Local Government and Communities Committee

Consideration of the Council Tax (Substitution of Proportion) (Scotland) Order 2016

Submission from Child Poverty Action Group in Scotland

1. Overall, do you support the principles of the Government's plans to reform Council Tax?

1. CPAG support the principle of making council tax less regressive and providing additional support to low-income families, but do not believe that these reforms go nearly far enough. We are pleased to see an investment in council tax reduction (CTR) for families with children and those on low incomes affected by the changes in banding, but there are technical issues with both of these changes, and other areas of concern that we believe need to be urgently addressed.

2. To what extent will the Government's proposed reforms make the system of Council Tax fairer?

2. The proposed reforms are welcome in that they make council tax overall slightly less regressive. However, they fall far short of the proposals of the Commission on Local Tax Reform, which estimated that for council tax to become proportionate the highest banding would have to be 15 times the lowest. Even after these reforms the tax on a Band H property will be under four times that on a Band A property. Whilst increasing the ratio between the bands would result in higher charges for some low income groups such as larger families and pensioners, this could be addressed through reforms to the CTR system. This has been done to a limited extent in the current package of reforms, but the instrument used is very blunt, as discussed below.

3. To what extent will the changes be straightforward for local authorities to implement?

3. They will be more straightforward than any kind of revaluation exercise. However, it is strongly arguable that revaluation is needed, either to create extra bands or recognize changes in relative property values since 1991.

4. Do you support the Government's planned changes to Council Tax reductions?

4. It is positive that the Government has sought to increase the child personal allowance in CTR by 25 per cent. This will provide a boost to the incomes of families in receipt of partial CTR by reducing their council tax liability. However, it is important to note that the Scottish Government recently mirrored a UK Government cut to housing benefit by removing the family premium of £17.45 for new claimants with children from May 2016. Even with the increased child personal allowance, a household with one child claiming in April 2017 is still worse off than they would have been had neither change been made (the increase to the child personal allowance is
£16.83). As there is only one family premium per claim but a personal allowance for each child, larger families will benefit overall.

5. Even more concerning is the fact that a significant and growing number of families in Scotland will simply not benefit from this change, as they receive universal credit (UC). If a household is in receipt of universal credit, Regulation 23 of the CTR regulations force the local authority to use the DWP calculation of the UC maximum amount (converted to a weekly figure) as the claimant’s CTR applicable amount. This means that for people receiving UC there will be no increase in CTR at all.

6. Whilst universal credit has only been introduced for new single claimants in most areas, all new means-tested benefit claims must now be for universal credit in East Lothian and around Inverness, with Inverclyde, East Dunbartonshire and Midlothian scheduled to follow in early 2017 (before the CTR change comes into force). Further, the so-called ‘lobster pot’ principle dictates that a UC claimant remains on that benefit if later forming a couple with a lone parent. Whilst we acknowledge the fact that the simplest option is for local authorities to use DWP figures for universal credit claimant, this effectively passes on every cut to UC through the CTR system. This includes the following:

- the cut to the UC work allowances;
- the four year freeze in the value of most UC elements; and
- the so-called ‘two-child policy’.

7. The protection for low-income households living in Bands E-H is welcome (There will be an exemption from changes to the council tax system for households with an income below the median for households of the same type up to a maximum of £25,000, which will be delivered through the council tax reduction scheme).

8. It is worth noting that in England local authorities can reduce council tax liability outside the normal council tax support schemes if reasonable in all of the circumstances, but this power has never been commenced in Scotland. Whilst CPAG would prefer to see an improved CTR scheme set out in regulations, the discretion to reduce council tax bill would be welcome in the interim.

5. Please add any other comments on any aspect of the proposed reforms.

9. Our further comments focus on areas in which we strongly feel that reforms to the CTR system should be made – highlighting missed opportunities rather than commenting on what is being done.

10. There is a pressing need for reform of the treatment of miscalculations of CTR by local authorities. Previously, council tax benefit ‘excess payments’ could not be recovered from the claimant if they resulted from an official error to which the claimant did not contribute, and the claimant could not have reasonably realized that they were being overpaid. This is still the situation in relation to housing benefit, but case evidence shows that the recalculation of council tax bills to recover ‘overpayments’ of CTR is causing hardship and confusion for claimants. In cases we have captured through our early warning system, local authorities have agreed to write off housing benefit overpayments, acknowledging that the error is theirs alone,
and yet pursued claimants for arrears of council tax now due as a result of the same mistake.

The client was overpaid CTR due to official error however there are no rules about when an overpayment is not recoverable leaving the client with £1600 council tax arrears

A local authority have been confused about how to calculate entitlement causing them overpay Housing Benefit, Discretionary Housing Payment and Council Tax Reduction. They are not recovering the HB or DHP but cannot write off the CTR.

The client sent all necessary information to the council to calculate his eligibility for Council Tax Reduction. The council calculated it incorrectly and overpaid the claimant. The council admitted their mistake but recalculated CTR to a nil award for the rest of the year resulting in financial hardship for the claimant. S/he appealed the decision. The tribunal judge highlighted that there is no provision for challenging overpayment decisions.

11. This issue is exacerbated by the weakness of the Regulations in terms of what a local authority is required to tell a claimant about the calculation of CTR. The only requirement is that a change to council tax instalments be notified to the liable person. If a local authority decides that too much CTR has been paid, the claimant is sent a bill. This bill need not be accompanied by a notification that the Bill results from a reassessment of CTR entitlement. Furthermore there is no need to make the claimant aware of their right to request a review of the decision (if they disagree with the calculation of entitlement). Given the time limit to request a review cannot be extended if missed, this could have serious implication for the claimant.

A client who had been receiving CTR recently received a council tax bill for the past three years, but not a CTR decision or overpayment notice. There is no requirement to notify a CTR decision but the client must be told about changes to council tax instalments.

12. Another area that has not been addressed by the reforms is the decline in numbers of CTR claimants. Since April 2013 the number of CTR claimants in Scotland has decreased by almost 10 per cent\textsuperscript{ii}. This is particularly concerning as council tax benefit historically was one of the most poorly taken up benefits, with an estimate that at least 2.3 million low income households were not taking up their entitlement in the UK in 2009/10\textsuperscript{iii} (this is the most recent set of figures available). It is welcome that a campaign to promote CTR take-up has been announced, but it is hard to comment on this without more detail. CPAG suggests that an effective way to promote take up is through local advice services, which already have contact with potential claimants.
Hanna McCulloch  
Policy and Parliamentary Officer  
Child Poverty Action Group (CPAG) in Scotland  