

## **Universal credit and localised council tax reliefs**

### **Purpose of report**

The board discussed the introduction of universal credit at its last meeting and the Chair wrote to the Executive setting out the board's views (**Annex A**). This report updates the Board on our progress with DWP and CLG on the main implications for local government resulting from the introduction of the universal credit.

### **Summary**

The LG Group is lobbying on four issues – the localisation of council tax benefit, the delivery of universal credit, the social fund and the impact on councils as landlords.

### **Recommendation**

The Board are asked to note the update.

### **Action**

Officers to continue lobbying work in line with members' suggestions.

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**Item 8**

**Universal credit and localised council tax reliefs**

1. The Welfare Reform Bill includes clauses to abolish council tax benefit. The day that the Bill was introduced, the Secretary of State for Communities and Local Government issued a ministerial statement confirming government support for the most vulnerable with council tax benefit and that the localisation would apply from 2013-14 with a 10% reduction in costs. It also said that the government will consult on the shape of local rebate schemes.
2. There are three broad options open to councils to manage the localisation of council tax – they can maintain the level of support and absorb the 10% cut, they can reduce the level of benefit by 10% in line with the government's policy, or subject to a de-regulation of council tax reliefs, they could nest the localisation of council tax benefit within a wider adjustment of the rebates they offer to residents. At the last meeting the Board discussed the political difficulty of adjusting council tax discounts.
3. There are also operational and transitional issues that add further levels of complexity. The localisation applies from 2013-14 but the migration of people from the current system of benefits and credits will take place from 2013 to 2017.
4. We are seeking maximum flexibility for councils to manage the financial risks and seek assurances of government support to help manage future risks on volumes - a copy of Baroness Eaton's letter on the localisation of council tax reliefs is attached at **Annex B**.
5. The local rebate schemes will be considered as part of the Local Government Resource Review (LGGRR) and we have begun discussions with CLG officials. The LGGRR is a matter for the LGG Executive.

**The delivery arrangements for universal credit**

6. The introduction of universal credit will impact on the delivery arrangements for benefits and credits, removing the council role for administering housing benefit over a transition period as customers migrate onto universal credit
7. Government is now considering how universal credit will be delivered. There is an opportunity to create a delivery system that helps people back into work more effectively, supporting the policy intention of universal credit to improve work incentives.

8. We are arguing that this system needs to be built around customer need, take account of local factors including the volumes of different types of customers, be integrated with other services that help people back into work and deal effectively with customers who have more complex claims.
9. We have successfully made the case, working with the District Councils Network, for a local model to be fully considered alongside other options in the government's options appraisal. We now need to ensure that the local option is developed as well as it can be to ensure it is persuasive when Ministers come to take decisions. Baroness Eaton has met the Secretary of State to press councils' case.

### **The Social Fund**

10. The government has now published its proposals for replacing community care grants and crisis loans with local emergency financial assistance schemes. Advance payments will also be available within universal credit.
11. The proposals make it clear that there will be no new statutory duty on local schemes (although it is proposed that the Secretary of State will write to councils to set out the government's policy expectations for the new funding). The new burden will be fully funded without a ring fence and places will have the flexibility to design emergency provision for vulnerable groups according to local circumstance.
12. We are concerned about the financial risks this could create and the practical difficulty of administration.
13. A key issue is whether the existing customers are already in touch with, and being helped by, other local council services. If they are, it strengthens the case for local schemes. We have asked government to provide more detailed information on the customers who receive help and how this varies from place to place.
14. In meetings with DWP, including meetings between Ministers and Baroness Eaton, we have said that this needs to be considered alongside the wider reform of delivery arrangements for universal credit.

### **Housing**

15. The impact of the inclusion of housing costs within universal credit is a concern for councils as landlords and the wider social housing sector, and the risk that it leads to higher levels of default on rent, with a wider risk on lending to the sector.
16. DWP have said they are alive to this issue and it is under active discussion in government.

**UNIVERSAL CREDIT AND THE LOCALISATION OF COUNCIL TAX BENEFIT –  
NOTE FROM ECONOMY AND TRANSPORT BOARD**

1. The Economy and Transport Board discussed the introduction of the universal credit and the localisation of council tax benefit on 20 January.
2. They asked officers to draw up a note of their serious concerns and pass them onto the LGA Executive to ensure that the discussions taking place with Department of Work and Pension's Ministers took account of the significant risk to both local people and their councils.
3. On the delivery of universal credit:
  - a. People claiming benefits would need support and advice with their benefit claims, especially in the transition to universal credit – the Job Centre Plus service lacks flexibility, accessibility and cannot always be relied on to provide effective face-to-face support in contrast with the locally tailored, face-to-face services councils provide. Assumptions about how cases will be handled – either online, via telephony or face-to-face would need to be robust. A local delivery model would need serious consideration;
  - b. If the universal credit is delivered centrally, removing councils, particularly district councils, from their role in delivering housing benefit, councils would incur significant transitional costs. There will be serious consequences for thousands of council employees who would face either TUPE or redundancy, with the latter imposing costs on the taxpayer. There would also be costs from de-commissioning office space and withdrawing from contracts; and

- c. During the implementation phase, it will be difficult for councils to operate as effective a service - as staff leave and those remaining face an uncertain future. It will be important to resolve operational issues quickly, including those for non-working age welfare recipients, and set out a clear timetable for transition.
4. On the localisation of council tax benefit, the Board were concerned about:
  - a. the potential for the transfer of large financial risk to councils, particularly from a rising volume of claimants at a time when the number of people unemployed is increasing;
  - b. The financial capacity of councils to manage the costs of any shortfall of funding for council tax benefit - budgets are already severely stretched. Any costs associated with the localisation of council tax benefit would lead to reduced funding for other services.
5. The Board agreed that if council tax benefit is within the universal credit, this would impact on council tax collection rates.
6. The Board supports the view that if Ministers are determined that council tax benefit should be transferred, councils would need significant local flexibility over the benefit scheme and over council tax discounts in order to create some scope to manage the financial risks. Alternatively, this risk could also be managed by putting in place thresholds that trigger extra funding if the number of people claiming benefits in a place reaches a particular level.
7. But nesting the localisation of council tax benefit within a wider reform of council tax would create winners and losers and would be contentious. Many people are wedded to the principle of a national tax and benefits structure and this could constrain councils wishing to reform council tax discounts. For example, there would be adverse consequences for elderly people in reform of the single person

- discount, where encouraging house moves for elderly people could disconnect them from family and friends who provide the care that enables them to live
8. independently. In rural areas, where suitable alternative housing is in short supply and the risks of isolation greater, this is especially important. There is also an important wider point about rural proofing the introduction of universal credit and the delivery arrangements.
  9. The localisation of the social fund creates a particular set of risks. Demand for help with short term financial hardship is likely to increase with rising unemployment and wider reform of benefits. There is no evidence that responsibility for the social fund can be bolted onto social services – although it could possibly sit alongside a wider responsibility for the delivery of face-to-face contact with benefit claimants.
  10. On housing benefit, councils that have housing stock could face risks where the housing element of universal credit is paid direct to recipients, if it led to increased rent arrears.
  11. In conclusion, the Board broadly endorses the LGA Executive's position and wishes to emphasise in particular the effect of Ministers' proposed changes on council staff, the financial risks to councils – districts in particular – from localising council tax benefit, and the political risk, both national and local, of wider reforms to council tax.
  12. There is however a very strong feeling in the Board about the high degree to which councils are exposed to these risks and that any transfer of responsibility should be fully funded, the important role councils have to play in ensuring the reforms do not impact adversely on local people and the local housing market, and the need for Ministers to think about how the implications of the reforms in different types of community, particularly rural ones.
  13. This paper has also been shared with and commented on by colleagues in the District Councils Network.