

Consultation on Localising Support for Council Tax in England

2nd August 2011



The Department for Communities and Local Government has today published its consultation *Localising Support for Council Tax in England*. The consultation will run for a 12 week period, with a deadline for responses of the 14th October.

The Government claims that localising support for council tax will:

- Give local authorities a greater stake in the economic future of their local area and therefore enable stronger, balanced economic growth across the country.
- Provide local authorities with the opportunity to reform the system of support for working age claimants.
- Reinforce local control over council tax.
- Give local authorities a significant degree of control over how a 10% reduction in expenditure on council tax benefit is achieved.
- Give local authorities a financial stake in the provision of support for council tax.

The consultation notes that the new scheme will protect vulnerable people (including pensioners) who may struggle to pay council tax and that the Government will consider what support should be extended to these groups. **The consultation does not however make any mention of other discounts.**

The Local Government Group would welcome views and comments on the questions contained in the consultation from member authorities. Feedback should be sent to igfinance@local.gov.uk

LG Group view

The Local Government Group has consistently argued that, if done properly, the **localisation of Council Tax Benefit (CTB) could enable councils to design schemes to meet local circumstances** as opposed to the current CTB scheme which is very “top-down” and carries heavy administration costs.

In order to make a localised scheme work, **councils will ultimately need greater flexibility in how their localised scheme functions in order to accommodate the 10% funding cut that is taking place in conjunction with localisation.**

Localisation does, however, create a number of risks:

- Currently CTB is based on actual as opposed to estimated eligibility. Therefore **an increase in the number of claimants will automatically lead to an increase in CTB** and exposes councils to increased expenditure. This has been the case during the recession; the latest

Briefing

expenditure statistics from CLG suggest that planned expenditure has risen by 10% in a year.

- **Any system where CTB becomes a discount is likely to increase take-up**, for example among pensioners, again leading to pressure on local authority budgets.
- **CTB is based on actual not assumed council tax**. So an increase in council tax over an assumed level could lead to further pressures on council finances.
- There are **particular issues in two-tier areas, where the district authority would have to take on the whole risk of CTB**. This is addressed in the consultation.
- **The localisation of CTB is being introduced in conjunction with a cut of around £500m – 10% in the total**. This will make implementation of local CTB replacement schemes much more challenging as decisions will need to be taken about where reductions are made.

The view of the LG Group is that the risk issues are capable of being solved in the design of the scheme. For example, an increase in the total number of claimants in any one area or nationwide could trigger a release of additional grant.

We also think that, irrespective of the £500m cut, the total sum of government funding for CTB replacement schemes should be made subject to reviews in line with the New Burdens procedure with the total rising in line with the total council tax yield.

Protecting those who receive 100% CTB and also pensioners provides considerable challenges. The LG Group has modelled the results from a small sample of 8 authorities (a London borough, 3 metropolitan authorities and 4 shire districts).

The results show that:

- **80% of total CTB is paid out to those who receive 100% CTB;**
- **35% of total CTB is paid to pensioners;**
- If both those on 100% CTB (the vast majority of whom will be in receipt of other benefits) and pensioners are excluded, the 10% cut would be restricted to 9% of the total paid out - which would clearly be financially impossible.

If councils were given greater flexibility over existing discounts the 10% reduction would be easier to manage and councils could minimise the impact on CTB recipients. There is, for example, an overlap between recipients of CTB and those in receipt of single person discounts - this is particular the case for pensioners.

Further Information

Establishing local schemes

Councils will be expected to design their own council tax benefit schemes and consult on these with their residents. These schemes must support the improved work incentives that Universal Credit aims to deliver and the consultation seeks views on how to achieve this.

LG Group view: *We would like to see the minimum of central criteria. The*

LG Group is prepared, in conjunction with advisers, to work on example schemes which could be recommended. We consider that the relationship with Universal Credit (UC) needs to be designed carefully. For example we think that information from the UC system ought to be available to local authorities for use in CTB replacement schemes, and that this is an essential element in the design of UC. However we would not like to see a requirement within the local CTB schemes that any change in entitlement to UC should automatically trigger a recalculation of the CTB replacement.

Joint working

The consultation makes reference to the benefits of councils working together in the design and administration of local schemes. This would mean billing authorities co-ordinating approaches whilst retaining individual responsibility but also going much further - for example creating a lead authority that would be responsible for developing a single scheme across a group of authorities or establishing a joint body made up of a number of authorities to develop a single scheme.

LG Group view: *Joint working between authorities may help reduce administration costs and we welcome the proposal that councils have flexibility in deciding whether to pursue joint schemes and the level of integration they seek to achieve.*

Managing risk

The consultation proposes that billing authorities should not be exposed to the totality of any risk and should instead be able to share this across precepting authorities within the local scheme.

LG Group view: *We agree that councils should be able to share the risk of any scheme across the authorities within it. There is however a need for more discussion on how risk is managed between central and local government.*

Administering local schemes

The consultation suggests that it is up to local authorities to administer council tax support in as fair and easy a way as is possible whilst minimising errors and the risk of fraud.

Fraud and error

The consultation proposes that under the new system local authorities will be responsible for the investigation of errors and fraud.

LG Group view: *We understand the Department for Work and Pensions will be launching the new Single Fraud Investigation Service in April 2013 and we seek views on the role this body will play in working with councils.*

Funding

The consultation proposes that the funding being paid to local authorities will take the form of an unring-fenced special grant.

There will be a separate consultation on the basis for allocating grants and the frequency of adjustments. The consultation does however include two broad options:

- Reflecting as closely as possible levels of take-up or demand, by adjusting as frequently as is practicable to changes in these levels.
- Leaving the grant allocation unchanged for several years.

LG Group view: *We welcome the proposal that the grant should not be ring-fenced. We welcome views on how often the allocations should be adjusted.*

Administrative costs

The consultation notes that the net impact of housing benefit centralisation and localisation of support for council tax, including the transitional costs of moving to the new arrangements, should be managed in line with new burdens principles.

On joint working the consultation suggests that councils should consider starting to plan their schemes as soon as possible to ensure the April 2013 deadline is met.

LG Group view: *We welcome the proposal that councils will not be left out of pocket for implementing new local schemes, but a detailed discussion around the impact of this will need to take place, at the same time as councils have to manage the transition to universal credit.*

Further information: For further information on this briefing, please contact Ben Kind, LG Group Public Affairs and Campaigns Manager on 020 7664 3216 or ben.kind@local.gov.uk