

Consultation on localising support for council tax in England
Joint Partnership Committee, 21 September 2011, item 7

Committee: Joint Partnership Committee

Agenda Item

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Title: Consultation on Localising Support for
Council Tax in England

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Item for information

Introduction

The Department of Communities & Local Government (DCLG) have issued a consultation paper seeking views on proposals for the localisation of council tax support in England from 2013-14. The consultation document can be found at

<http://www.communities.gov.uk/publications/localgovernment/localisingcounciltaxconsult>

The consultation runs for a period of 12 weeks, from 22/7/11 to 14/10/11.

At the Spending Review 2010 the Government announced that it would localise support for council tax from 2013-14, reducing expenditure by 10 per cent. On 17 February 2011 the Government published the Welfare Reform Bill, containing provisions for the abolition of council tax benefit, paving the way for new localised schemes.

Localising support for council tax is part of a wider policy of decentralisation, giving councils increased financial autonomy and a greater stake in the economic future of their local area. The framework for local council tax support schemes will be established in a local government finance bill to be issued in this Parliamentary session, and in regulations.

The Government states 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.

In broad terms, it is envisaged that:

Local schemes will be developed within broad parameters set by the Government, including:

the framework for support for eligible pensioners
the importance of supporting incentives to work

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Local authorities will be free to collaborate to reduce costs, develop schemes that support priorities that are shared by a number of neighbouring authorities, and manage financial risks.

Local authorities will be encouraged to consider how the process of establishing eligibility for working age claimants can be simplified. The Government will work with local government to understand how data sharing can help further reduce administrative costs and complexity.

Local authorities will seek to integrate arrangements for providing support within the council tax system, and will continue to provide support to households as a reduction in the amount of council tax payable, rather than a cash payment. The consultation refers to council tax support as a discount.

The reform will be accompanied by a new Government grant to local authorities, who will be able to take this into account when setting the local scheme. It is not proposed to ring fence the grant allocation to the local scheme.

The localisation of support for council tax is taking place within a wider programme of welfare reform which is intended to help move people back into work, and the consultation notes that the new scheme will protect vulnerable people, including eligible pensioners.

Timescales

It is intended that local schemes will be in place by 1st April 2013. A full timescale for the implementation of local schemes, subject to Parliamentary timetable, is provided at Appendix A.

Impact of proposals

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 expenditure statistics from DCLG 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 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.
- **The £500m cut in current spending is linked to a fixed grant per authority, as opposed to the current demand led expenditure and funding.**
- **Protecting those who receive 100% CTB and also pensioners provides considerable challenges.**
 - In Harlow there are 9,446 claims to council tax benefit in payment, amounting to £8.7 million in 2011/12. Of these 9,446 claims, 4,073 are pensionable age. If the proposed terms were introduced today, the 10% cut in expenditure amounting to £870,000, would need to be applied to 5,373 working age claims, many of whom currently receive 100% rebate.
 - In Uttlesford there are 4,417 claims to council tax benefit in payment, amounting to £4.7 million in 2011/12. Of these 4,417 claims, 2,301 are of pensionable age. If the proposed terms were introduced today, the 10% cut in expenditure, amounting to £470,000, would need to be applied to 2,116 working age claims, many of whom currently receive 100% rebate.
 - If councils were given greater flexibility over existing discounts the 10% reduction would be easier to manage and councils could minimise the impact on current benefit recipients.

The 10% reduction will represent a loss of council tax income in 2013/14, and this will need to be recovered from those taxpayers whose council tax benefit is reduced, including those who currently are not required to pay council tax. This will potentially result in reduced collection rates and an increase in the administration costs of council tax collection.

Financial Risks

Currently support for council tax is demand-led. From 2013-14 funding will be through a grant paid from the Department for Communities and Local Government departmental expenditure limits. In designing and administering local schemes, local authorities will need to consider how to manage any possible financial pressures as a result of a fall in collection rates, which might occur if:

- Local authorities struggle to collect increased amounts of council tax from those households who experience a reduction in support with their bill.
- There are unexpectedly high levels of demand for support from eligible claimants, which exceeds the value of discounts which was forecast at the point where budgets and council tax levels were set.

The consultation document sets out proposals for local mechanisms to help manage financial pressures, in particular to ensure that district councils are not exposed in full to financial pressures. The government proposes the following principles for managing financial risks in such circumstances:

- Billing authorities should be able to share any financial pressure as a result of unexpectedly high increases in demand for support with major precepting authorities.
- The billing authority should not be exposed to the totality of the financial pressure in-year.
- While risk sharing with precepting authorities will be the default approach, different forms of risk sharing should be possible.

The Government will consider whether maintaining the new grant allocations unchanged for several years will help to provide certainty for local authorities. This could also provide an incentive effect to councils to get people back into work, by enabling councils to benefit financially from having managed down demand for support.

Changes to both housing benefit and support for council tax will have implications for their administration funding. The Government does not intend the administration of local schemes to put pressure on local government finances, in line with the new burdens doctrine. The Government will therefore work with local authorities to assess the net impact of housing benefit centralisation and localisation of support for council tax, including the transitional costs of moving to the new arrangements.

Joint working

The Government suggests that billing authorities should lead on the design and administration of localised council tax support schemes in their areas because of their current responsibilities and expertise.

However, there would be many benefits from local authorities collaborating with others. Collaboration could, for example, help to reduce administrative costs, manage financial risks by enabling local authorities to manage funding over a broader area, and ensure local schemes support wider local priorities for growth.

The consultation suggests two ways in which the local government sector - either nationally or locally - could collaborate to reduce duplication and cost:

- Developing templates or guidance to support local authorities in setting up local schemes.
- Developing model schemes which could help minimise the time and resource needed to design schemes.

The consultation refers to the fact that some local authorities already come together to administer council tax jointly. A coordinated approach between such billing authorities in designing schemes could reduce duplication, minimise administrative costs, make better use of expertise, and enable more strategic engagement with

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suppliers. This would also benefit the precepting bodies, which would not need to deal with several authorities individually as schemes are developed.

The consultation also suggests that in two-tier areas the county, rather than individual billing authorities, could coordinate the **design** of a single scheme (noting that it is usually the billing authorities that have council tax collection systems and their associated IT support, and expertise). Specific legal provisions would be required to enable this form of joint working.

Possible Implications for the Partnership with Uttlesford DC

Harlow Council and Uttlesford DC will need to consider the design of their local schemes in terms of local priorities, but predicted efficiencies may be compromised if the Partnership has to deliver schemes to differing eligibility criteria.

The Partnership has recently tendered for a Revenues & Benefits ICT system, the specification of which is based on the current need to deliver council tax benefit in accordance with the National Scheme and the DWP reporting requirements. The current implementation plan for the joint ICT platform for revenues and benefits provides for a go-live date of October 2012. This planned implementation will require the council tax benefit module to support the current welfare benefit scheme to be implemented and operational, as the new local support for council tax is to be implemented from the 1/4/13. The ICT software will then require "reconfiguration" to deliver local council tax support for the two authority's schemes. Additional cost and additional project support are envisaged for this.

The time-table at Appendix A provides that in autumn / winter 2012 local authorities will be establishing local schemes and putting in place ICT systems, and notifying claimants of changes. Until the design and eligibility criteria of any local scheme is known it will be very difficult to specify the requirements of any change to / replacement of the council tax benefit ICT module.

Conversely the implementation of a local support scheme for council tax may provide opportunities for the partnership to deliver a model scheme for other LA's, but this may be dependant on local authorities agreeing to schemes of similar eligibility criteria.

Appendix A

Summer 2011

- Consultation begins.
- Government begins working with local authorities, representative organisations and suppliers on delivery requirements for localisation.
- Basis for model schemes considered.

Autumn/winter 2011-12

- Government publishes a response to the consultation.
- Introduction of Local Government Finance Bill (included provisions for localisation of council tax support).
- Central and local government begin working on model schemes.

Spring 2012

- Primary legislation in passage through Parliament.
- Government preparing and publishing draft secondary legislation.

Summer 2012

- Primary legislation passed.
- Secondary legislation prepared.
- Local authorities designing and consulting on local schemes.

Autumn/winter 2012-13

- Local authorities establishing local schemes - putting place systems, notifying claimants of changes.
- Local authorities setting budgets.

Spring 2013

- Local schemes in operation.