



## **Response to LBBB Council Tax Support Scheme change proposals consultation**

### **Who are we?**

Citizens Advice Barking & Dagenham is a charity that has worked in the justice space for 85 years.

Welfare rights debt and housing are always the 3 top areas of advice demand and across the 300 other local offices that make up the Citizens Advice movement.

Our mission is to provide the advice people need for the problems they face and to influence and challenge negative policies and practices that affect people's lives. We are here for everyone but focus our resources on those most vulnerable in our Borough.

Our work amongst other aims is focused on reducing poverty and inequality including in relation to disability and child poverty.

CABD routinely delivers advice and casework in welfare rights (benefits/social security) alone to over 3000 residents a year. This includes income maximisation up to the social security appeal upper tribunal.

CABD leads the BD Advice Plus Network of advice agencies which include DABD, Independent Living Agency and BD Carers, local charities whose missions and services are focused on disabled and long term ill residents, families and households.

We work closely with LBBB as both a committed partner to meet Borough ambition and ensure No one is left behind.

We are respected as a critical friend and have a strong relationship with the council of mutual respect.

What we say below does not take away from our deep insight into the level of effort and commitment LBBB has in meeting its ambition for residents. Indeed we have due to time constraints left out the great benefits and improvements we know LBBB has made in recent years and that have seen at first hand, benefit and progress our own charitable mission.

We recognise that the very challenging and difficult environment for residents and local authorities is significantly driven by central government policy over many years.

However as set out below there is a lot more work that needs to be done by LBBB as regards the shaping and proposals for a change in the current CTS scheme.

### **Council Tax Support Scheme change proposals**

We have read your consultation policy document 'Have your say on proposed changes to the Council Tax Support scheme 2024/25'.

#### **A. Universal Credit relationship to your CTS scheme proposals**

**Your policy document:** On page 2 you explain the current CTS scheme is less compatible with the UC scheme. What appears to be suggested here is that the UC scheme '*awarded monthly...results in lots of changes to income ...up to 12 changes per year*' So they '*effect the amount ..you need to pay and...make it difficult for residents to budget*'. In administrative terms for LBBB, this also results increased administration (inc. printing and postage) and staffing costs. As more people move onto UC and away from legacy benefits the new CTS scheme needs to change the way it is administered and to meet increased future demand.

The points we would make here are:-

(i) There has always been a need to respond to resident's change of circumstances whether in 'income' or 'needs' (see our point regarding needs further below).

In our experience since the government started to reform the welfare social security system from 2010 onwards, the level of 'changes in circumstance' were much greater under the legacy system before UC was introduced. UC was not largely in the system but in recent years is increasingly so. There has been a higher administrative burden on LBBB due to the need to administer CTS with both the legacy and UC schemes running parallel with each other. No doubt this has had additional operational resource burdens for LBBB.

The government reform to replace legacy system with the UC system is based on the core premise is that it 'administratively simplifies the social security' system and in our experience we do accept that it does achieve this aim regardless of a number of problems with it.

As you recognise the DWP UC managed migration in Barking and Dagenham over the next period will mean more residents moving over to UC. Over the next 2.5 years the old legacy system will be largely abolished.

We have to question the concern that you have about rising demand.

Residents currently on legacy benefits are largely the recipients of CTS and this would quite rightly continue. By virtue of low incomes these residents do need to continue to rely on this additional element of social security support. In this situation

there is no significant 'greater demand' argument. If there is what is the data that supports your policy argument in relation to this segment of residents?

Aside from this segment, who are the ever greater numbers of residents moving into UC i.e. what is your data forecasting and assumptions here as there is no detail. i.e. who are these residents and why?

We can of course imagine that there is may be a real issue of greater demand but without more information we cannot feedback on this.

See conclusion to this section.

(ii) We accept that in government welfare to work reforms have driven a rise in precariat gig economy, low pay and variable incomes that have forced changes in circumstance. The system became very complex because it was extremely difficult for residents and the council to keep administration smooth.

For many years in welfare reform the drivers for advice in this regard were all due to a complex system leading to backlogs, poor administration, delays in administration. It led to huge rises in overpayment decisions, claw backs and residents having to challenge these decisions. These problems are resolving themselves through technology and system simplification and due to progress over time in the past few years.

There are other problems but this one does seem to be receding. This is the case even though residents are still struggling with the system impacts of historical debt.

See conclusion to this section.

## **Conclusion**

**Reduce administration pressures of changes in circumstance:** Whilst UC presents a number of social security problems for those who are 'losers' when migrating to UC, the UC system itself simplifies administration so one could assume that this therefore simplifies the CTS administration as a natural consequence without a further need to change the whole current CTS scheme.

The level of 'income' changes forcing 'increased' administration is less (see above). The Tax credit regime is receding as part of UC simplification and that in itself together with 'real time information' appeared to drive past problems.

The issue of residents struggling and failing across 3-4 schemes to notify relevant changes in circumstance created huge problems for them and for the scheme administration.

This is receding through a 'simplified' UC system. The need to administrate CTS across 2 schemes legacy and UC is also receding.

Residents and independent advice welcomes an easier ability to understand when they need to apply, file changes in circumstance etc. the technology improvements as regards My Account are now more settled and stonger habits and routines have been formed by residents. This itself makes administration both for residents and LBBDD easier.

i.e. The administrative system for residents and LBBDD is much simpler now than it has been and will be simpler again through managed migration from legacy.

So we need more information to understand the administrative pressures. The reasons you have set out to support a change the scheme don't seem to add up.

**Simpler administration will be better able to cope with rising demand:** Currently in terms of what has been set out we cannot see the detail – if at all - of why UC drives greater administration costs for CTS directly tied to rising demand.

We accept that there are transitional administrative costs of moving CT support to those on legacy to UC. But as said above the numbers should more or less stay the same and not increase demand.

This means we ask to ask for more information of the modelling of the projected rises in demand that you set out (from £16.1M to £17.2M) and what the specific drivers for that?

In conclusion, our feedback in this section appears to directly contradict a main plank of the policy rationale. By natural evolution of social security system change there will be greater streamlining and greater simplification overall for both residents and LBBDD.

There is no acknowledgement in the policy document of the larger system change and without that there is no robust argument made out for the need to change the CTS scheme on the basis you have set out.

We appreciate that you may have detailed data and internal information that might contradict in turn what we say above. We request more information so we can understand this area more and feedback further as needed.

## **B. Disproportionate focus 'means – income' and very little focus on resident & household 'needs'**

We are extremely concerned that the new CTS scheme proposals do not make sufficiently clear the reductions that can and will occur for many low income households.

The policy document as drafted provides no detail that we can engage with in a meaningful, measured or more constructive way than what we have had to set out below.

Currently however your CTS proposals and policy rationale will have a significant negative impact on the poorest and most vulnerable households in the borough.

The level of this negative of impact may be significantly disproportionate to and could directly affect and set back any ability to meet your overall stated policy aims (see policy aims below).

It may be that the assertions we making from what we have read (see below) are not correct and that all things we set out have been catered for. We do sincerely hope that in whole or part this is the case.

However we are minded by the fact that even the case studies you yourselves provide in Appendix 2 reflect our concerns here. The resident scenarios in 66% of the case studies demonstrate a significant negative impact for those residents and households.

So as to explain our assertion above more clearly we need to provide a brief summary of the approach to the current CTS scheme.

CTS is a means-tested benefit. The 'whole means test' is not purely about income it is a test balancing *needs* of the applicant household versus 'means – income'.

Your document mentions a lot about 'means – income' but not nearly enough about needs. .

The 'whole means calculation' has been settled for a great many years and is designed to directly incorporate standard amounts to reflect 'needs'. These are called 'applicable amounts' and 'premiums'.

The steps to take 'needs' into account are logically within the calculation so as to reach a final end 'income' figure of 'income' from which the amount of CTS to be paid can be identified.

**(i) There is nothing in your policy document that speaks to 'applicable amounts' or 'premiums' so they have been removed?**

These are the set amounts to reflect 'needs'. The decision of how CTS benefit an applicant gets depends on a comparison of what someone 'needs' with their 'means' (income). But without you explaining what your treatment is of these as regards your new CTS scheme we can only assume that you have removed them.

If you are removing these elements from the new CTS scheme there are grave implications for low income and vulnerable residents – CTS is reduced.

Under the current CTS scheme, entitlement is calculated using the same applicable amounts used for HB award calculation:-

HB/CTS applicable amount is made up:-

- personal allowances (single/lone parent/couple)
- children allowances

Plus premiums depending on an applicant's family circumstances and any disabilities

- Disabled child
- Disability
- Enhanced disability
- Severe disability
- Carer

We need to see a sufficient policy rationale for any removal of the above or what is still within the new CTS scheme and where within any new proposed calculation.

Without this information we cannot see the extent to which the 'needs' of the applicant household have been taken into account by you in the new proposals. Currently on the face of it there is a huge change and a significant removal of the recognition of needs of the applicant/household.

**(ii) Income - vague and have earning disregards been removed?**

Earnings are taken into account after tax and NI contributions i.e. it is Net. There are **standard earning disregards** –

- E.g. for a single parent regardless of how many hours working the disregard is £ 25 a week
- E.g. for a couple regardless of children or hours worked its £20
- for those getting WTC or working enough hours for WTC entitlement will get £17.10

Some benefits as regards disability are fully disregarded and we welcome that you have retained this approach in your current CTS proposals.

In the final stage of the calculation – when you compared the applicable amount with the total income, if the income exceeded the applicable amount for CTS you would take the weekly CT liability (minus eg 25% single person discount) and would apply a deduction of 20% of their excess income – if even the 20% of excess income was higher than the weekly CT liability, the a person was not entitled to CTS.

Also, under the current scheme, if someone is on UC or PC and apply for CTS within one month of applying for UC/PC, the date of the CTS application is the date of the UC/PC benefit claim.

Without sufficient information we cannot understand the extent to which the new calculation changes the old calculation approach. On the face of it if it is an entirely different type of calculation that can cause huge negative impacts on applicant households.

**(iii) The definition of Income in the new CTS proposals is not clear. How 'income' is defined. Is it Net or Gross? Is it income 'weekly' or 'monthly'?**

Your 'Have you say' guide says that it includes 'some benefits, pensions and other incomes' however it does keep the old rules of CHB, PIP/DLA and UC disability and carer elements disregarded in full?

We understand and cautiously welcome the suggestion that you are aligning to the old scheme by disregarding PIP, DLA and disability element on UC and child benefit. However we do not have enough information in the document as to what Income means for you so it is difficult to give robust feedback at this stage.

But we cannot see the extent of negative affects of the change without further information.

**(iii) Approach to Backdating in current scheme:** In addition, if someone on UC or on all other means tested benefits (IS, ib-JSA, irESA, PC) applies for CTS within a month of becoming liable of pay CT for the first time, the date of their application is the date they became liable for CT - so basically it was backdated one month).

Can you clarify the situation regarding the approach to backdating in the new CTS scheme proposals? If the current approach is not included in the new scheme there will be further reductions and impacts on applicants.

**(iv) Introduction of 'Non-dependents' into the new calculation approach:** there never was a non-dependent deduction on CTS. It applies in the HB and UC schemes. People on legacy or UC already have non-dependent benefit reductions so as to arrive at a final figure. Your introduction of this in the new CTS scheme appears to 'double' the non-dependent deduction already affecting households on low incomes. The issues of non-dependents in squeezed and low income households is translated on the ground into stress within the family household relationships leading at worst to family breakdown and homelessness of the adult non dependent. This is particularly the case with the transitional 16-17 year old and under 24 year old adults in a welfare reform environment where anyone under 35 has had their social security levels eroded to an extent that it is impossible to move out and live independently.

Some modelling on the impact on current CTS recipients will have been done and we would like to see this along with the forecasts of the impact of this introduction of non-dependents into the calculation.

**(v) Significantly limiting of the means test in relation to 'needs' – the '2 child cap' proposal**

Your proposals restricting the children allowances to maximum two when previously it was based on the number of children in the household.

Taking into account the 'means' part and significantly limiting the 'needs' part means that you are only taking into account if someone is single or living in a couple and how many children they have with a 2 child cap.

In this way a family with three or four children or above is seen as having the same 'needs' as a family with two.

#### **(vi) Narrowing Capital thresholds to CTS eligibility**

The reduction from 10,000 to 6,000 in the poorest London Borough may have minimal impact on the majority of current CTS recipients. We do not know what the forecast savings may be from this change in the eligibility threshold. However working families who have saving habits and longer term planning ambitions will be disadvantaged through this reduction. It would be helpful to understand this as we assume it is based on future forecasts.

The current wicked environment for residents and households

Everyone has seen the worst fall in living standards since records began. The cost of living crisis has been present in B&D for many years. Your own cost of living research data is showing that residents struggling last year are now unable to cope. Despite the fall in fuel prices, the high cost of food and other household essentials is set to remain for the foreseeable future. On top of these rises are increases in rents that disproportionately affect residents in the private rented sector and in service charges of council owned accommodation.

These costs must be made up from income and social security regime falls significantly short in terms of any contribution -if at all - towards them. Residents and households are also in a welfare to work regime within a stagnant economy of low growth and jobs that do not pay. The rises in living or London living wage falls on employers and is not mandatory. The low levels of literacy and skills in the borough do not lend themselves in the foreseeable period to improve income to cover costs or council priority debts.

#### **Conclusion**

As you may be aware despite the winners in UC the significant losers are within these households and communities.

Every penny counts right now and reductions in entitlement have a knock on affect that can create debts both to council tax and rent or increasing levels of acute poverty and household stress leading to rises in domestic abuse, homeless or eviction for instance.

In your policy document you refer to the current scheme as 'an old fashioned means tested benefit. But this appears to be an intentional denigration of a rationale system that was designed to balance income and needs as set out.

In terms of what is at risk of disappearing from the current CTS calculation as against what may be protected in the new CTS scheme there is simply not enough information.

In a just and fair society there must be a minimum income to cover what public sector big or local government considers someone needs to live on according to their



personal/family circumstances. The 'applicable amounts & premiums' are set in the current CTS scheme calculation to guide the importance of recognising 'need'.

Child Poverty Action, Citizens Advice and other national anti-poverty charities have seen and commented on the central government erosion of the definition of poverty and minimum income to get people out of poverty. The end poverty now and end child poverty coalitions have been up against it hence the importance of these campaigns.

### **C. Policy aims stress tested and Equality Impact Assessment required**

There is a real need for us to have an understanding of the level of stress testing you have done of the new CTS scheme proposals against higher Policy Aims upwards to the Borough Manifesto and No one left behind

In your policy document you reference the Corporate Plan 2023 to 2026 and include priorities

- Residents supported during the current cost of living crisis
- Residents are safe, protected and supported at their most vulnerable
- Residents avoid becoming homeless

We cannot see how the proposals as set out robustly meet these priorities? On the face of it we think the policy proposals are detrimental and run counter to meet them.

Currently even on your own case studies 66% of working age residents will be worse off and these will be those on the poorest incomes and the most vulnerable.

We do not have sufficient information to robustly raise a concern regarding the impact across all residents and communities who are protected in law.

We cannot see evidence in the policy document that an EIA has been done. If one has been done then we would like to see a copy of it?

There is a real need for a robust EIA to inform the impact of the CTS proposals across all residents who have protected characteristics.

e.g. Black and Minority ethnic households form the majority in private rent sector housing and are worse affected currently by income shocks and may ordinarily be more affected by the changes in the proposed scheme.

e.g. Women whether in those communities or not either as lone parents or the main parent carer of children in a couple household may face barriers to work and so that sub-segment might ordinarily be more affected by the changes in the proposed scheme.

e.g. UC may make working families better off but the losers in UC are most vulnerable. They include very specific households who have protected characteristics and not just the disabled and long-term ill.

## **Conclusion**

We are all experiencing the worst fall in living standards since records began. Barking and Dagenham is the poorest London Borough. Despite the reduction in fuel inflation, inflation in food and other household essentials is set to stay with us for the foreseeable future.

There is a level of low literacy and language skills across low income residents. There is a lack of available work that pays as well as numerous other barriers that are part of every day life e.g. children or disability. There are rising levels of unaffordable rents. All of this means that any schemes that squeeze incomes further can have catastrophic affects.

It in this vein that we have to set out our feedback. It matters a lot what may happen with any new scheme.

### **D. Further feedback, case studies and scenarios from us post additional information being received from you**

We are happy to meet with you to understand the new scheme in more detail. We need to know much more as indicated.

In this way we can more clearly set out any concerns we have and also do our own stress testing and impact assessments as against our own data.

Thank you. If you have any questions or queries please contact Pip Salvador-Jones, our chief officer – [cab.director@bdcab.org.uk](mailto:cab.director@bdcab.org.uk) . We look forward to hearing from you.

**Citizens Advice Barking and Dagenham 23.11.23.**