts, there would have been a fall, but only by up to five percentage points.
- Therefore, around half of the observed reduction in take-up of CTB is due to “above-inflation increases” in benefit rates

- This means that, each year when the benefit rates are updated, new people are brought into entitlement, who were not entitled in the previous year. These newly eligible people may not realise they are eligible and so do not claim.
- They are also likely to be entitled to small amounts, so may perceive the effort of claiming not worth the small amount they could receive.
- 44% of entitled non-recipients of Council Tax Benefit were entitled to less than £10 per week. This compares to 20% of those who did claim.
- In addition to this, gross council tax bills have increased in real terms in each year since 1997–98. This led to an increase in the size of the population entitled to Council Tax Benefit. On the other hand, a slightly lower unemployment rate has worked in the opposite direction for non-pensioners.
- This increase in the size of the eligible population, combined with a fall in the number in receipt, has led to the observed fall in take-up.
- The increase in the number of owner occupiers could also have an impact on the CTB caseload. The take up rates for CTB are lower amongst owner occupiers (37–42%) than any other tenure type (LA renters—88–94% and Private renters—78–85%). This may be due to the lower level of contact amongst owner occupiers with DWP and LAs.

13. Details of the steps the Government are taking to increase uptake levels of Council Tax Benefit, including supporting local authorities that have the lowest levels of uptake.

13.1 In addition to the take-up work targeting pensioners, detailed in section 4.5, DWP has taken other steps—in conjunction with LAs—to improve CTB take-up.

13.2 CTB awareness campaigns.

13.2.1 This year, with LAs' support, DWP again ran a national Council Tax Benefit awareness campaign around the time that new council tax bills were being issued.

13.2.2 The Department produced CTB fliers and posters with the theme of “Cut your council tax—Find out if you should be paying less” which were made available for LAs to download and display in their offices and send out with their bills.

13.2.3 DWP also placed notices in the regional press to promote CTB with advice about how to claim, and placed articles in publications targeted particularly at pensioners. The Parliamentary Under Secretary for Work and Pensions, James Plaskitt, gave interviews on several local and regional radio stations encouraging pensioners and other people on low incomes to claim the money they are entitled to.

13.3 CTB take-up best practice guide.

DWP produced *Council Tax Benefit: A best practice guide* for LAs in 2004 which contains information about barriers to claiming CTB and suggests ways these might be overcome, as well as giving case study examples of good practices being carried out by various LAs to improve take-up.

13.4 LA scans.

Since 2005, The Pension Service has run periodic scans to identify people in each LA area who are getting Pension Credit and could be eligible for CTB but are not claiming it. This includes people who are getting the Pension Credit Guarantee Credit but not CTB, and who therefore could be getting all of their council tax covered by CTB. This information is passed to LAs to contact people and help them to claim.

13.5 Performance Standards.

DWP encourages LAs to undertake take-up activity through the HB/CTB Performance Standards and good practice guidance. This is covered in section 4.6.3 and section 24 below.

14. Details of the consideration Government has given to the conversion of Council Tax Benefit to a tax credit.

DWP has not done any work on changing CTB to a tax credit, although it would consider this as a potential option in any future exploration of reform of the CTB scheme.

15. What performance incentives are there for the DWP to increase Council Tax Benefit take-up.

15.1 HB/CTB Performance Standards.

15.1.1 DWP encourages LAs to undertake take-up activity through the HB/CTB Performance Standards and good practice guidance.

15.1.2 The Performance Standards, against which LAs submit annual self-assessments, require LAs to have a strategy to encourage take-up that goes beyond the first step of raising awareness. For example:

- working in partnership with other agencies;
- targeting under-claiming sections of the community;
- ensuring assistance is given to customers to claim; and
- monitoring and evaluating the results of their activity.



15.1.3 The Performance Standards contain good practice and DWP has also issued *Council Tax Benefit: A Best Practice Guide*.

15.1.4 DWP has provided financial support for take-up activity through the Performance Standards Fund.

## 15.2 Background.

15.2.1 In March 2002 DWP issued national Performance Standards for HB/CTB administration which set out clearly for the first time the standards of service that LAs should be aiming to deliver.

15.2.2 The standards were reviewed in 2005 to focus more clearly on the outcomes expected and support achievement of DWP PSA targets with HMT for improvements in new claims processing and reducing frauds and error.

15.2.3 LAs are asked to self-assess against the standards on an annual basis. The self-assessments form the basis for Benefit Fraud Inspectorate inspections and, in England, the Comprehensive Performance Assessment.

15.2.4 The enablers requiring LAs to carry out benefit take-up activities are as follows:

### Figure B

**E38** The LA has a written strategy or plan, covering issues of customer service, availability of help and advice and access, to encourage take-up of HB/CTB that goes beyond the first step of raising awareness, and works in partnership with other stakeholders, such as The Pension Service, LA Welfare Rights Services, CAB and voluntary advice groups, to ensure that eligible customers are enabled to make successful claims.

**E39** The LA carries out targeted campaigns on under-claiming sections of the community, ensuring that assistance is given to eligible customers to make a claim and evaluates the results. The LA does this in conjunction with other stakeholders when this will add value.

15.2.5 Below are the self-assessment results for 2005 and 2006 showing the number of LAs who have stated that they are meeting these enablers.

### Figure C

<i>Enablers</i>	<i>E38</i>	<i>E39</i>	<i>No of returns</i>
National 2005	204	264	392
National 2006	238	268	396

16. An assessment of how an increase in take up levels of Council Tax Benefit would affect DWP expenditure

- Current annual expenditure (AME) on CTB is £3.9 billion and 5.1 million people are in receipt of CTB, which is 64% of all those who are entitled to receive it.
- Figure D shows how increases in take-up would increase annual AME costs, and how much of this increased expenditure would be for pensioners:

### Figure D

<i>Increase in take-up from current position (64%)</i>	<i>Increase in annual AME cost</i>	<i>Proportion of increase which is spent on pensioners</i>
10%	£0.4 billion	70%
20%	£0.7 billion	60%
30%	£0.9 billion	60%
40%	£1.3 billion	60%
54%		60%
(100% take up)	£1.6 billion	

Notes:

1. These costs are estimated for this year (2006/07) and could increase in the future depending on increases in council tax rates.
2. Costs are based on full take-up of new entitlement in comparison to full take-up of current entitlement.

The committee requested a range of additional statistical information about CTB. This is set out in Annexes 4 to 10.

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ANNEXES TO MEMORANDUM FROM COMMUNITIES AND LOCAL GOVERNMENT AND  
THE DEPARTMENT FOR WORK AND PENSIONS TO THE COMMUNITIES AND LOCAL  
GOVERNMENT SELECT COMMITTEE INQUIRY INTO COUNCIL TAX BENEFIT

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- Annex 2 History of changes to CTB since its introduction.
- Annex 3 CTB claim forms.
- Annex 4 Take-up and caseload statistics.
- Annex 5 Council tax benefit claimed and unclaimed by client group.
- Annex 6 An estimate of the overall number and percentage of eligible Council Tax Benefit customers in England who claimed Council Tax Benefit in each year since 1997 to the most recent year that figures are available, and a breakdown by tenure, including owner-occupiers, social rented and private rented.
- Annex 7 National Council Tax Benefit customers estimate figures by number and percentage in comparison to the take-up levels to Housing Benefit and Income Support. Current Council Tax Benefit uptake figures by region.
- Annex 8 An estimate for the number and percentage of pensioners in England who are currently in receipt of Council Tax Benefit.
- Annex 9 An estimate of the number and percentage of eligible Council Tax Benefit customers and actual customers in England who are pensioners in comparison with non-pensioners (working-age), based on the latest available figures.
- Annex 10 An estimate of the value of unclaimed Council Tax Benefit for each year since 1997 to the most recent year for which figures are available.  
An estimate for amount of money left unclaimed since 1997 to the most recent year for which figures are available in cash and in real terms at today's prices, and total cumulative amount.

**Annex 1**

*What is CTB?*

1. Council Tax Benefit is a non-contributory, income-related, social security benefit that provides help to people with low incomes to pay their council tax whether they are in or out of work. It is administered by local authorities.
2. People may qualify for help in two ways—main Council Tax Benefit (CTB) and Second Adult Rebate (SAR).
3. Main CTB of up to 100% rebate of Council Tax is based on the financial circumstances of the person liable for Council Tax.
4. SAR reduces the Council Tax bill by up to 25% and is based on the financial circumstances of a second adult who shares the home of someone solely liable for Council Tax.

*How does CTB work at present?*

5. CTB is worked out on the basis of an “applicable amount” which is the level of income at or below which full benefit is payable. The applicable amount is made up of personal allowances and premiums. The personal allowances vary according to age and whether a person is single or one of a married or unmarried couple. The premiums are awarded to those groups identified as having extra needs, for example, long term sick or disabled people and elderly people. The amount of CTB is therefore worked out by comparing income with the applicable amount.
  - If net income is equal to or is less than the applicable amount, the claimant will receive 100% of their eligible council tax less any non-dependant deductions (these are standard deductions which are made in respect of any non-dependant household member).
  - If net income is more than the applicable amount, the claimant will get less CTB. For each pound of extra income over the applicable amount, 20 pence will be taken off (this is the CTB taper).
6. People receiving the Guarantee Credit element of Pension Credit, Income Support or income-based Jobseeker's Allowance are deemed to have no income or capital and they receive maximum rebate (subject to deductions for any non-dependant household member). But they must claim CTB.
7. Anyone with savings, investments and other capital valued at more than £16,000 will not normally qualify for CTB. Capital of £6,000 or less is ignored. Capital of between £6,000 and £16,000 will affect entitlement to CTB.

8. This is because for every £250 or part of £250 (£500 or part thereof, if aged 60 or over), the council will take into account £1 per week when calculating entitlement (when tapered, 20 pence is taken off CTB). This is known as “tariff income”.

#### *How people apply for CTB*

9. If a customer makes a claim for Income Support/Jobseeker’s Allowance/Pension Credit, they can claim CTB at the same time. The CTB form should be returned directly to the local authority in these cases.

10. If a customer makes a claim for Income Support/Jobseeker’s Allowance/Incapacity Benefit in a Jobcentre Plus district utilising the Customer Management System (CMS) a single combined benefit claim will be taken and relevant details will be passed on the Local Authority.

11. If the customer has not claimed Income Support/Jobseeker’s Allowance/Pension Credit or is already receiving it or has a low income, they can get a form to claim CTB from the local authority. The completed form should be returned to the local authority.

#### *Relation to Housing Benefit*

12. Housing Benefit is a social security benefit that provides help with rent. It is also administered by LAs and many LAs process HB and CTB claims simultaneously. The rules for HB are broadly aligned with those for CTB.

## **Annex 2**

### **CTB HISTORY**

#### *1993*

CTB introduced with Council Tax. Replaced Community Charge Benefit.

#### *1994*

Persons from abroad excluded from CTB.

Habitual residence test introduced.

Working parents have certain childcare charges of up to £40 per week deducted from the earnings figure used to calculate CTB.

#### *1995*

CTB limited to 13 weeks when tenant temporarily away from home. Exemptions, eg hospital patients get up to 52 weeks.

#### *1996*

Most asylum seekers excluded from CTB.

People who find work after six months or more on IS or JSA(IB) continue to be paid their existing rate of CTB for four weeks.

Disregard for certain childcare charges increased to £60.

#### *1997*

Structure of non-dependant deductions revised.

New power to suspend CTB placed onus on claimant to resolve doubts about benefit entitlement.

#### *1998*

Restriction of CTB for properties in bands F, G and H to band E levels.

Family Premium (lone parent) abolished for new cases.

Maximum childcare disregard increased from £60 per week to £100 per week for families incurring relevant childcare charges for two or more children of qualifying age.

Allowance for children under the age of 11 increased by £2.50.

1999

Family Premium increased by an additional £2.50.

Pensioner premiums increased to match increase in IS minimum applicable amount to £77.00 for single person or £116.60 for couple.

CTB made conditional on provision of a National Insurance number—phased in from April 1999. The scope of the extended payments of CTB scheme broadened to include recipients of IS on the grounds of incapacity for work.

£60 and £100 maximum disregard for child care changes increased to £70 and £105 respectively. The qualifying age increased from 12 to 15 and from 12 to 16 for disabled children.

The relevant earnings disregard increased by £11.05 for most of those working at least 30 hours each week.

2000

Allowance for children under 11 further increased to equal the under 16 rate, leaving only one rate from birth until the first Monday in the September after the 16th birthday.

Asylum and Immigration Act introduced new support arrangements for asylum seekers from April 2000. Accommodation provided, other basic needs such as food provided through vouchers or other non-cash means.

2001

HB and CTB extended payment schemes simplified.

Pensioner premiums equalised to match changes in Income Support.

New premiums introduced—enhanced disability premium and bereavement premium.

First £6,000 (increased from £3,000) of capital ignored for people aged 60 or over and tariff income rules changed to be more generous, from £1 for every £250 (or part of) to £1 for every £500 (or part of).

HB and CTB review boards replaced by a right to appeal to an independent appeal tribunal.

Maximum deductions from earnings in respect of childcare costs increased to £94.50 (one child) and £140 (two or more children). Also help with childcare costs extended to periods of maternity leave, in certain circumstances.

2003

Introduction of Pension Credit. Applicable amounts for pensioners increased to reflect the maximum savings credit.

In May 2003 we extended the time before HB/CTB is reduced due to hospitalisation from six weeks to 52 weeks

2004

Removal of the CTB restriction for properties in bands F, G and H to band E levels.

From October 2004 we extended the time limit for claiming HB/CTB from three months to 12 months.

2005

From April 2005 we have provided that:

- If a non-dependant is receiving Pension Credit and lives in the household of a HB/CTB claimant of any age, no deduction may be made for that non-dependant from the HB/CTB.
- All the income and capital of and for children are ignored in the HB/CTB calculation.
- The 26 week deferral provisions for the non-dependant deduction are more equitable.
- If a person is deferring receipt of their State Pension no notional amount of State Pension will be taken into account in the HB/CTB calculation.

2006

From 1 April 2006 the maximum amount of SAR will be increased to 100% where a dwelling is occupied by a student or students and one or more people in receipt of Income Support, Pension Credit or and income-based Jobseeker's Allowance.

From April 2006 the lower capital limit was doubled from £3,000 to £6,000 across the income-related benefits, including CTB.

**Annex 3**

#### COUNCIL TAX BENEFIT CLAIM FORMS

There is no standard Council Tax Benefit (CTB) claim form as CTB is administered by 408 local authorities (LAs) each of whom is responsible for deciding what constitutes a valid claim for benefit, and for providing forms for the purpose of claiming CTB. However DWP issues model forms (with accompanying notes) designed for this purpose and recent survey results indicate that these are generally accepted and used by LAs. Those LAs who do not use the DWP model forms have indicated that their own forms request the same information as is included on the model form.

#### *Current CTB claim form*

The current main claim form is the HCTB1: A claim form for Housing Benefit and Council Tax Benefit.

#### *Forms used in 1997*

In 1997 the department used to issue two separate forms on behalf of Local Authorities: the NHB1HB: Your claim for Housing Benefit and the NHB1CTB: Your claim for Council Tax Benefit.

These forms not only duplicated questions that the LA needed for CTB and HB, but they were also of little use to LAs as they only allowed decisions to be made in a minority of cases:

- HB claims where the claimant was in Local Authority housing with no non-dependants.
- CTB claims where the claimant was a single person with no non-dependants.

#### *Changes introduced in 2003*

In line with common LA practice of providing a single benefit claim form for both HB and CTB, we designed the joint form HCTB1: A claim form for Housing Benefit and Council Tax Benefit which was introduced from April 2003.

Since that date we have maintained and amended the form to reflect legislative changes simplifying CTB and HB, as well as expanding the range to introduce specific tailored versions for pensioner use.

#### *Changes introduced in 2004*

In February 2004 we introduced the *HCTB1(PC): A claim form for Housing Benefit and Council Tax Benefit for pensioners*. This form was shorter than the HBCTB1 as it did not include questions on areas which analysis indicated were only required in a minority of pensioner cases. These questions were replaced with trigger questions that would prompt the collection of further information (where required) by using supplementary forms. These are:

- HCTB1(PC)C Information about children.
- HCTB1(PC)ND Information about non-dependants.
- HCTB1(PC)W Information about employment.
- HCTB1(PC)SE Information about self-employment.

#### *Changes introduced in 2005*

We further simplified the process for pensioners in September 2005 when we introduced the *HCTB1(PCA) A claim form for Housing Benefit and Council Tax Benefit for pensioners for use by customers receiving or applying for Pension Credit*. This form would still at times require use of the *HCTB1(PC)C* and *HCTB1(PC)ND* supplementary forms as well as a new *HCTB1(PC)RT* supplementary form (*Information about rent*) for customers also claiming HB.

*The “Rapid reclaim” form*

In addition to the main claim forms, in October 2002 we introduced the “Rapid Reclaim” form *HBRR1: Your reclaim for Housing Benefit and Council Tax Benefit*. This allowed customers who reclaimed Income Support or Jobseekers Allowance within 12 weeks of a previous award to reclaim HB/CTB at the same time using a quicker process.

Copies of the claim forms are attached here:<sup>43</sup>

**Annex 4**

TAKE-UP AND CASELOAD STATISTICS: BACKGROUND

- The briefing asks for uptake figures, which could be interpreted as either caseload figures or take-up figures.
- The term “caseload” refers to the number of people in receipt of a benefit at any one time. It is therefore given as a number, eg 4.86 million people were in receipt of Council Tax Benefit during 2004–05.
- The term “take-up” compares the number of recipients of a benefit—averaged over one year—with the number of people who are entitled to receive that benefit. It is therefore given as a proportion, for example, take-up of Council Tax Benefit at any point in time during 2004–05 was between 62% and 68%.

AVAILABILITY OF TAKE-UP ESTIMATES AT A REGIONAL LEVEL

- Estimates of take-up are based on two data sources. The first is the number of recipients of a particular benefit, which can be obtained from the department’s administrative data. The second is an estimate of the number of people who are eligible, but not receiving that benefit. This estimate is derived from the Family Resources Survey (FRS).
- The FRS is designed to be a nationally representative sample, and the size of the sample allows us to estimate eligibility at the level of Great Britain. Estimates of eligibility below the level of Great Britain would require reliable estimates of the numbers of people entitled to but not receiving a benefit, which do not exist. This is because of the restrictive sample sizes below the level of Great Britain, and also because the survey data cannot be reliably corrected for variations in the level of people not responding.
- As a result, estimates of take-up are only available at the level of Great Britain.

WHY TAKE-UP ESTIMATES LAG BEHIND ESTIMATES OF CASELOAD

- It takes time to carry out and analyse surveys so the information is often out of date.
- Because of their complexity, there is a significant lag in the production of take-up statistics. The complexity surrounds the judgement of which biases may be present in our estimates of take-up, and if they are present, to what extent.
- This means that it is hard to immediately evaluate the impact of any take-up initiatives, especially those on a local level given that we are unable to produce estimates below a national level.
- However, due to improvements in timeliness, take-up estimates are now published significantly earlier than in previous years.
- The following table (Figure 1) shows the time lag between the end of the reporting period and date of publication, for the last five reporting years.

**Figure 1**

<i>Financial year</i>	<i>Months after end of financial year</i>
2004–05	19 months
2003–04	22 months
2002–03	23 months
2001–02	23 months
2000–01	26 months

**Annex 5**

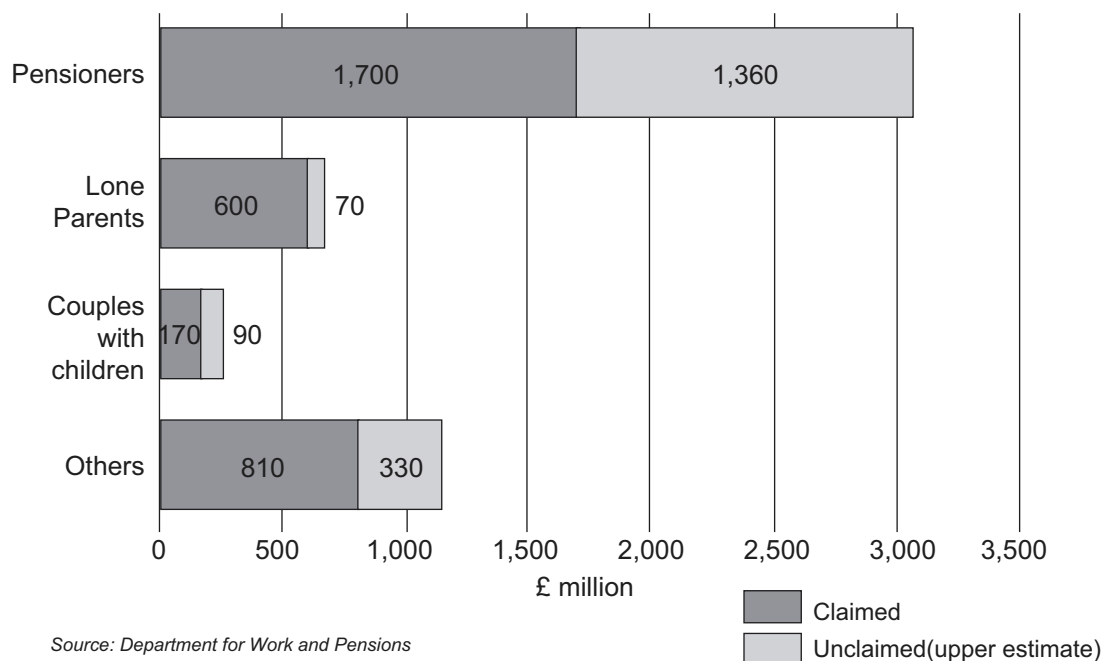
The committee requested a table and figures based on the latest available data showing Council Tax Benefit claimed and unclaimed by client group and suggested this could be done by updating the table (Chart 7.10, p 251) given in the Lyons Report, although the Committee would require a definition of the “Other” client group.

<sup>43</sup> Not printed.

The latest available data is that published in the Lyons report. The table is reproduced here.

**Figure 1a**

Chart 7.10: Council tax benefit claimed and unclaimed by client group, 2004-05



The definition of “Others” is as follows: working-age single males with no children, working-age single females with no children, and working-age couples with no children. Any family that has at least one individual age 60 or above is classed as a pensioner, and will not be classed in the “other” group.

## Annex 6

An estimate of the overall number and percentage of eligible Council Tax Benefit claimants in England who claimed Council Tax Benefit in each year since 1997 to the most recent year that figures are available, and a breakdown by tenure, including owner-occupiers, social rented and private rented.

- Figures are available for Great Britain only, for the reasons given above.
- Figures for each tenure type, and the total, are given in Figures 2 to 5.

**Figure 2**

### ELIGIBLE POPULATION, NUMBER OF RECIPIENTS, AND PROPORTION OF THOSE ELIGIBLE IN RECEIPT, FOR OWNER OCCUPIERS

	<i>Eligible population; thousands</i>	<i>Number of recipients; thousands</i>	<i>Take-up; percentage</i>
1997–98	2,320 : 2,530*	1,400	55 : 60
1998–99	2,220 : 2,460	1,270	52 : 57
1999–2000	2,140 : 2,420	1,140	47 : 54
2000–01	2,130 : 2,420	1,050	43 : 49
2001–02	2,380 : 2,700	1,040	39 : 44
2002–03	2,470 : 2,800	1,040	38 : 43
2003–04	2,790 : 3,170	1,110	35 : 40
2004–05	3,100 : 3,520	1,280	36 : 41

\* Example: The figures in this cell are the sum of Recipients (1,400,000) added to both the upper and lower ranges of the estimate of Entitled Non Recipients (930,000: 1,130,000).

**Figure 3**

ELIGIBLE POPULATION, NUMBER OF RECIPIENTS, AND PROPORTION OF THOSE  
ELIGIBLE IN RECEIPT, FOR SOCIAL RENTERS

	<i>Eligible population; thousands</i>	<i>Number of recipients; thousands</i>	<i>Take-up; percentage</i>
1997–98	2,680 : 2,860	2,590	91 : 97
1998–99	2,640 : 2,810	2,550	91 : 97
1999–2000	2,560 : 2,740	2,460	90 : 96
2000–01	2,450 : 2,600	2,290	88 : 94
2001–02	2,300 : 2,450	2,150	88 : 93
2002–03	2,290 : 2,420	2,160	88 : 94
2003–04	2,110 : 2,240	1,950	87 : 92
2004–05	1,900 : 2,020	1,770	87 : 93

**Figure 4**

ELIGIBLE POPULATION, NUMBER OF RECIPIENTS, AND PROPORTION OF THOSE  
ELIGIBLE IN RECEIPT, FOR PRIVATE RENTERS

	<i>Eligible population; thousands</i>	<i>Number of recipients; thousands</i>	<i>Take-up; percentage</i>
1997–98	1,550 : 1,680	1,390	82 : 89
1998–99	1,600 : 1,740	1,410	81 : 88
1999–2000	1,570 : 1,720	1,390	81 : 89
2000–01	1,550 : 1,720	1,360	79 : 87
2001–02	1,670 : 1,830	1,420	78 : 85
2002–03	1,620 : 1,780	1,380	79 : 86
2003–04	1,860 : 2,020	1,570	78 : 85
2004–05	2,110 : 2,300	1,810	78 : 86

**Figure 5**

ELIGIBLE POPULATION, NUMBER OF RECIPIENTS, AND PROPORTION OF THOSE  
ELIGIBLE IN RECEIPT, FOR ALL TENURE TYPES

	<i>Eligible population; thousands</i>	<i>Number of recipients; thousands</i>	<i>Take-up; percentage</i>
1997–98	6,580 : 7,040	5,380	76 : 82
1998–99	6,480 : 6,980	5,230	75 : 81
1999–2000	6,270 : 6,850	4,990	73 : 80
2000–01	6,150 : 6,710	4,700	70 : 76
2001–02	6,370 : 6,950	4,610	66 : 72
2002–03	6,440 : 7,020	4,570	65 : 71
2003–04	6,790 : 7,400	4,640	63 : 68
2004–05	7,130 : 7,810	4,860	62 : 68

## Notes:

1. Caseload recipient and eligible population figures are rounded to the nearest 10,000.
2. Estimates of those eligible and the take-up are given as ranges, within which it can be assumed the true figure lies. These ranges account for possible biases in the underlying data.
3. Eligible Population—Eligible Population ranges are the sum of Recipients and the range of Entitled Non-Recipients.
4. Excluded from the tables are full-time self employed cases and those not living in private households. Therefore, estimates of claimants will not match other published sources.
5. Private Renter—The Private Renter category used here includes people renting accommodation from Registered Social Landlords.
6. Social Renter—Social Renter includes people who rent their accommodation from the Local Authority Council, and the housing does not come with a job.



7. Figures for tenure types may not sum to total population due to rounding, and the fact that 95% confidence intervals have been calculated separately for components and totals to reflect sampling error.

**Annex 7**

National Council Tax Benefit claimant estimate figures by number and percentage in comparison to the take-up levels to housing benefit and income support, and Current Council Tax Benefit uptake figures by region.

- Take-up figures are available for Great Britain only, for 2004/05 for the reasons given above. These are shown in Figure 6.
- Actual recipient figures by government region and the total as at November 2006 are given in Figure 7.
- Actual Recipient figures for housing benefit and income support are shown for comparison.

**Figure 6**

NUMBER OF RECIPIENTS AND TAKE-UP RANGES OF HB, CTB  
AND INCOME SUPPORT (IS)

<i>Benefit</i>	<i>Number of recipients</i>	<i>Take-up range</i>
Council Tax Benefit	4.86 million	62–68%
Housing Benefit	3.91 million	84–91%
Income Support	2.15 million	83–94%

Notes:

1. All figures relate to 2004–05.
2. Recipient numbers are rounded to the nearest 10,000.
3. Source document: Income related benefits estimates of take-up in 2004–2005.

**Figure 7**

NUMBER OF RECIPIENTS OF HB, CTB AND INCOME SUPPORT (IS) BY GOVERNMENT  
OFFICE REGION: GREAT BRITAIN, NOVEMBER 2006

<i>Government Office Region</i>	<i>Housing Benefit</i>	<i>Council Tax Benefit</i>	<i>Income Support</i>
Great Britain	4,028,760	5,084,300	2,131,980
North East	227,050	294,660	115,380
North West	518,390	684,750	306,820
Yorks and Humber	350,470	461,050	182,950
East Midlands	246,040	337,730	129,610
West Midlands	364,250	501,100	195,200
East	297,830	390,610	143,990
London	694,300	728,950	375,910
South East	413,810	501,720	196,000
South West	284,830	367,420	141,190
Wales	200,640	281,630	125,370
Scotland	431,160	534,680	219,120
Unknown	—	—	430

*Source:* Housing Benefit and Council Tax Benefit Management Information System Quarterly 100% caseload stock-count taken in November 2006.

DWP Information Directorate: Work and Pensions Longitudinal Study.

Notes:

1. The data refers to benefit units, which may be a single person or a couple.
2. The figures have been rounded to the nearest 10.
3. Housing Benefit/Council Tax Benefit figures for any non-responding authorities have been estimated.
4. Housing Benefit figures exclude any Extended Payment cases.
5. Council Tax Benefit totals exclude any Second Adult Rebate cases.
6. “—” denotes nil or negligible.

7. Income Support figures exclude residual MIG cases. These are mainly cases where the claimant is aged under 60 and the partner over 60.
8. Totals may not sum due to rounding.

**Annex 8**

An estimate for the number and percentage of pensioners in England who are currently in receipt of Council Tax Benefit.

**Figure 8****COUNCIL TAX BENEFIT RECIPIENTS BY AGE: ENGLAND, NOVEMBER 2006**

<i>All recipients</i>	<i>Number aged 60 and over</i>	<i>% of all pensioner householders</i>
4,267,990	2,101,640	29.8

Source:

1. Housing Benefit and Council Tax Benefit Management Information System Quarterly 100% caseload stock-count taken in November 2006.
2. Department for Communities and Local Government (DCLG) 2004 household population estimates for England (based on 2003 household projections).

Notes:

1. The data refers to benefit units, which may be a single person or a couple.
2. The figures have been rounded to the nearest ten and percentage to one decimal place.
3. Council Tax Benefit figures for any non-responding authorities have been estimated.
4. Council Tax Benefit totals exclude any Second Adult Rebate cases.
5. Pensioner households are defined as those where the household representative is aged 60 or over.
6. The total number of CTB recipients in this table is for England only, and so is lower than the total number in the preceding table (Figure 7).

**Annex 9**

An estimate of the number and percentage of eligible Council Tax Benefit claimants and actual claimants in England who are pensioners in comparison with non-pensioners (working-age), based on the latest available figures.

Figures are not available for England, for the reason given above. Estimates for Great Britain are as follows:

**Figure 8****NUMBER AND PERCENTAGE OF ELIGIBLE CTB CLAIMANTS SPLIT BY PENSIONER AND WORKING-AGE**

	<i>Number eligible; thousands</i>	<i>Percentage</i>
All	7,130 to 11,990	100%
Pensioners	4,310 to 6,800	57% to 60%
Working-age	2,800 to 5,170	39% to 43%

Notes:

1. Numbers eligible are rounded to the nearest 10,000.
2. Estimates of those eligible are given as ranges, within which it can be assumed the true figure lies. These ranges account for possible biases in the underlying data.
3. Figures for pensioners and working-age may not sum due to rounding, and the fact that 95% confidence intervals have been calculated separately for components and totals to reflect sampling error.
4. Figures relate to 2004–05, and are for Great Britain.
5. Estimates relate to private households only and exclude the full-time employed.

**Figure 9**

NUMBER AND PERCENTAGE OF CTB RECIPIENTS SPLIT BY PENSIONER  
AND WORKING-AGE

	<i>Number of claimants; thousands</i>	<i>Percentage</i>
All	4,860	100%
Pensioners	2,490	51%
Working-age	2,370	49%

Notes:

1. Numbers of claimants are rounded to the nearest 10,000.
2. Figures for pensioners and working-age may not sum due to rounding.
3. Figures relate to 2004–05, and are for Great Britain.
4. Claimants is the annual average for 2004–05.
5. Estimates relate to private households only and exclude the full-time employed. The estimates given here are therefore not consistent with other published sources.

**Annex 10**

An estimate of the value of unclaimed Council Tax Benefit for each year since 1997 to the most recent year for which figures are available; and An estimate for amount of money left unclaimed since 1997 to the most recent year for which figures are available in cash and in real terms at today's prices, and total cumulative amount.

Estimates for both these questions are given in Figure 10:

**Figure 10**

UNCLAIMED COUNCIL TAX BENEFIT AMOUNTS SINCE 1997–98; IN NOMINAL  
AND 2007–08 MARKET PRICES

	<i>Total range unclaimed; Millions of Pounds</i>	<i>Total range unclaimed in 2007–08 market prices; Millions of Pounds</i>	<i>Cumulative total range unclaimed; Millions of Pounds</i>	<i>GDP deflator, 2007–08 = 105.242</i>
1997–98	400 : 600	510 : 760	510 : 760	82.866
1998–99	440 : 650	540 : 810	1,050 : 1,570	84.972
1999–2000	460 : 710	560 : 860	1,610 : 2,430	86.690
2000–01	590 : 860	710 : 1,030	2,320 : 3,470	87.909
2001–02	760 : 1,060	890 : 1,240*	3,210 : 4,710	89.996
2002–03	880 : 1,200	1,000 : 1,360	4,210 : 6,080	92.780
2003–04	1,150 : 1,540	1,270 : 1,690	5,480 : 7,770	95.539
2004–05	1,330 : 1,800	1,430 : 1,930	6,900 : 9,700	98.169

\* For example, in 2001–02, the total range of Council Tax Benefit left unclaimed at present (2007–08) market prices was between 890 and 1,240 Million Pounds.

Notes:

1. The data source of the estimates is the Family Resources Survey which is used to estimate unclaimed Council Tax Benefit amounts.
2. Data presented here refer to Great Britain level and only cover people in private households, since the Family Resources Survey includes only those people residing in private households.
3. Total range unclaimed estimates are presented as ranges to account for possible biases inherent in estimates from data less than perfect, and sampling error.
4. Comparisons of unclaimed amounts over time should be treated with caution. Biases can change over time, and estimates are not recast in light of methodological improvements, with the exception of the one year prior to any change.
5. For years 1997–98 to 2004–05 the GDP Deflator has been calculated from ONS data for seasonally adjusted current and constant price GDP (YBHA and ABMI).
6. For the year 2007–08 the GDP deflator has been derived from HM Treasury forecasts for GDP deflator increases at the Budget Report 2007.
7. Amounts unclaimed are rounded to the nearest £10 million.
8. Calculations are based on unrounded figures.

### Supplementary memorandum by Halton Borough Council (CTB 16)

The amount of Council Tax debit at Halton Borough Council was £44 million in 2006–2007.

A total amount of £8.5 million worth of benefit was awarded against this debit.

Halton Council has undertaken two main categories of take up campaign.

The first centred on the Benefit Express and the visiting officers as outlined in my memorandum to the Committee. This generated £300k of welfare rights benefits of which £60k related to Council Tax Benefit.

The second was the Take Up campaign undertaken by the Welfare Rights Section. This generated £2.15 million of additional welfare rights benefits of which £70k related to Council Tax Benefit.

Both of the above campaigns are on going and are carried out in partnership with key stakeholders. A survey is completed on each visit to assess customer's satisfaction. This, obviously, is extremely high at 98% total satisfaction.

With regard to the query regarding the “top quartile” figures this relates to the information supplied to the Department of Works and Pension.

For 2006–07 the Benefit Section was top quartile as illustrated by the following Performance Measures.

	Top quartile	Halton's performance
Average number of calendar days to process a new claim for Housing Benefit and Council Tax Benefit	under 30 days	19 days
Percentage of new claims outstanding over to days	under 9%	0%
Percentage of new claims decided within 14 days of receipt of all necessary information	over 90%	94%
Average number of calendar days to process a change of circumstances	under 9 days	5 days
Accuracy of processing	over 99%	100%

### Supplementary memorandum by the Department for Work and Pensions (CTB 17)

#### SUPPLEMENTARY INFORMATION TO ANNEX 6

An estimate of the overall number and percentage of eligible council tax benefit claimants in England claimed council tax benefit in each year since 1997 to the most recent year that figures are available.

#### ELIGIBLE POPULATION, NUMBER OF RECIPIENTS, AND PROPORTION OF THOSE ELIGIBLE IN RECEIPT, FOR ALL TENURE TYPES

	<i>Eligible population; thousands</i>	<i>Number of recipients; thousands</i>	<i>Take-up; percentage</i>
1997–98	6,580 : 7,040	5,380	76 : 82
1998–99	6,480 : 6,980	5,230	75 : 81
1999–2000	6,270 : 6,850	4,990	73 : 80
2000–01	6,150 : 6,710	4,700	70 : 76
2001–02	6,370 : 6,950	4,610	66 : 72
2002–03	6,440 : 7,020	4,570	65 : 71
2003–04	6,790 : 7,400	4,640	63 : 68
2004–05	7,130 : 7,810	4,860	62 : 68

#### Notes:

1. Caseload recipient and eligible population figures are rounded to the nearest 10,000.
2. Estimates of those eligible and the take-up are given as ranges, within which it can be assumed the true figure lies. These ranges account for possible biases in the underlying data.
3. Eligible Population—Eligible Population ranges are the sum of Recipients and the range of Entitled Non-Recipients.
4. Excluded from the tables are full-time self employed cases and those not living in private households. Therefore, estimates of claimants will not match other published sources.
5. Private Renter—The Private Renter category used here includes people renting accommodation from Registered Social Landlords.
6. Social Renter—Social Renter includes people who rent their accommodation from the Local Authority Council, and the housing does not come with a job.

7. Figures for tenure types may not sum to total population due to rounding, and the fact that 95% confidence intervals have been calculated separately for components and totals to reflect sampling error.

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**Memorandum by Worcestershire County Council (CTB 18)**

**1. THE CASE FOR REBRANDING COUNCIL TAX BENEFIT AS A “REBATE”**

This would be sensible as it may reduce the pride and self-reliance problems currently experienced by some people when claiming benefits.

**2. THE ROLE AND EFFECTIVENESS OF GOVERNMENT IN INCREASING COUNCIL TAX BENEFIT UPTAKE LEVELS**

The correct framework should be put in place by central government to ensure uptake is improved.

Take up may be further improved if the information were linked to that currently collected by the Pensions Service and also information collected on non-pensioners such as the data for tax credit and working families tax credit.

**3. THE CASE FOR IMPROVEMENTS TO THE PROCESSING OF PENSION CREDITS CLAIMS TO ENABLE THE PENSIONS SERVICE TO ACT AS A PORTAL TO REBATES FOR ALL CALLERS, REGARDLESS OF PENSION CREDIT ELIGIBILITY, AND TO EXAMINE STEPS TO IMPROVE DATA SHARING**

This would be a sensible idea as pensioners would only have to give information once and should then automatically receive rebate if entitled. However, the same system should be in place for non-pensioners, WTC may be the portal to use for non-pensioners

**4. THE CASE FOR REFORM OF THE COUNCIL TAX BENEFIT ELIGIBILITY INCLUDING THE CASE FOR CHANGING OR ABOLISHING THE SAVING LIMIT IN COUNCIL TAX BENEFIT FOR PENSIONERS, AND THE CASE FOR ALIGNING COUNCIL TAX REBATE THRESHOLDS WITH OTHER PARTS OF THE TAX SYSTEM**

Reform to CTB is needed and in order for this reform to take place it will be necessary to detach it from income-related benefits into a Council Tax rebate.

Careful consideration should be given to how savings limits should be applied and whether it is age that is the determining factor or wealth. It may be difficult to justify changes to savings limits on age alone.

In addition, thought should be given as to how additional costs of changing savings limit would be funded and whether the additional cost will fall on either the local or national taxpayer.

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**Memorandum by Rushcliffe Borough Council (CTB 19)**

- the case for re-branding council tax benefit as a “rebate”; Agreed, if the change of terminology was made then take up may increase. The proposal is consistent with the terminology used for rent rebate where any entitlement is credited directly to an account.
- the role and effectiveness of Government in increasing council tax benefit uptake levels; There have been annual campaigns by Government over the past four years to raise the profile of CTB. We would support, in principle, any initiatives to encourage CTB take-up, providing they do not further complicate the administration of benefits.
- the case for improvements to the processing of pension credit claims to enable the Pension Service to act as a portal to rebates for all callers, regardless of pension credit eligibility and to examine steps to improve data sharing. Agreed, in principle, however, thought must be given to ensuring that whatever improvements that are put in place for the pension service to act as a portal are also put in place for housing benefit claims where there is an entitlement. (Currently, where both benefits are being claimed, only one claim needs to be made for both).
- the case for reform of the council tax benefit eligibility criteria including the case for changing or abolishing the saving limit in council tax benefit for pensioners, and the case for aligning council tax rebate thresholds with other parts of the tax system. Currently, the fundamental personal data, such as income, savings, family circumstances that are used to calculate both HB and CTB are broadly similar. This proposal would mean using different rules for calculating CTB and would further complicate an already complex system. Furthermore, the cost implications for software changes should not be underestimated.

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## Supplementary memorandum by Citizens Advice (CTB 20)

### THE STRUCTURE OF COUNCIL TAX BENEFIT

Council tax benefit (CTB) is intended to help people on low incomes meet their council tax liability. People who receive income-based jobseeker's allowance, income support or the guarantee element of pension credit receive full CTB and usually pay no council tax, subject to any non-dependent deductions.

For people who are not in receipt of these benefits, CTB is calculated by comparing income against an "applicable amount" which is determined by reference to a set level and the circumstances of the claimant. Those who have income less than or equal to their applicable amount receive the full amount of CTB. However, people with income above their applicable amount have CTB reduced by 20p for every £1 of the excess. In addition, possession of capital of more than £16,000 removes eligibility for CTB, except for people over 60 who qualify for the guarantee element of Pension Credit.

### INTERACTIONS WITH OTHER BENEFITS AND TAX CREDITS

As Citizens Advice has highlighted previously, those who do not benefit from a passport to full CTB can suffer high marginal deduction rates from the interactions between CTB and other benefits such as housing benefit (HB) and tax credits.<sup>44</sup>

While the withdrawal rate for CTB is only 20%, withdrawal rates for other benefits can be added to this figure—for example a 65% withdrawal rate for HB and 37% withdrawal rate for working tax credit. Thus, for example, when a person's income is raised by working tax credit (WTC) the tapers of HB and CTB combine to give a marginal rate of deduction equal to 85%, which means a person gains only 15 pence for every extra pound earned. Such significant marginal rates of deduction can mean that people are often little better-off in work than in receipt of benefits, and consequently any incentive to return to work is considerably weakened.

The following cases demonstrate the impact that such interactions can have on CAB clients and their decisions over whether to return to work:

A Sussex CAB reported a case in which their client, a 34-year-old single male, was coming to the end of his drug rehabilitation programme and wanted to return to work since he had not worked for 10 years. The client was in receipt of long term incapacity benefit (IB), housing benefit (HB) and council tax benefit (CTB). The client had been offered a full time job, but was reluctant to accept it because he feared that he would be worse off because he would not be entitled to HB or CTB. The employment was for 38 hours per week at £6.50 an hour. Because the client was on IB, he was not entitled to any extensions of benefit if he were to take up a job offer, unlike those who receive income support (IS) or jobseekers allowance (JSA). By returning to full time employment, the client would be entitled to working tax credit (WTC) but not to HB or CTB. The client was therefore better off remaining unemployed and receiving benefits.

A CAB in Somerset reported that their client, a 46-year-old in receipt of incapacity benefit whose partner was not working and who had a 15 year old son, wished to start working for 40 hours per week, at £6.50 per hour. The client was receiving £30.90 income support; £44.38 child tax credit (CTC); £81.45, housing benefit; £22.42 council tax benefit and £76.65 non means tested benefits, which amounted to £255.80 in all. A calculation performed by the adviser showed that if the client proceeded with his intention to return to work, he would receive £44.38 CTC; £76.58 working tax credit (WTC); £17.45 non means tested benefits; plus £211.07 net income from work—£349.48 in total. However, the client would then need to pay rent & council tax worth approximately £103.87 per week meaning that overall the client would therefore be worse off. Unsurprisingly the client decided not to return to work.

A Hampshire CAB reported that a client visited the bureau querying the fact that he no longer qualified for council tax benefit. A subsequent benefit check showed that this was correct. The client had recently been awarded working tax credit, which put him out of the council tax benefit bracket. The client is, however, only slightly better off, which made the client wonder whether it was worth the bother of applying for working tax credit.

A CAB in Wiltshire reported a case involving a client who had recently separated from her partner and who had a three year old daughter. The client was planning on moving into rented accommodation and wanted to check how much of her rent would be covered by housing benefit (HB) if she worked for 5.5 hours per week or 16 hours per week. Her hourly rate was £5.10. On doing a better off calculation, the client was better off working 5.5 hours per week as she would get full HB and council tax benefit plus some income support, and would also be able to keep £20 of her earnings. If, however, the client worked 16 hours per week, she would receive working tax

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<sup>44</sup> Benefit simplification—Evidence to the Work and Pensions Select Committee inquiry, Citizens Advice, April 2007, Paragraph 26.

credit and have approximately £40 per week more income, but then would have almost exactly £40 deducted from her CTB and HB, so will be no better off than if she does not work and claims income support. As a result, the client had no financial incentive to earn more than £20 a week.

A Sussex CAB reported that their client had previously had to give up work due to a mental breakdown. The client now felt well enough to work again helping people cope with mental difficulties, but wanted to know if she would be better or worse off in work. The bureau adviser performed a better-off calculation. Factoring in the amount she would have to pay for Council Tax and Rent as a result of earning, it worked out that she would be about £50 worse off if she took up the offer of part-time work despite now being entitled to working tax credit as well as the child tax credit she gets for her one dependant child. The client was very disappointed and frustrated—she felt that she had a lot to offer as she had experienced real mental distress and could empathise with others, but she could not afford to be worse off.

### Supplementary evidence by the Department for Work and Pensions (CTB 21)

1. Please provide an estimate of the number of people who do not pay income tax, as their incomes are too low but are liable for full council tax.

There are 700,000\* adults who do not pay income tax but are liable for full council tax.

2. Please provide an estimate of the number of people who are not eligible for CTB but are below the poverty line (and define the definition). In addition, please include an estimate of the number of children who live in households that are not eligible for CTB but are below the poverty line.

There are 1.4 million\* adults who are below the poverty line and are liable for full council tax.

There are around 600,000\* children living in families that are liable for full council tax and living below the poverty line. (A household living below the poverty line is defined as having income below 60% of median income.)

\*Note

- (a) These figures have been derived using the Policy Simulation Model (PSM) which uses data from the Family Resources Survey (FRS).
- (b) The PSM models the calculation of individual taxes and income related benefit entitlement, by deriving detailed microdata from the latest available Family Resources Survey (FRS).
- (c) The PSM models the current policy year (07/08) using the latest FRS data (2005–06), by up-rating the FRS to represent the appropriate policy year.
- (d) The analysis provided assumes full take-up of income related benefits in the current policy year (2007–08).

3. Please provide an estimate of the number of pensioners that are not eligible for Pension Credit but who are eligible for CTB (based on national data). Related to this . . . please provide the estimated number of callers per year to the Pension Service that call to claim Pension Credit but are assessed as not eligible. Any data on estimates of the type of real amounts of CTB that these people could potentially claim would be useful additional information (people who are not eligible for Pension Credit but eligible for CTB).

(a) *Estimates of pensioners not eligible for Pension Credit but eligible for CTB, and amount of CTB entitlement*

**Figure 1**

Number of pensioners who are not entitled to Pension Credit but are entitled to CTB.	1,000,000
Number in receipt of CTB	200,000
Number not in receipt of CTB	800,000
Mean amount those in receipt of CTB are entitled to	£7.46
Mean amount those not in receipt of CTB could be entitled to	£6.82

Note: Figures are taken from raw data and are subject to some bias. It has not been possible to produce robust figures in the time available and therefore the figures are indicative, and are not to be interpreted or treated as published figures. Calculations have been rounded to the nearest 100,000.

(b) *The estimated annual number of callers to The Pension Service who call to claim Pension Credit but are assessed as not eligible*

There are two ways in which people applying for Pension Credit could be classed as “ineligible”. The Pension Credit processing system used by agents taking telephone applications has an ‘entitlement monitor’, which performs a running calculation of entitlement during the call based on the information the customer has given. If the information provided indicates that the customer is not entitled to Pension Credit, the agent tells the customer and gives them the opportunity to discontinue their application.

Customers who make a full application for Pension Credit (either by phone, or by making a paper claim) will have their application assessed and at this stage the decision is made about whether or not they are entitled to Pension Credit.

Figures for both these scenarios are given below. The first table relates to the entitlement monitor, and therefore shows telephone applications only. The second table shows decisions made on all applications, whether made by phone or in writing.

**Figure 2**

Telephone applications for Pension Credit where the “entitlement monitor” has indicated the customer is not entitled to Pension Credit and they have chosen not to continue with their application (2006–07).

Total number of telephone applications	1,038,275
Number of applications discontinued as a result of the entitlement monitor	41,185 (4%)

**Figure 3**

Pension Credit applications made in full (both phone and paper applications) in 2006–07.

Total number of Pension Credit applications processed	356,006
Number not entitled	77,112 (22%)

**Supplementary memorandum by Help the Aged (CTB 22)**

**EXTENDING THE CAPACITY OF THE PENSION SERVICE TO TAKE ALL COUNCIL TAX BENEFIT CLAIMS REGARDLESS OF ELIGIBILITY TO PENSION CREDIT**

*Numbers affected*

In 2004–05 there were 4.2 million pensioners eligible for pension credit, there were 4.72 million eligible to council tax benefit. This means that 500,000 people could benefit if the Pension Service were to allow people to claim council tax benefit over their phone line. (The number may in fact be greater as we cannot assume all those eligible for pension credit are eligible to council tax benefit because you can still get savings credit if you have over £16,000 in savings.)

*Impact on non take-up*

In terms of impact, if these extra 500,000 people claimed CTB that would increase take-up by 10%. However, it is clear that much of the low take-up still relates to those who have claimed neither pension credit, nor council tax benefit. This reinforces the argument for a system which fully automates payment of council tax benefit which could also act as an effective trigger to getting the same individuals to get pension credit.

**IMPROVING COUNCIL TAX BENEFIT TAKEUP—IMPACT ON PENSIONER POVERTY AND WELLBEING**

It is sometimes argued that with the average amounts unclaimed being around £11 per week, that this would not make a substantial difference to people. Help the Aged firmly believes that even these seemingly small amounts would make a powerful difference.

Research we have commissioned from the Institute of Fiscal Studies which is due to be published on 18 July, shows that full take-up of Council Tax Benefit alone would take 200,000 individuals out of poverty. There would also be a similar impact on deep poverty (those living on incomes below 50% median). (nb—for those removed from deep poverty many may remain in poverty.)

In qualitative research carried out by Help the Aged individuals regularly state that they cut back on food and heating in order to pay household bills, this is borne out in DWP research. It may be that people are reluctant to claim small amounts, but we believe that this is often a matter of poor presentation by Government—if people were told they were missing out on £600 a year rather than £11 a week they may respond differently.

Figures are based on ONS—Income Related Benefits Estimates of Take-up in 2004–05 published in 2006.



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### Supplementary memorandum by Halton Borough Council (CTB 23)

#### ADDITIONAL INFORMATION REGARDING THE EFFECT OF TAPERS IN HOUSING BENEFIT AND COUNCIL TAX BENEFIT

Detailed below is a worked example of the effect tapers can have on a person's claims for benefit.

Initially it is important to understand the following terms.

**Applicable amount:** This is the figure used to calculate both Housing Benefit and Council Tax Benefit. It is to reflect what a claimant and any members of their family are supposed to live on. It is made up of personal allowances and any premiums, which may or may not apply. It is based on individual circumstances, (age, dependants etc).

**Assessed Income:** This is the figure used in the calculation of HB and CTB. There are a whole raft of rules and regulations concerning how individual types of income are treated. Some is disregarded in full, some has an earned income disregard applied to it, etc.

If a claimant is in receipt of Income Support or JSA (income based) or the Guarantee Pension Credit then their income is treated as being below their applicable amount and hence they are awarded the maximum benefit.

If the claimant is not on one of the above then the Local Authority calculates their applicable amount and also their assessed income for benefit purposes. When calculating a persons assessed income there are many disregards to be applied ie income that is not taken into account, for example, war pensions or earned income disregards.

As the income increases above their applicable amount the amount of benefit is withdrawn via a taper.

The tapers at present are 20% for Council Tax and 65% for Housing Benefit.

This is where the problem starts. When people start to move above these applicable amounts, the rate that they are taken out of benefit is extremely steep, thereby creating what used to be known as the "poverty trap". This is where if your income takes you above your applicable amount it needs to take you well above it otherwise any increase in assessed income is negated by a reduction in benefit.

At the Enquiry I mentioned that if a claimant had a £5 increase in income they could lose £4.25 in benefit. This is illustrated in the worked example below.

#### *Example*

Claimant

Applicable amount is £150

Assessed Income £160

Their income exceeds their applicable amount by £10

Rent £95

Council Tax £5

Taking into account the above, the calculation would be:

**Housing Benefit**

65% of £10 = £6.50 which is deducted from the maximum benefit of £95.

This gives Housing Benefit of £88.50

**Council Tax Benefit**

20% of £10 = £2.00 which is deducted from the maximum benefit of £5

This gives Council Tax Benefit of £3

It does not matter if the claimant is a young person or a pensioner or has a large family. In the above example a £5 increase in assessable income (remember there are lots of rules around how you calculate this) would have the following effect.

Applicable amount is £150 (unchanged)

Assessed Income £165 (£5 increase)

Their income exceeds their applicable amount now by £15

Rent £95 (unchanged)

Council Tax £5 (unchanged)

The calculation would be:

Housing Benefit

65% of £15 = £9.75 which is deducted from their maximum benefit of £95.

This gives Housing Benefit of £85.25

Council Tax Benefit

20% of £15 = £3.00 which is deducted from their maximum benefit of £5

This give Council Tax Benefit of £2

Hence:

Initially the claimant had a total benefit of £91.50 consisting of £88.50 HB and £3 CTB.

They had a £5 increase in their income.

Their new benefit is £87.25 consisting of £85.25 HB and £2 CTB.

This is a reduction of £4.25, which is 85% of the increases of £5.

ie the claimant only receives 0.75p of the £5 increase in income.

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