

INSTITUTE OF REVENUES RATING & VALUATION

Northumberland House, 5th Floor, 303–306 High Holborn, London, WC1V 7JZ

T 020 7831 3505 F 020 7831 2048 E enquiries@irrv.org.uk W www.irrv.org.uk



Sent by E-mail to: clgcom@parliament.uk; and
boycejr@parliament.uk

17 June 2011

Dear Sir/ Madam

IRRV Submission: The Communities and Local Government Select Committee: Brief Inquiry into the Implications of Welfare Reform

The Institute of Revenues, Rating and Valuation (IRRV) is pleased to provide the attached response to the above CLG Select Committee Inquiry.

The IRRV is the professional body concerned with all aspects of local benefits administration and local taxation in the United Kingdom. It draws its membership from those working within both the private and public sectors. Institute members are engaged in local authority benefits administration, local tax administration, valuation of property for taxation, the appeals process and financial management in local government. The Institute represents the professional interests of its members who work within this broad church.

The Institute is the only professional body in the United Kingdom that specialises in the law and practice of local authority revenues and local taxation collection, together with the income related benefits that support these processes.

Please contact me should you wish to discuss further any of the points raised in this submission.

Yours truly,



David Magor OBE IRRV
Chief Executive
E-mail: david.magor@irrv.org.uk



The Institute of Revenues, Rating and Valuation is the professional body for local taxation, benefits and valuation. We promote best practice and support the professional activities of our members working in government and commerce.

A company limited by guarantee. Registered in England No. 223447. Registered offices as above.

IRRV Submission: The Communities and Local Government Select Committee: Brief Inquiry into the Implications of Welfare Reform

Answers to the Suggested Questions Raised within the Consultation

Q: What are the advantages and disadvantages of localisation of council tax benefit? Are concerns that it will undermine the intent of Universal Credit (UC) valid?

3. The advantages of localisation are that the Local Authority (LA) can address local priorities and issues through the scheme. If there is a specifically large number of a particular vulnerable group the scheme can be geared to help these people most.
4. The counter-argument to this is that if the LA has a cash-limited fund for the scheme they may not be able to subsidise this priority group to the level that is currently done, therefore stretching funds further yet not adequately managing the level of the payment left to be made by the customer. This could result in difficulties to pay by the customer and difficulties to collect from the LA.
5. Localising Council Tax Benefit brings with it a number of financial risks; which include such factors as an increase in the benefit caseload or an increase in the Council Tax burden itself. Other disadvantages include software costs for different schemes, operation of a postcode lottery and political tensions across authorities.
6. In order to mitigate the financial risk the reforms to Council Tax Benefit could be looked at alongside reforms to Council Tax as a whole. No details have been given as to how the funding total for Council Tax Benefit following 2013 could rise. No details have been given with regard to funding of the administration of the revised Council Tax Benefit.
7. Localism will not necessarily undermine UC depending on the policies of the LA. It's quite difficult to comment fully without knowing the proposed funding mechanism. For example, we have heard a Treasury representative suggest the handing over of 10% less than LAs spent last year, not ring-fencing it, and therefore allowing LAs to not actually have a CTB scheme at all if they wished to use the funds elsewhere e.g. to supplement social care finance schemes.
8. It is hard to envisage a scheme that would disincentivise work. The CLG initially suggested that certain groups would need to be protected. If the scheme protects groups on their status rather than financial position, this could undermine UC due to perceived unfairness in the award criteria.

Q: Will localisation of Community Care Grants and Crisis Loans resolve identified problems with these funds? (such as uneven distribution of funding, variation in success rates for applicants with similar needs across the country, high administrative costs, questions over the standard of decision-making processes)

9. Perhaps! Although again it depends upon how "local" the policies are permitted to be. It would probably help with the high administration costs, particularly as LAs would be expected to take this on within existing structures. Also it would be more efficient simply because of the number of systems the DWP currently use to operate the process and, in most areas, the lack of a DIP system, leading to concerns regarding the validity of claims. However, localising them may not help with improvements in the consistency of awards, as decision making would be diluted even further. How will the UK Government recognize the issues that may arise locally? Perhaps reference to the Scottish Government's *Index of Multiple Deprivation* or a similar tool could be a way forward.
10. Where this would sit within an LA is also unclear; whether this would be prescribed or left to each LA to determine e.g. would it sit within the remaining Benefits teams or within social services; and what would happen where there is a county/district split. The proposal that these grants be decentralised to the county council, not the billing authority with the responsibility for benefits, will not assist the scheme at a localised level. An uncoordinated approach such as this will not bring any cohesion between the two areas of award unless they are drawn together in legislation.

Q: How much local discretion will/should be allowed in criteria, systems, decision-making and so on? What, if anything, should be off-limits to local decision-making? (For example, DWP has committed to ensuring that localisation of council tax benefit does not jeopardise the single taper feature of Universal Credit)

11. A basic scheme with some local variations has the most chance of palatable success. However this has to provide real localism and not simply a minor tweak which does not allow local priorities and issues to be addressed. A basic scheme that looked more like a simple discount scheme rather than a complex mini version of UC would be easily deliverable and administratively acceptable to the LA.

Q: How vulnerable will the funds available be to pressures on general local authority finances?

12. That will depend on the funding mechanism proposed and whether it contains something similar to DHP funding, whereby the overall limit is 2.5 times the pot provided by DWP.

Q: What, if any, changes will be needed to the working relationship between local authorities and DWP for the reforms to work effectively? What will the requirements be in terms of information sharing between DWP and local authorities, and how should these be managed?

13. There is requirement for excellent and accurate data exchange via technology that provides data matching and sharing of evidence for the award of benefits. There should be no need for the LA to collate the majority of information, as this should be available through DWP centralisation. The CIS system allows the fledgling information but HMRC and Pension Service links are also needed to ensure the LA can assess entitlements quickly and accurately with minimum interface from the customer who has already claimed means testing.

Q: Are local authorities equipped to deal with the attendant workload, and what new systems will they have to put in place?

14. They may be now, but the significant fear is that many will see staff leaving before 2013, who will not be replaced; and this could impact on an LA's ability to deliver.

Q: Will these changes make it easier or more difficult for claimants to access assistance? Will they complicate the system overall, or just improve its responsiveness to local circumstances?

15. The changes will make it more complicated for claimants in one way, in that UC only incorporates a limited number of benefits e.g. it includes JSA(IB) yet excludes JSA(C).
16. If claims can be made for all benefits through various portals this has to help everyone, e.g. LAs, HMRC and DWP. As LAs are in the community they are a vital interface for benefit applications.

Q: Is the timescale for change (including the rolling of Housing Benefit into the Universal Credit) realistic?

17. The timescale for the localisation of CTB is not realistic, but it may be realistic for the transition of HB cases to UC; more information from the DWP would be very helpful about important matters such as progress in software development. The timescale for the HB system is only two years, and for the CTB changes it is less than that. In order to design a scheme, pass local amendments, purchase or update systems, put interfaces and protocols in place for the exchange of data etc., this timescale is looking extremely doubtful. What is more disappointing is the fact that HB is being complicated further before 2013 e.g. transitional protection afforded to existing customers from the LHA cuts, ESA re-assessment and further planned changes due to LHA. It has also been suggested that, prior to transferring to UC, HB will be simplified by moving all existing HB claimants onto LHA. If true, this would be a very major undertaking, albeit one which seems sensible in the circumstances. The lack of information is frustrating.
18. Clear decisions must be made now; and in any case savings provisions put in place to ensure that the current scheme can continue if there is slippage.

Q: How is the process of policy formation reflecting, in your view, on the working relationship between DCLG and DWP?

19. It is encouraging that the two departments are working together; however, they need a clear and stated joint approach. This is an excellent opportunity for a review of the discounts and exemptions in council tax to address the failings in the benefit scheme to ensure that fairness and ability to pay are intrinsic to the core of the local property taxation scheme all the way down to the rebate system.

Other points for the Committee's Consideration

Replacement of Housing Benefit

20. The way UC is paid could have important implications for the housing market. If UC increases the risk that tenants default on rent and rental incomes suffer, this could destabilise the financial arrangements that the social housing sector has with financial institutions. Santander Bank raised this point in a very clear and eloquent way at the end of May. It remains a possibility that housing costs in respect of Social Housing Tenancies may also be paid to the claimants as part of Universal Credit. If this were to be the case, it could have implications for the ability of landlords to collect rent. As a result, the Scottish Federation of Housing Associations and the Chartered Institute of Housing have suggested to the UK Government that housing costs could be paid directly to social landlords rather than the Universal Credit claimant. Councils currently administer Housing Benefit and throughout the UK will receive £462 million in 2011/12 in administration grant for HB / CTB. The move to UC will have profound implications for many council employees, council systems, contractual arrangements with private suppliers and support services within councils.
21. No meaningful details as to transitional plans to move to the future delivery arrangements are contained in the Bill. This raises questions as to the extent to which staffing, systems, contractual and transition costs arising from the reform such as will be met. The level at which UC is paid will have an impact on recipients and their own prioritisation of their debts and financial responsibilities. The possible impact that the move to UC will have on homelessness will need to be monitored.

Universal Credit; and the Local Authority Role

22. The Bill does not contain provisions relating to the future delivery of UC and a debate continues between the UK Government and interested parties on the institutional arrangements for supporting delivery of the benefit.
23. The decision about how UC is delivered will be crucial to its success; particularly in promoting work incentives. People will need to see gains from work. If through UC claimants receive a single payment that includes monies that were formerly rebated against liabilities, many people will need to develop new skills and behaviours around how they budget and how they relate to welfare support and advice. The quality of face-to-face support given to people will be of critical importance; in statements made when UC was first proposed it became clear that the UK Government see on-line and telephony as being the main delivery models. The UK Government did however acknowledge that there is an ongoing need for face-to-face contact to be available for those claimants who need it. The UK Government is still considering the delivery model and LA associations, including CoSLA, have emphasised that many people naturally see their council as the place to go for support. There is a strong case for giving councils the role to provide or commission face-to-face support locally. The UK Government's decision to postpone decisions on this until 2015 will cause confusion and place unnecessary financial pressures on councils who will be expected by their local communities to fill in any vacuum in support at local levels.

24. The way universal credit is paid it could have important implications for the housing market. For example, if universal credit increases the risk that tenants default on rent, and rental income streams suffer, this could de-stabilise the credit arrangements the social housing sector have with financial institutions.
25. If through universal credit they receive a single payment, many people will need to develop new skills and behaviours around how they budget and how they relate to welfare support and advice. The quality of the face-to-face support given to people will be of critical importance but this will not be offered by DWP. LAs already provide a face-to-face service and deal with customers on a daily basis. Many people naturally see the council as the place to go for support on a wide range of issues that has bearing on their attitude to work such as housing and childcare etc.
26. There will be no face-to-face service for people and the DWP intend that the majority of claims will be made, assessed and delivered electronically. A significant percentage of claimants will either not have the skills to apply online or they will not have access to computer systems.
27. LAs play a vital part in supporting the development of services for financially excluded people. In particular they support the essential networks and partnerships which link together third sector providers of support for the financially excluded. Supporting financial inclusion and embedding them within service delivery helps:
 - to prevent homelessness,
 - reduce rent arrears and number of evictions ,
 - reduces the cost of rent and CTAX collection including court costs,
 - Reduces the broader social costs caused by financial pressures such as anti social behaviour, vandalism etc.
28. LAs constantly deal with the wider consequences of poverty and have provisions and policies in place to help deliver financial inclusion which stimulates innovation, problem solving and partnership working. The need for positive financial inclusion activity is being exacerbated by the current recession. .
29. LAs have a key role to play in engaging with the majority of the local community, especially the most vulnerable and hard to reach in society when dealing with such things as housing, benefits and homelessness etc. They are best placed to engage with these customers to deliver appropriate support. This is an important element of breaking the intergenerational cycle of disadvantage and supporting the wider social and economic cohesion of neighbourhoods.

Policy Formation and Inter-Governmental Working Relationships

30. Council Tax Benefit will be abolished and replaced by another form of local tax benefit that may be localised from April 2013; and which will reduce the Council Tax Benefit costs by 10 per cent. This replacement benefit will not be considered a welfare benefit. The Secretary of State for Communities and Local Government is leading the development of the new benefit and he will liaise with the devolved Governments to try to develop parameters for local schemes throughout the UK. From Scottish and Welsh perspectives it is very difficult to view this approach as anything other than inappropriate and overbearing.
31. The UK Government, the Scottish and Welsh Governments and Local Government will need to discuss a formula to ensure that resources for Council Tax Benefit go where they are needed given the demographic make-up of different areas;

Replacement of Council Tax Benefit

32. During the Committee stage of the Bill some of those interviewed have opined that the replacement for Council Tax Benefit should be included in Universal Credit (UC) as if it were to be outwith UC that would undermine the basic principles of universality. This however

overlooks the issues surrounding the collection of Council Tax from those who would be in receipt of UC (see para. 39 under 'Study Three' for detailed information on this point). This divergence of opinion has given rise to media speculation as to whether, in the end, the replacement for Council Tax Benefit will be in UC.

Fraud and Overpayment Issues

33. Fraud prevention should feature as a key factor in the design of welfare reform and it therefore has an important place in the localisation or replacement of council tax benefit. The system should not contain elements that are likely to be perceived as unfair since this will be seen by some as a moral justification to commit fraud. An example in the present council tax system is that a one-person household pays 75% council tax but a nil-person house can attract 90% or 100% tax, so that the tax reduces when a person moves into a property. Similar inconsistencies should be avoided in this welfare reform. The Institute has taken issues related to fraud into account in various places in the response.
34. A factor where fraud is incentivised is in relation to the recovery of overpayment. People on low income inevitably spend the welfare benefit they receive on essential living expenses. Such people tend not to have any savings but rely on borrowing and debt to meet unexpected costs that arise. In many cases, as HMRC has found in relation to tax credits, repayment of overpayments has to be made out of future income, which if the person is still on benefit, will increase the incentive to fraud or drive the family into greater poverty. These concerns need to be given careful consideration in the design of the system and in the policy approach to overpayment recovery. With the increased complexity that a localised rebate scheme will introduce and the increased workload to authorities, the risk of over payment is heightened. As the funding to cover such over payments will be the responsibility of the authority, it is a further financial burden on the authority.

Case Studies from a Scottish Local Authority

Study One: Possible Impact of the Replacement of Housing Benefit

35. In particular the implications of the change need to be considered for single 25-34 claimants, a group which contains a significant number of vulnerable people for whom shared accommodation may not be appropriate. The 25-34 aged claimant caseload residing in LHA private rented accommodation face reductions in benefit because of the legislative change that will affect them as from 1 January 2012. There are currently 141 such claimants in the Authority, 109 of which will see their benefit entitlement fall from its current LHA level of £98.08 per week to one of £57.69 per week; a loss of £40.39 per week. 32 cases who already occupy shared properties will see their LHA rate fall from £65.77 per week to £57.69 per week, a loss of £8.08 per week. This claimant group may create a pressure point in terms of an increase in homelessness
36. The move to UC is expected to start with new claimants as from 1 October 2013. New claims include any claims, which are resumed after a break in entitlement. In the financial year 2010/11 there were 5,054 successful new claims. New claims, will at the introduction of UC, no longer be handled by the Revenues Unit although the Revenues Unit will still, at that point, be handling all ongoing claims. New claimants will, as a starting point, have any entitlement they may have to housing costs paid directly to them. This may present an immediate collection problem with regard to Council Tax and rent payments. On the basis of the content of the Welfare Reform Bill, the UK Government makes no distinction between private and social landlords in this regard. While elected members have over the years had many dealings with the Revenues Unit with regard to constituents' HB / CTB queries, from 1 October 2013 for new HB / CTB claims this will no longer be the case. This has been recognised by the Scottish Government in their publication *Housing Benefit Changes*:

*Scottish Impact Assessment*¹ as "having an obvious implication for the 2012 Homelessness commitment."

37. At present there are some 60 full-time equivalent members of staff in the Revenues Unit involved in benefits administration, whose jobs could be directly impacted upon by the introduction of UC. The impact will depend upon what happens to the replacement for CTB. The potential changes cause uncertainty for these staff and it is testament to the character of the staff that their professionalism has not wavered during this period.

Study Two: Possible Impact Regarding Universal Credit and the Local Authority Role

38. The DWP published a research report recently entitled "*Customers' Experiences of Contact with the Pension, Disability and Carers Service*"². The report highlighted a number of issues including customers' own views that highlighted the following key messages:

- There was strong support for face-to-face contact;
- Although telephone contact was viewed positively for simple transactions difficulties in getting through to the right person, and having to provide and repeat information over the telephone proved problematic for many people; and
- There was little appetite for internet based services due to the cost of equipment and connection, the ability to use computers and concerns about data security and privacy. Experience gained when the Pension Service was launched in 2005 suggests that face to face contact with customers is inevitable. When the Pension Service came into being it did not, originally, have a local presence but this quickly changed following customer pressure. As a result, the council set up a local service (as did others throughout the country) and a Section Leader from the Revenues Unit has been on long term secondment to the Pension Service Local ever since. [A large number of councils throughout the country have worked closely with Pension Service in similar ways as well as visiting the most vulnerable in the home.]

Study Three: Possible Impact of the Replacement of Council Tax Benefit

39. In the Authority there are around 17,000 households that currently receive Council Tax Benefit. This benefit is paid in the form of a rebate and is credited to the individual claimants' Council Tax account. During the financial year 2010/11 a total of £10.55m was paid directly to the council in terms of Council Tax Benefit. This represents 15.34% of the total collectable debit. Should the replacement for Council Tax Benefit be included in Universal Credit, paid direct to the claimant, this will increase pressures on collection rates. It is impossible at this stage to come to any firm conclusion as to how much of a problem this could become. In many ways it will also be influenced by the level at which all the various component parts of Universal Credit are paid. The situation however is similar to the current position regarding the collection of water service charges, which Council Tax Benefit does not meet. At present, notionally, primary state benefits include amounts to allow the claimants to pay their commitments for water service charges. The reality for this council is that if water service charges are isolated the in-year collection level is around 70% as compared to 94.4% for Council Tax and Water Service Charges combined. Given that this is the level after recovery procedures are invoked, it is clear that if CTB was included in UC it would almost certainly result in financial pressures for the council. For example, if the water service charge

¹ Housing Benefit changes: Scottish Impact Assessment: Communities Analytical Services, in conjunction with the Scottish Government Housing Benefit Reform Stakeholder Advisory Group: Scottish Government: March 2011:Version 1.21 Web document

² DWP RR 722: Customers' experiences of contact with the Pension, Disability and Carers Service: by G. Whitfield, A. Waring, J. Goode, V-H. Phung, K. Hill and E. Sutton: Feb. 2011: ISBN 978-1-84712-919-2

collection rate were to be applied to the amount of Council Tax currently received directly this would leave a shortfall of around £20m in terms of in-year collection in the Authority.

40. In addition to the UC issue, the impact of the UK Government's policy objective of reducing Council Tax Benefit expenditure by 10% will potentially have an impact on collection levels, given that 10% of the current level of Council Tax Benefit amounts to £1 million. Such an impact could mean that the Scottish Government may have to look at redesigning the scheme of Council Tax exemptions and discounts (as may CLG and the Welsh Assembly Government).