



Localising Support for Council Tax in England

Consultation



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Scope of the consultation

Topic of this consultation:	This consultation seeks views on proposals for the localisation of council tax support in England from 2013-14.
Scope of this consultation:	<p>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 introduced in this Parliamentary session, and in regulations.</p> <p>The Government would welcome views on all aspects of the proposed approach set out in the document, in addition to the specific questions asked.</p>
Geographical scope:	This consultation applies only to England.
Impact Assessment:	

Basic Information

To:	<p>This is a public consultation and it is open to anyone to respond. We would particularly welcome views from:</p> <ul style="list-style-type: none"> – local authorities; – local government professional and representative bodies; – voluntary and third sector organisations.
Body/bodies responsible for the consultation:	Local Government Finance Directorate, Department for Communities and Local Government.
Duration:	2 August 2011 to 14 October 2011.
Enquiries:	<p>Elise Laker 0303 444 1331 Michael Ning 0303 444 2072</p> <p>CTB-Reform@communities.gsi.gov.uk</p>

How to respond:	Council Tax Benefit Reform Team, Department for Communities and Local Government, 5/H2 Eland House, Bressenden Place, London, SW1E 5DU CTB-Reform@communities.gsi.gov.uk
Additional ways to become involved:	There will be a programme of engagement on technical issues with local government and other interested organisations during the consultation period.
After the consultation:	Government intends to publish a response to the consultation on the Department for Communities and Local Government website.
Compliance with the Code of Practice on Consultation:	This is compliant with the Code of Practice.

Background

Getting to this stage:	As announced in the 2010 Spending Review, support for council tax will be localised from 2013-14 and expenditure reduced by ten per cent.
Previous engagement:	The Department has run a series of pre-consultation engagement sessions with a variety of groups and local government representatives. Their input was taken on board when developing this consultation paper. On 6 July 2011 the Department for Communities and Local Government Select Committee held an evidence session, as part of their inquiry into the effects of welfare reform on local government. This included the proposed localisation of support for council tax.

Additional copies

1. This consultation paper, complete with electronic response form, is available on the Department for Communities and Local Government website at www.communities.gov.uk. You may request a hard copy of this consultation paper from the address given above.

Confidentiality and data protection

2. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are, primarily, the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).
3. If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the department.
4. DCLG will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.
5. Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Help with queries

6. Questions about the policy issues raised in the document can be sent to the address given on page three.
7. A copy of the consultation criteria from the Code of Practice on Consultation is at Annex C. Are you satisfied that this consultation has followed these criteria? If not or you have any other observations about how we can improve the process please contact:

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Section 1

Introduction

- 1.1 At 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.
- 1.2 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. This supports the Government's wider agenda to enable stronger, balanced economic growth across the country and complements the Government's proposals for other incentives, such as the New Homes Bonus.
- 1.3 The Government is committed to ensuring that local authorities continue to provide support for council tax for the most vulnerable in society, including pensioners. 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. However, there are certain low-income groups, in particular pensioners, whom the Government does not expect to work to increase their income. The Government therefore intends protecting pensioners from any change in award as a direct result of this reform and the consultation also raises whether other groups should similarly be protected.
- 1.4 The Government also expects localised schemes to support the positive work incentives that will be introduced through its plans for Universal Credit for people of working age (see text box on page 15) and is therefore seeking views on how this can be achieved in a way which is consistent with localisation.
- 1.5 This consultation sets out proposals on key elements of a framework for local support for council tax. This framework will be established in a local government finance bill to be introduced in this Parliamentary session, and in regulations. The Government will maintain an ongoing dialogue with local government on the developing detail of the scheme, and will also consult on the draft regulations. It is intended that local authorities will establish their own local schemes by April 2013. We would welcome views on what guidance and other assistance is necessary to support local authorities in setting up local schemes.

- 1.6 This consultation forms part of the Local Government Resource Review in England, which is looking at several key areas of local government finance, including local retention of business rates.
- 1.7 The Government would welcome views on all aspects of the proposed approach set out in the document, in addition to the specific questions asked. Details of how to respond to this consultation are set out at the beginning of this document. As part of the consultation, we will be engaging extensively with local authorities and other relevant organisations, to enable us to develop and refine our proposals, as well as listening closely to views expressed by the general public.
- 1.8 The Welfare Reform Bill contains provisions for council tax benefit in its current form to be abolished across the whole of Great Britain. As local government finance is devolved to Scotland and Wales, the Government expects that the Devolved Administration Governments will put forward their own proposals. The Department for Communities and Local Government, HM Treasury and the Department for Work and Pensions will continue to work with the Devolved Administration Governments to ensure that schemes can be developed within the appropriate framework of powers.

Section 2

Why localise support for council tax

2.1 The Government has decided to localise support for council tax to:

- Give local authorities a greater stake in the economic future of their local area, and so supporting the Government's wider agenda to enable stronger, balanced economic growth across the country. The Government has considered the situation for low-income pensioners who would currently be eligible for support with their council tax bill and would not expect them to seek paid employment to increase their income. The Government therefore proposes that as a vulnerable group, low-income pensioners should be protected from any reduction in support as a result of this reform.
- Provide local authorities with the opportunity to reform the system of support for working age claimants. In particular it will enable local authorities to align the system of support for working age households much more closely with the existing system of council tax discounts and exemptions, simplifying the complex system of criteria and allowances.
- Reinforce local control over council tax. Enabling decisions to be taken locally about the provision of support with council tax is consistent with a drive for greater local financial accountability and decision-making, including the Government's proposals for local referendums on council tax levels.
- Give local authorities a significant degree of control over how a 10 per cent reduction in expenditure on the current council tax benefit bill is achieved, allowing councils to balance local priorities and their own financial circumstances. Reducing the costs of support for council tax is a contribution to the Government's vital programme of deficit reduction. Localisation is intended to help deliver savings of around £500m a year on the current council tax benefit bill across Great Britain.
- Give local authorities a financial stake in the provision of support for council tax. This reform will create stronger incentives for councils to get people back into work and so support the positive work incentives that will be introduced through the Government's plans for Universal Credit.

Section 3

Overview of consultation

- 3.1 The consultation document sets out the Government's expectations about how local schemes could operate within the parameters that the Government proposes. We would welcome views on all aspects of these proposals, in addition to the specific questions asked.
- 3.2 In broad terms, it is envisaged that:
- 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
 - 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.
- 3.3 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.
- 3.4 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.
- 3.5 This 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.

Section 4

What changes to support for council tax could mean for you

- 4.1 What this change will mean for you will depend on who you are.
- If you are not entitled to council tax benefit, nothing will change for you.
 - If you are someone of pension age who receives council tax benefit, nothing will change for you.
- 4.2 However, if you are someone of working age who receives council tax benefit, there may be changes which will affect you from April 2013.
- Some changes will affect how you claim support with your council tax bill.
 - Some changes may affect how much support you can claim.
- 4.3 Instead of the Government setting the rules about how much support you can get, the Government is suggesting that councils should be free to decide who should pay less council tax and how much less they should pay – as long as what it does means that pensioners are no worse off and people are generally better off working than claiming benefits.
- 4.4 The Government is proposing to give local authorities an amount of money in advance and the local authorities will have to share that among those who need it most in their area.
- 4.5 However, it is possible that, if your local authority does not think that you are among those who need most support, as a result of these changes, you might have to pay more of your council tax than you do currently.
- 4.6 This document is not about how much you should pay. It is about how your local authority could operate the system for offering support with your council tax. This document asks for the views of local authorities – and anyone who could be affected by these changes – to help the Government decide on the framework within which your local authority will design and operate its scheme.

Section 5

Principles of the scheme

- 5.1 The Government has been clear that, in introducing a localised system of support for council tax, it will seek to ensure that the most vulnerable in society, in particular low income pensioners, are protected and that the changes should help to ensure that work pays.
- 5.2 We therefore propose the following principles to underpin local schemes:
- Local authorities to have a duty to run a scheme to provide support for council tax in their area.
 - For pensioners there should be no change in the current level of awards, as a result of this reform.
 - Local authorities should also consider ensuring support for other vulnerable groups.
 - Local schemes should support work incentives, and in particular avoid disincentives to move into work.

Protecting the vulnerable

- 5.3 The localisation of support for council tax is taking place within a wider programme of welfare reform to help move people back into work. However, there are groups, in particular low-income pensioners, who would struggle to pay council tax without additional support, and whom the Government does not expect to work to increase their income.
- 5.4 Given the Government's concern that pensioners remain protected – and its interest in the level of protection provided – it is proposed that Government will prescribe the criteria, allowances and awards for council tax support to pensioners which local authorities will need to provide for in their local schemes. This will avoid low-income pensioners experiencing any increase in their council tax liability as a result of this reform and will also ensure that pensioners who become eligible for support with council tax at any time in the future will enjoy the same support as existing eligible pensioners. Local authorities will be able to use the new grant to fund support for both pensioner and working age claimants.

- 5.5 Section 9.26 looks in more detail at the administrative implications of Government’s proposed approach to guaranteeing support for pensioners.
- 5.6 There are other groups who may struggle to pay council tax to whom the Government may wish to ensure local authorities offer support. These could also be groups who might not be expected to increase their income through work, for example because they are exempt from conditionality rules under current or planned welfare arrangements. Decisions to extend protection to other groups will need to be balanced by the need for local authorities to manage the financial implications of offering support for council tax, and the potential impacts on council budgets and other council tax payers. The Government will consider, in the light of this, what guarantees of support should be extended to these groups.

Questions:

5a: Given the Government’s firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?

5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?

Work incentives

Work incentives and Universal Credit

Universal Credit will bring together different forms of income-related support and provide a simple integrated benefit for people in or out of work. It will provide a basic income for people out of work covering a range of needs including those currently delivered by Housing Benefit. It will make work pay as people move into and progress in work.

Universal Credit will improve work incentives in three ways by:

- Ensuring that support is reduced at a consistent and predictable rate, and that people generally keep a higher proportion of their earnings.
- Ensuring that any work pays and, in particular, low-hours work.
- Reducing the complexity of the system, and removing the distinction between in-work and out-of-work support, thus making clear the potential gains to work and reducing the risks associated with moves into employment.

Single earnings taper

The taper is the rate at which benefit is reduced to take account of earnings. Currently there are different tapers for in-work benefits and Tax Credits which apply to either gross or net income. Housing benefit and council tax benefit together have an 85 per cent taper on net income; Tax Credits have a 41 per cent taper on gross income.

Universal Credit will improve work incentives for low earners by means of a single gradual withdrawal of benefits as earned income increases. This will be by means of a single taper of around 65 per cent of net earnings.

A single taper will produce a marginal deduction rate (the impact on income of the combined effect of tax and benefits being withdrawn) on earned income of 76 per cent for those paying national insurance and income tax, a significantly lower withdrawal rate than the current maximum marginal deduction rate of 96 per cent that people can currently experience.

The gradual withdrawal of benefit through the taper is complemented by a system of earnings disregards which help to strengthen work incentives for those who have been out of work for a long time, who are looking to take their first steps into the labour market. Together the disregards and taper ensure that people should see a clear financial gain to working and progressing in work.

- 5.7 The Government is clear that it is essential that any local scheme aligns with Universal Credit and reflects the key principles for incentivising people to work:
- People should get more overall income in work than out of work.
 - People should generally get more overall income from working more and earning more.
 - People should be confident that support will be provided whether they are in or out of work that it will be timely and correct, and that claiming will not be a complicated and frustrating experience.
- 5.8 Local authorities already have a strong interest in increasing employment among their local population and one of the aims of localisation is to create stronger incentives for local authorities to get people back into work.
- 5.9 There is a risk, however, that some of the advantages from the single Universal Credit taper, set out in the 2010 white paper *Universal Credit: welfare that works*, could be lost if there is a separate and overlapping withdrawal of council tax support through localised schemes. This would produce a marginal deduction rate higher than 76 per cent (or 65 per cent for those below the tax/National Insurance threshold). If council tax support is withdrawn quickly on entering work, it could also raise the participation tax rates faced by low earning workers and act as a disincentive for working at all.
- 5.10 To help local authorities to develop schemes which support the work incentives that Universal Credit is intended to deliver, the Government invites views on proposed national guidelines, guidance and model schemes for the design of local support schemes so that the two systems work effectively together to provide strong, transparent work incentives for individuals.

Section 6

Establishing local schemes

Introduction

- 6.1 Localisation of support for council tax will mean a significant change in the role of local authorities. Currently local authorities administer council tax benefit in accordance with national criteria set by the Department for Work and Pensions and are fully reimbursed by the Department for the rebates that are determined in this way. In future local authorities will need to design schemes for working age claimants, taking into account available funding and the support to be provided to pensioner claimants.
- 6.2 This reform provides an opportunity to align support for council tax more closely with the existing council tax system, and in particular council tax discounts. This would mean that for claimants eligible for support, their council tax liability would be reduced – in some cases to zero. This would be calculated once other discounts which the claimant is eligible to receive, for example single person discount, have been taken into account. In practice this is unlikely to appear to claimants as very different to current arrangements for council tax benefit.

Aligning arrangements for support with the wider council tax system

- 6.3 There are a number of advantages to integrating the new approach to providing local support for council tax with the council tax system. This could:
- Help to reduce the administrative burden by having common processes and systems when dealing with working age claimants and those claiming council tax discounts and exemptions.
 - Reduce complexity for claimants, by making support for council tax one of the discounts and exemptions that residents can claim rather than a separate system.
 - Provide a framework for sharing financial pressures between billing and precepting authorities, using the mechanism of the collection fund, reducing the exposure of small district billing authorities to financial risk. See Section 8 'Managing risk' on page 25.

Process for establishing schemes

6.4 The key steps in the process of establishing a local scheme will be:

- Design.
- Consultation.
- Feeding into the budget and council tax-setting processes.

Design

6.5 As a first step the lead local authority (or authorities) will need to establish the parameters of the scheme taking into account the funding the local authority intends to dedicate to the scheme. The parameters are likely to be informed by:

- The framework set by central government: in particular requirements relating to support for pensioners and ensuring work incentives are supported.
- Other duties and responsibilities, including the requirement under the Child Poverty Act to reduce, and mitigate the effects of, child poverty in their local areas.
- Local priorities, such as tackling unemployment.
- Forecasts of demand including the assessment of the potential size of eligible groups.
- Assumptions about take-up, including the assessment of the proportion of potential eligible groups that will actually apply for support.
- Level of grant available, including any other sources of funding, and any estimated impact on council tax yield, for example as a result of non-collection.

Consultation

6.6 The local authority will need to submit the proposed scheme to some form of public scrutiny or challenge, including making the data underpinning the scheme publicly available. This could include formal public consultation as well as sign-off by elected members. See the section on joint working on page 21. The local authority will also need to ensure other authorities, including precepting authorities, have an appropriate role in this process.

6.7 We would also welcome views on whether other forms of scrutiny, for example by an external auditor would be helpful in ensuring that schemes are robust.

Budget and council tax-setting processes

6.8 To put schemes into operation councils will need to:

- Know their indicative grant allocation in advance of the budget-setting process (see Section 11 on funding on page 41).
- Have designed, consulted on and agreed the local scheme in advance of the budget and council tax setting process.
- Take account of the value of discounts to be offered under the local scheme as part of the process of establishing the tax base, which, alongside the budget requirement, informs the setting of council tax.
- Make any adjustments to the individual's council tax bill to include information on support.

Work incentives

6.9 As set out in the previous chapter the Government considers it essential that the design of local council tax support schemes support the improved work incentives that Universal Credit is intended to deliver. The Government would therefore welcome views on what parameters or support could help to ensure that council tax support and Universal Credit work effectively together to provide strong, transparent work incentives for individuals.

6.10 The Government considers that it is particularly important that local authorities seek to avoid high participation tax rates, which remove the incentives to enter work. Guidelines, guidance and model schemes would seek to ensure local authorities are able to design schemes which avoid high participation tax rates, and ideally create a maximum net participation tax rate of no more than 20 per cent, once Universal Credit is fully implemented.

6.11 The Government would welcome views on how this could be achieved, through one or a combination of the following:

- Guidance on setting taper rates and earnings disregards.
- Guidance on maximum participation tax rates that low earning households should face.
- Guidelines on the treatment of income and earnings to avoid the double counting of different income types.
- Model schemes, demonstrating how this could be achieved.

- 6.12 Alongside this the Department for Work and Pensions and the Department for Communities and Local Government will work closely with local authorities to make sure that the local schemes interact smoothly with Universal Credit.

Adjusting schemes over time

- 6.13 It may become desirable or necessary to make adjustments to the local scheme, for example to the level of support provided. The Government does not believe that it would be helpful to allow for changes to happen within the billing year, because of the financial uncertainty this would create for claimants. Section 8.4 sets out how local authorities might be able to manage financial pressures in-year.
- 6.14 Local authorities should be able to make adjustments to schemes each year, following a local consultation process at least where significant adjustments are planned. Government expects that local authorities would want to ensure that any resulting plans to change the level of support are clearly notified to claimants in good time before the change is reflected in council tax demand notices.

Questions:

6a: What, if any, additional data and expertise will local authorities require to be able to forecast demand and take-up?

6b: What forms of external scrutiny, other than public consultation, might be desirable?

6c: Should there be any minimum requirements for consultation, for example, minimum time periods?

6d: Do you agree that councils should be able to change schemes from year to year? What, if any restrictions, should be placed on their freedom to do this?

6e: How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?

Section 7

Joint working

- 7.1 The collection and distribution of council tax is administered by billing authorities – in two-tier areas this is the lower tier authority (district council). They also administer the current council tax benefit regime on behalf of the Department for Work and Pensions. 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.
- 7.2 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.
- 7.3 The following section looks at the reasons why local authorities may need or want to work together to design, administer and manage risks for local schemes, and the types of arrangements that might be needed to support joint working – between district and county councils, billing and precepting authorities, and different billing authorities. It seeks views on how different authorities should be involved, and what if any safeguards are needed to ensure the interests of collaborating authorities are protected.

Benefits of collaboration

- 7.4 The following section considers how local authorities may choose to come together to design and administer schemes jointly to:
- Reduce duplication and cost (see Section 7.5).
 - Address needs and priorities that extend beyond the boundaries of the billing authority (including avoiding inconsistencies which might attract opposition from local taxpayers who find they have to deal with significantly different administrative processes when moving between neighbouring authorities) (see Section 7.14).
 - Manage financial risk (see Section 8.4).

Reducing duplication and cost

- 7.5 Two ways in which the local government sector – either nationally or locally – could collaborate to reduce duplication and cost are:
- 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.

Joint design/administration

- 7.6 Some local authorities already come together to administer council tax jointly (see text box below on council tax joint working). 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 suppliers. This would also benefit the precepting bodies, which would not need to deal with several authorities individually as schemes are developed.
- 7.7 It may be 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). How this might operate is set out in more detail in Section 7.14 on types of joint working. Specific legal provisions would be required to enable this form of joint working.

Joint working on council tax collection

Partnership working between local authorities has enabled the delivery of better services and reduction of costs:

The Anglia Revenues Partnership comprising the Breckland District Council, East Cambridgeshire District Council and Forest Heath District Council has achieved in excess of £1m savings per year in their shared Revenue & Benefits service with over 98 per cent council tax collection rates (<http://www.angliarevenues.gov.uk/>).

The South West Devon Districts comprising the South Hams District Council and West Devon Borough Council estimates savings of £350,000 a year for their Revenue and Benefits service with initial upfront costs of £300,000 (<http://www.districtcouncils.info/fileuploads/91-5560.pdf>).

- 7.8 Once schemes are in operation, joint working could also sensibly extend to the **administration of schemes**, building on the current joint arrangements for council tax billing and collection in a number of areas.

Addressing needs and priorities that extend beyond the boundaries of the billing authority

- 7.9 Where a coordinated approach is being taken to jobs and growth, for example through a local economic partnership, local authorities may want to work together to develop schemes which support these shared priorities. To achieve this it is possible that authorities might choose as a matter of policy to establish a single scheme, with consistent rules and levels of award, across a number of authorities.
- 7.10 Even where there is no active joint working, neighbouring authorities will also want to understand the possible impacts of operating different schemes alongside each other, in particular the implications for local residents moving between authorities of different schemes.
- 7.11 Upper tier authorities in two-tier areas and local precepting authorities (commonly parish councils) may also have an interest in the impacts on their residents of the proposed scheme. This is separate to any interest that precepting authorities will have in the impacts of the design and administration of local schemes on council tax collection, which is set out in Section 8.8 'Managing risk'.

Types of financial risk

- 7.12 In designing and administering local schemes local authorities will also need to manage potential financial risks. The types of risks authorities might face and the ways that they might manage them, including through collaboration, are set out in Section 8 'Managing risk' on page 25.

Arrangements for joint working

- 7.13 As far as possible, local authorities should be free to come together in ways that are appropriate to them and their areas, but there will be some circumstances in which more formal arrangements are needed. In developing the legislative framework for localised schemes, the Government is keen to ensure that different forms of collaboration are possible.

Types of joint working

- 7.14 Billing authorities would be free to come together and coordinate approaches to setting schemes where each authority retains responsibility for the scheme in their area. However, local authorities may also want to undertake more significant collaboration, for example where a coordinated approach is being taken to jobs and growth, for example through a local economic partnership. Two such examples are:
- Making one single authority (which could be the county council in two-tier areas, the Greater London Authority in London, or a lead billing authority) the responsible authority for developing a single scheme which applies across a number of authorities.
 - Establishing a joint body, made up of a number of authorities, to lead on the development of a single scheme.
- 7.15 Such structures could enable authorities to pool the funding they receive from central government to be able to offer consistent level of award across a number of authorities. Such arrangements, enabling more than one body to have the responsibility of making a scheme for an area, would require specific legal mechanisms. The Government would need to consider how to ensure these were not unnecessarily bureaucratic.

Questions:

7a: Should billing authorities have default responsibility for defining and administering the schemes?

7b: What safeguards are needed to protect the interests of major precepting authorities in the design of the scheme, on the basis that they will be a key partner in managing financial risk?

7c: Should local precepting authorities (such as parish councils) be consulted as part of the preparation of the scheme? Should this extend to neighbouring authorities?

7d: Should it be possible for an authority (for example, a single billing authority, county council in a two-tier area) be responsible for the scheme in an area for which it is not a billing authority?

7e: Are there circumstances where Government should require an authority other than the billing authority to lead on either developing or administering a scheme?

Section 8

Managing risk

8.1 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 limits¹. 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.

8.2 The Government believes it is important that local authorities plan to manage financial risks locally. Key to this are:

- Local contingency arrangements to provide for increased take-up or demand.
- A 'safety-valve' so if take-up or demand exceed even contingency forecasts financial pressures can be shared with other authorities.

Local contingency arrangements

8.3 It is important that local tax payers have certainty about what support will be available to them, and the Government therefore does not believe that authorities should change or withdraw schemes part way through the billing year, or ration support. It will therefore be essential that in designing schemes local authorities make provision for increases in take-up or demand.

Managing financial pressures with other authorities

8.4 Collaboration will be an important means of managing financial risk. It is possible that in a very small number of cases sudden increases in demand – for example as a result of a localised job-shock – could exceed the level of demand forecast at the time that budgets were set. In such cases it is important that the billing authority

¹ Departmental Expenditure Limits: the total spending limits for Government departments over a fixed period of time, excluding demand-led and exceptionally volatile items. Departmental Expenditure Limits are planned and set at Spending Reviews.

– which may be a small district council – is not exposed to the full impact of any financial pressure.

- 8.5 The Government proposes the following principles for managing financial risks in such circumstance, and would welcome views on whether these are the right principles and how they could be put into effect.
- **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.**
- 8.6 This should enable the billing authority to continue to offer support where there are exceptional levels of demand which exceed those forecast at the time that budgets were set.
- 8.7 This might mean allowing the billing authority to continue to offer a reduction in liability, but not requiring it to cover the foregone revenue from its own resources. Instead, the shortfall in council tax revenue would be shared between billing and major precepting authorities. We propose that the default arrangement should be for billing authorities to share risks with the major precepting authorities (police and fire and rescue authorities, and county councils in two-tier areas). Local precepting authorities (normally parish councils) would be excluded from such arrangements.
- **The billing authority should not be exposed to the totality of the financial pressure in-year.**
- 8.8 Currently shortfalls in council tax revenue are shared between billing and precepting authorities at the end of the financial billing year as adjustments in the Collection Fund (see ‘How council tax works’ on page 54). Further steps may be needed to ensure that rigid payment schedules set at the start of the billing year do not mean that the billing authority faces the totality of this pressure before the distribution of the deficit takes place.
- **While risk sharing with precepting authorities will be the default approach, different forms of risk sharing should be possible.**
- 8.9 Collaboration between the billing and major precepting authorities will be the most straightforward approach to sharing risk in most areas. However, this should not rule out other risk-sharing arrangements, where this fits best with local arrangements – for example, sharing risk between unitary authorities or a number of district councils.

- 8.10 In all risk sharing arrangements, it will be essential that the authorities with whom risk is shared are assured that the design of the scheme does not expose them to unnecessary financial risks. This could be achieved through a formal consultation process, but we would welcome views on whether any more safeguards need to be put in place. Consultation could also ensure that the views of local precepting bodies and neighbouring authorities can be taken into account.

Questions:

8a: Should billing authorities normally share risks with major precepting authorities?

8b: Should other forms of risk sharing (for example, between district councils) be possible?

8c: What administrative changes are required to enable risk sharing to happen?

8d: What safeguards do you think are necessary to ensure that risk sharing is used appropriately?

Section 9

Administering local schemes

Introduction

- 9.1 It will be important that local authorities are able to administer local support for council tax in a way which is fair and easy to understand for the claimants, whilst minimising administrative costs, errors and the risk of fraud. The arrangements for tackling fraud can be found in the section on data sharing.
- 9.2 This reform of council tax benefit is part of the Government's wider plan to make work pay. It is particularly important that local authorities ensure that the level of award and its possible effect on a claimant's decision to work more hours are readily understood by the claimant and the process for making a claim is administratively simple and avoids creating disincentives to work (for example, because the complexity of re-establishing eligibility means claimants are reluctant to take on work for short periods).
- 9.3 All local schemes will need to:
- Establish eligibility – according to the terms of the scheme.
 - Grant an award.
 - Allow for appeals; and
 - Address errors.
- 9.4 Government wants to give local authorities as much freedom as possible, within certain parameters, to design their schemes. However, there may be some elements of administration where it may be desirable to:
- Provide for a degree of consistency between authorities to support data sharing and minimise the complexity for tax payers moving between areas.
 - Remove disincentives to entering into temporary work by avoiding some of the potential administrative complexity of claiming local support for council tax.
- 9.5 The following paragraphs explore this further.

Establishing eligibility and making a claim

- 9.6 It is envisaged that local authorities will be given powers to develop their own local schemes for working age claimants, with the freedom to determine the levels of support that should be offered and how the scheme should operate. Local authorities will be free to configure local services as they see fit, taking into account the need to provide a high quality service to local residents and meet any relevant access requirements. It will be important for local authorities to consider how they ensure that their service meets the needs of claimants and in doing so they may find it helpful to involve advice providers and relevant bodies.

Role of advice providers

AdviceUK provides support to a UK-wide network of independent advice centres which provides free advice to their clients. Currently, AdviceUK is working with Nottingham City Council and local advice agencies on shaping future advice provision from a bottom-up and early intervention perspective which aims to improve the client's experience in accessing support.

For more details see www.adviceuk.org.uk/projects-and-resources/projects/bold.

- 9.7 The Government is interested in views on what minimal level of consistency between schemes might be desirable to:
- Minimise complexity for claimants who move between authorities.
 - Support joint-working and data sharing.
- 9.8 For example, consistency might be desirable in:
- Establishing identity – for example, continuing to use the National Insurance number.
 - Definitions e.g. of income and capital (although Government is minded to assume that local authorities would then be free to set their own income and capital thresholds for working age claimants).
- 9.9 We would welcome views on how any consistency between schemes should be achieved – whether this should be prescribed in the framework; set out in Regulations, or whether it would be sufficient to set out in guidance aspects of the scheme where a common approach should be taken.

Question:

9a: In what aspects of administration would it be desirable for a consistent approach to be taken across all schemes?

9b: How should this consistency be achieved? Is it desirable to set this out in Regulations?

Providing certainty for claimants

9.10 It will be essential that claimants are not discouraged from entering into temporary work because of the administrative complexity claiming local support for council tax. This certainty can be provided through a number of means:

'Run-ons'

9.11 Currently a council tax benefit claimant or their partner can receive 'extended payment' of council tax benefit for up to four weeks after they are no longer eligible providing the individual satisfies a number of conditions. Claimants may also be entitled to an extended payment if they move to a different local authority during the extended payment period provided there is a council tax liability at the new address.

9.12 Allowing the award to continue unchanged for a period after someone returns to work can have a beneficial effect on work incentives, encouraging people to take up a work opportunity when they might not otherwise do so. Local authorities may wish to consider incorporating such a 'run on' as part of their scheme.

Advance claims

9.13 Currently council tax benefit claimants of working age can apply up to eight weeks, or if they are of pensionable age up to 17 weeks, in advance of being responsible for a council tax liability for a dwelling. Also a claimant can apply for up to six months of backdated council tax benefit from the date of a backdated application if there is good cause for not submitting a council tax benefit claim at the appropriate time. The Government proposes that local authorities should be able to allow claimants to submit claims for council tax support in advance of being liable for paying council tax.

9.14 There are advantages to both the local authority, in terms of efficiency, and the claimant, in having a simplified process for reinstating claims following a short break in entitlement. Knowing that such a facility is available may encourage some claimants to take up short term employment opportunities. Local authorities may wish to consider making this a feature of their local schemes.

Retaining ‘information stubs’ about claimants for a fixed period after eligibility is lost

- 9.15 Currently, a local authority may use simplified claim procedures when a claimant entitled to Income Support/Job Seekers Allowance reclaims within 12 weeks of their previous council tax benefit claim provided there has been no change in their circumstances.
- 9.16 It would be desirable for similar arrangements to be retained in local systems to minimise unnecessary bureaucracy, increase administrative simplicity for previous claimants and remove a possible barrier to entering temporary work.

Questions:

9c: Should local authorities be encouraged to use these approaches (run-ons, advance claims, retaining information stubs) to provide certainty for claimants?

9d: Are there any other aspects of administration which could provide greater certainty for claimants?

9e: How should local authorities be encouraged to incorporate these features into the design of their schemes?

Granting the award

- 9.17 We propose that support for council tax should be delivered as a new form of council tax discount, which reduces council tax liability once other discounts (which the claimant is eligible to receive e.g. single person discount) have been taken into account. The council tax for which claimants are liable will therefore be reduced (in some cases to zero) while they are receiving support.
- 9.18 Currently the rebate and any discounts are set out on the council tax bill, and this approach could be continued under the new arrangements, with the necessary changes being made to the current Council Tax Billing Regulations, Council Demand Notices (England) Regulations 2010 (SI 2010/2990).
- 9.19 An alternative approach would be to inform claimants that they are in receipt of support through a separate notification. We do not believe there are any strong arguments for changing the current arrangements, but would welcome views on:
- Whether permitting or requiring local authorities to notify claimants separately of any award of support via a discount has any strong administrative, or other, advantages (for example, where the claimant is one of several people sharing joint and several liability for council tax).

- Whether there are any unhelpful implications of making the level of support the claimant is eligible for part of the calculation of the overall liability.

Hardship

9.20 Currently the billing authority has responsibility for the collection of council tax liability from each liable individual if there is a remaining liability after receiving council tax benefit support. In cases of financial hardship, a billing authority can either agree alternative payment arrangements or offer a discount using their powers under Section 13A of the Local Government Finance Act 1992. The Government considers that local authorities should continue to be free to offer assistance in cases of financial hardship under local schemes.

Question:

9f: Do you agree that local authorities should continue to be free to offer discretionary support for council tax, beyond the terms of the formal scheme?

Transitional protection

9.21 As set out in section 6.13 Government expects that local authorities may need to adjust the parameters of their scheme between financial years, to reflect changing local priorities. Early notification to current claimants of the change in their award will be essential to help claimants manage the effect of changes in their award.

Question:

9g: What, if any, circumstances merit transitional protection following changes to local schemes?

Appeals

9.22 Local schemes will need to ensure that claimants are fairly treated and that the administrative processes to correct errors are simple, transparent and cost-effective. Currently the claimant is responsible for reporting any change in circumstance, including that of non-dependants sharing their home, but there are circumstances where the local authority sometimes has to make a judgement on the facts presented to them which may then be challenged.

- 9.23 Because council tax benefit is a welfare benefit, any unresolved appeal between the billing authority and the council tax benefit claimant is referred to the Social Entitlement Chamber of the First-tier Tribunal for investigation and resolution (the First-tier Tribunal forms part of the national administrative justice system).
- 9.24 Currently, unresolved appeals on the council tax bill, such as billing of the correct person, calculation of exemptions and discounts on dwellings, are dealt with by the Valuation Tribunal for England which is independent of the local authority and the Valuation Office Agency (which decides on the council tax band of the liable dwelling). As part of the Arms Length Bodies Review, the Government announced its proposal to abolish the Valuation Tribunal for England and its administrative support body, the Valuation Tribunal Service. The jurisdiction of the Valuation Tribunal for England is proposed to be transferred to a new Property, Land and Housing Chamber in the First-tier Tribunal, which the Ministry of Justice is working to establish within the unified tribunal system.
- 9.25 As the Government is proposing to make local schemes for council tax support an integral part of the council tax system, this might extend to the handling of appeals and we would welcome views on how appeals should be handled in future.

Question:

9h: Should arrangements for appeals be integrated with the new arrangements for council tax appeals?

Administrative arrangements for pensioners

- 9.26 Government is clear that it does not want support for pensioners to be affected as a result of this reform. Section 5.3 sets out in more detail Government's commitment on support for pensioners.
- 9.27 Government proposes that this protection could be most effectively delivered by requiring local authorities – through primary legislation and regulations – to develop schemes which provide a guaranteed level of support for pensioners. This would be achieved by prescribing the approach to be taken to elements including levels of award, allowances and criteria.
- 9.28 Local authorities would continue to be responsible for delivering this support (for example, assessing claims and offering discounts), which they would do alongside developing local arrangements for working age claimants. They would be able to use the new grant from Government to meet the costs of the scheme for both pensioners and working age claimants. There would be no separate funding arrangements for pensioner claimants.

Question:

9i: What administrative changes could be made to the current system of council tax support for pensioners to improve the way support is delivered (noting that factors determining the calculation of the award will be prescribed by central Government)?

Section 10

Data sharing

Introduction

- 10.1 Data sharing will be an important way of maximising convenience and reducing complexity for claimants, while also helping to reduce administrative costs.
- 10.2 Ideally people who apply for council tax support should not have to provide to their local authority the same information, or supporting evidence, that they have already provided to the Department for Work and Pensions in an application for Universal Credit or other benefits. However, any such sharing of information must meet the requirements of the Data Protection Act 1998 and respect human rights issues.

Current arrangements

- 10.3 The Department for Work and Pensions currently shares an extensive range of data with local authorities to assist in the administration of housing benefit and council tax benefit. Data is shared electronically and sent using secure infrastructure. Section 122C of the Social Security Administration Act 1992 allows such sharing. However, the information must be supplied in accordance with the Data Protection Act 1998 and the European Convention on Human Rights.
- 10.4 When customers make a claim for an income related benefit (Income Support, Jobseekers Allowance, Employment Support Allowance or Pension Credit guarantee) they are able to make a claim for housing benefit and council tax benefit at the same time. The Department collects information that, in most cases, will enable local authorities to assess entitlement to housing benefit and council tax benefit without contacting the claimant again.
- 10.5 This means that claimants are not asked to supply local authorities with information they have already given the Department, who also notifies local authorities of changes in the circumstances of claimants that are relevant to the assessment of housing benefit or council tax benefit and could affect the award.
- 10.6 In addition, local authority staff involved in the assessment of housing benefit or council tax benefit claims are given access to the Department's Customer Information System. This enables them to confirm details of the benefits in payment to a claimant where it is necessary and lawful to do so.

Benefits of data sharing

- 10.7 Maintaining or improving data sharing arrangements has the potential to bring significant benefits:
- The applicant will benefit through only having to provide information and supporting evidence to one organisation for all the benefits they are claiming.
 - Local authorities will benefit, as for the vast majority of applicants, the local authority will not have to process claims from the beginning but will be able simply to use information already processed by the Department for Work and Pensions, reducing the administrative workload.
 - The tax-payer will benefit, as instances of error are likely to be reduced and occasions of attempted fraud are likely to be easier to spot, so less public money will be paid out to people who are not entitled to it.
- 10.8 Under Universal Credit, the Department for Work and Pensions will hold a great deal of information that would be useful to local authorities in the processing of claims for local council tax support.
- 10.9 This could include:
- Personal circumstances (age, employment, marital status, number of dependants, etc.).
 - Income information.
 - Amount of benefits received.
 - Specific benefits received.

Data protection

- 10.10 Any information sharing must comply with the requirements of the Data Protection Act, including only sharing information which a local authority requires for the operation of its scheme. As localised schemes may differ in their information requirements to be compliant with the Data Protection Act, the Department will consider carefully what information can be shared within legal constraints.
- 10.11 Providing individually tailored information to each local scheme could place an administrative burden upon the Department, with additional costs to the public purse.
- 10.12 For this reason the Government wants to work with local authorities to identify how best to share data, in a way which supports local schemes and does not significantly increase cost and complexity. This could include identifying a common core of

information that will be required by all schemes and establishing a limited number of sets of data requirements, which correspond to different model local schemes.

- 10.13 If the Department for Work and Pensions is unable to provide to each local authority the information that it needs to process claims under their system, the most likely source is the applicant themselves. This would probably require applicants to provide information and evidence that they have provided previously to the Department in other applications, and require the local authority to have in place the necessary administrative systems to process claims in full.
- 10.14 Alternatively, local authorities may be able to find alternative sources of information and/or means of verifying information provided by the claimant. In order to facilitate this, we would need to ensure that appropriate legal powers were in place.
- 10.15 Having established what information they need, local authorities will need to consider the form in which they wish to receive any information that they obtain from the Department (or from other sources). They will need to consider both the nature of the information, raw data or interpreted in some way, and the format in which it is received.
- 10.16 Raw data would probably give local authorities the greatest amount of flexibility. However, there may be significant costs associated with processing it.
- 10.17 It may be that there are administrative advantages to receiving the information interpreted in some way. Rather than receiving large quantities of personal information, it may be that local authorities would prefer to agree that there should be a certain number of categories of claimants, with certain characteristics, which may be defined according to the amount of benefits they receive; whether they are in receipt of certain specific benefits; their age, and other factors. The local authority would then be told by the Department that, on the basis of the information they hold, the claimant is in Category A, and will then provide the applicant with the level of support that they have determined is appropriate for people in Category A.
- 10.18 This could reduce the administrative burden on both the donor and recipient of the information. However, agreement would be needed on the number of categories as well as the common characteristics of each category, and this process would need to be able to be automated.

Questions:

10a: What would be the minimum (core) information necessary to administer a local council tax benefit scheme?

10b: Why would a local authority need any information beyond this “core”, and what would that be?

10c: Other than the Department for Work and Pensions, what possible sources of information are there that local authorities could use to establish claimants’ circumstances?

Would you prefer to use raw data or data that has been interpreted in some way?

10d: If the information were to be used to place the applicants into categories, how many categories should there be and what would be the defining characteristics of each?

10e: How would potentially fraudulent claims be investigated if local authorities did not have access to the raw data?

Fraud and error

Introduction

10.19 It will be key to ensure that fraud and error are minimised and the prevention of fraud and error should be considered as part of the design of any scheme – simplicity would make it more difficult to defraud as well as making errors less frequent. However, both may occur, and if they do, they will need to be investigated.

10.20 The responsibility for fraud investigation under a system of localised support for council tax will rest with the local authority. However, good relations between the local authority and Department for Work and Pensions’ Single Fraud Investigation Service will be vital, as they are likely to find themselves working on related cases or collaborating on investigations and prosecutions. It will be essential that both organisations are sufficiently empowered to facilitate collaborative working where it may be beneficial.

Current situation – investigating Council Tax Benefit fraud and error

In 2009-10 fraud and error overpayments in Council Tax Benefit stood at 4.2 per cent of overall expenditure (about £200m). Of this, fraud accounted for 1.1 per cent (about £50m) of overpaid benefit expenditure, customer error accounted for 2.4 per cent (about £110m) and official error accounted for 0.7 per cent (about £30m).²

The key cause of both fraud and customer error in Council Tax Benefit is income. As with many income-related benefits, the complexity of the information customers need to provide relating to their income, which may also fluctuate regularly, is such that they can easily mask information to commit fraud, or more commonly they simply have difficulty understanding what information they need to supply in order to ensure that their benefit payments remain correct throughout the lifetime of their claim.

In order to minimise the impact of fraud and error in the Council Tax system, local authorities employ a range of activities to both prevent and detect any inconsistencies in customers' claims. This may include data matching, with other Government sources or with private sector data, visits, and telephone interviews.

Under the current system local authorities are expected to review a claim from a person of working age not more than every six months unless the claim is considered to be exceptionally risky; and a pensioner's claim be reviewed not more than once every three years, but this can be more frequent if an local authority chooses to do so.

Changes to fraud and error investigation

- 10.21 Currently, local authorities are responsible for the investigation of council tax benefit and housing benefit fraud. A new Single Fraud Investigation Service will commence in 2013 and will be responsible for investigating and where appropriate prosecuting fraud related to Social Security benefits and tax credits and, from October 2013, Universal Credit.
- 10.22 Local authorities will no longer be responsible for investigating and prosecuting fraud in relation to the housing benefit caseload once the Single Fraud Investigation Service begins, but it is envisaged that generally the lead responsibility for investigating or prosecuting fraud in relation to local schemes for support for council tax will continue to rest with each local authority. This will be part of local government's wider responsibilities for investigating and prosecuting fraud in relation to its services – particularly fraud relating to council tax and tenancy.
- 10.23 Work is already under way to develop a local government fraud strategy guided by a ten-point plan developed by the National Fraud Authority. This builds on work being led by the Taskforce on Fraud, Error and Debt, which has overseen eight pilots

² Source: National Fraud and Error Statistics 2009/10 http://statistics.dwp.gov.uk/asd/asd2/fem/fem_apr09_mar10.pdf

to test new approaches to tackling fraud, including the more efficient use of credit reference agency information, the deployment of data analytics, and the use of insights from behavioural science to improve how fraud is combated.

Future arrangements for fraud and error investigation and prosecution

- 10.24 To be able to successfully investigate and prosecute fraud in relation to council tax support, local authorities will need sufficient powers to investigate or to commission others to investigate on their behalf, and have access to sufficient information to investigate. Retaining responsibility for investigating council tax support fraud locally would enable local authorities to use local knowledge and would complement responsibilities for investigating council tax fraud and tenancy fraud in particular.
- 10.25 Government would welcome views on what local authorities will need to be able successfully to investigate fraud – and in particular how data sharing can support their work.
- 10.26 Although Government expects that local authorities will generally lead on the investigation and prosecution of fraud for council tax support, we recognise that the creation of the Single Fraud Investigation Service creates opportunities to join up investigation of in particular income related fraud, and would welcome the views of respondents on what scope there is for the Single Fraud Investigation Service to support the work of local authorities – enabling a more joined-up approach to using data in dealing with fraud, and creating opportunities for efficiencies.

Questions:

10f: What powers would local authorities need in order to be able to investigate suspected fraud in council tax support?

10g: In what ways could the Single Fraud Investigation Service support the work of local authorities in investigating fraud?

10h: If local authorities investigate possible fraudulent claims for council tax support, to what information, in what form would they need access?

10i: What penalties should be imposed for fraudulent claims, should they apply nationally, and should they relate to the penalties imposed for benefit fraud?

10j: Should all attempts by an individual to commit fraud be taken into account in the imposition of penalties?

Section 11

Funding

Introduction

- 11.1 Currently funding is paid by the Department for Work and Pensions out of their Annually Managed Expenditure³ to local authorities as a reimbursement of their expenditure according to nationally-set criteria (see Key features of Council Tax Benefit on page 52). In future the funding to be distributed to local authorities will be cash limited and will be paid from the Departmental Expenditure Limit budget of the Department for Communities and Local Government. Moreover, the amount to be made available will be reduced by 10 per cent. The Department expects to deliver this money to local authorities as grant.
- 11.2 Schemes will need to be designed based on a fixed grant allocation. Local authorities will need to consider what additional contingency arrangements should be put in place within their local schemes to take account of unplanned increases in demand or take-up.
- 11.3 Issues to be considered include:
- The form of this grant.
 - Whether councils should be able to offer rebates in excess of the grant they receive.
 - How the grant is distributed, and how frequently the distribution is adjusted.
- 11.4 In addressing these issues, it will be important to consider how far proposed solutions deliver:
- **Certainty** – to assist local authorities in their financial planning and the management of risk. This could be through flexibility to enable local authorities and their council taxpayers generally to benefit financially from reductions in demand for support for council tax.
 - **Incentives to manage down expenditure.**

³ Annually Managed Expenditure is public expenditure that is typically volatile and demand-led and which is therefore not subject to firm multi-year limits in the same way as Departmental Expenditure Limits. The biggest single Annually Managed Expenditure element is social security spending.

Current funding arrangements

Local authorities are reimbursed at 100 per cent for correctly processed claims which they incur on behalf of eligible claimants. Payments are made to local authorities on a monthly basis based on initial estimates submitted to the Department for Work and Pensions during the year.

Local authorities are required to submit their claims to the Department to be reconciled with the total benefit subsidy payments paid to local authorities and recover overpayments if necessary.

The form of the grant

- 11.5 Government envisages funding to be paid to local authorities in the form of an unringfenced special grant. This means that councils who experience lower than expected demand, or who are able to hold down demand by moving people into work, are able to use any surplus to hold down council tax or support services.

Restrictions on the cost of the scheme

- 11.6 Local authorities may wish to establish schemes where the total value of planned rebates offered exceeds the value of the grant they receive from central government. This is a separate issue to unforeseen levels of demand leading to rebates in excess of the level of government grant which is dealt with under the 'Managing Risk' section (see Section 8).
- 11.7 Government would welcome views on whether they should be able to do this and if so whether authorities should be required to make up the shortfall, and whether there should be any restriction on the degree to which authorities can 'top-up' schemes from their own resources to ensure that councils are not rewarded for choosing to spend more or are made more vulnerable to financial pressures.

Basis for allocating grant, and frequency of adjustments

- 11.8 A separate detailed technical consultation will be held on the specific factors and indicators which should determine the level of grant allocated to a particular authority. Decisions on this will inform what data Government may require from local authorities about their schemes to enable allocations to be adjusted.

11.9 The Government considers that relevant factors could include:

- The relative size of eligible claimant groups – in particular pensioners – for which local authorities are required by central government to provide support.
- Previous expenditure. This could be a useful indicator of likely levels of demand, especially where take-up varies between areas. However, it will be important to avoid perverse incentives to run very generous schemes which may prove to be unaffordable. Adjustments may also need to be based on factors not subject to local influence – such as claimant figures for other benefits

11.10 The way in which funding is allocated, and in particular the frequency with which allocations are adjusted, will be significant. There are 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.**

11.11 This would achieve a better match between need and grant across all authorities. This would tend to reduce the financial risks to authorities. In doing this it would be important to avoid perverse incentives for local authorities to maximise their allocation.

- **Leaving the grant allocation unchanged for several years.**

11.12 This would provide local authorities with greater certainty about their allocation in future years and help with financial planning. It would also enable a local authority to gain if liabilities under its scheme were to fall during that period. This could incentivise local authorities to take steps to manage demand down, for example by working to increase employment in their area.

11.13 Local contingency arrangements (set out in more detail in Section 8) will help manage any pressures between adjustments to the allocation.

11.14 Future Spending Reviews will provide an opportunity to review the overall funding envelope.

Questions:

11a: Apart from the allocation of central government funding, should additional constraints be placed on the funding councils can devote to their schemes?

11b: Should the schemes be run unchanged over several years or be adjusted annually to reflect changes in need?

Section 12

Administrative costs

Council Tax Benefit administration costs

- 12.1 Housing benefit/council tax benefit administration subsidy is a targeted Department for Work and Pensions specific grant paid to the relevant local authorities in Great Britain to help meet the cost of administering housing benefit/council tax benefit. This subsidy accounts for about half of the total cost of approximately £1bn administering housing benefit/council tax benefit. Individual allocations to local authorities are calculated annually based on a formula that is responsive to caseload. The funding contribution for the council tax benefit element is not disaggregated from the total housing benefit/council tax benefit subsidy given to local authorities.
- 12.2 The methodology for distributing subsidy to individual local authorities is based on workload levels. This takes account of the number of new housing benefit and council tax benefit claims each receives and the caseload that they have to maintain.

Future funding of council tax benefit administration

- 12.3 Changes to both housing benefit and support for council tax will have implications for their administration. 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.
- 12.4 As the current administration of council tax benefit is closely linked with the administration of housing benefit, detailed work will be needed to determine the amount of funding for the administration of local schemes.

Joint working

- 12.5 Local authorities should take every opportunity to reduce the costs of establishing and operating local schemes through joint working. This could mean sharing expertise, systems and staff. Section 7.4 sets out the advantages of joint working. Government will take into account the scope for councils to minimise administrative

costs through collaboration in its assessment of the level of administration grant that local authorities should receive.

Questions:

12a: What can be done to help local authorities minimise administration costs?

12b: How could joint working be encouraged or incentivised?

Section 13

Transitional and implementation issues

Introduction

13.1 It will be essential that there is a seamless transition to new arrangements for council tax support from April 2013, to avoid unnecessary disruption. The transition to new localised schemes will need to take account of:

- The wider context of welfare reform and in particular the changes to the administration of housing benefit;
- The process and timescales for designing new schemes and commissioning and procuring new systems; and
- Communicating changes to claimants.

The Government envisages the following timescale for implementing localised schemes, subject to the Parliamentary timetable:

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.

Transition to new arrangements

- 13.2 It will be important to consider what process will offer the simplest solution for both local authorities and claimants.

- 13.3 Government envisages a one-off transition to the localised schemes in April 2013. This should minimise administrative complexity by effectively switching off one system and turning on another, rather than requiring local authorities to wind down one system and wind up another while simultaneously preparing for the introduction of Universal Credit. However, it would require the new systems to be in place and sufficiently robust to be able to cope with all claimants simultaneously.
- 13.4 Inevitably even a one-off move to localised schemes would leave some outstanding issues, such as appeals, applications in the system, legacy payments and overpayments.
- 13.5 Ideally, people already in receipt of council tax benefit would not have to reapply for council tax support, as this would inconvenience claimants and create an administrative burden for local authorities. However, we would need to be confident that local authorities would be in possession of sufficient information to determine the levels of council tax support under the new scheme to which existing recipients of council tax benefit would then be entitled to.
- 13.6 While this approach would be likely to be administratively simpler there is a risk that by simply transferring all recipients across to the new system some individuals may not receive the correct levels of support because changes in circumstances have not been taken into account.
- 13.7 As well as considering how best to handle the claims of those currently in receipt of council tax benefit, there will also be a question regarding how to address as yet unprocessed applications which may include elements of council tax benefit entitlement from prior to 1 April 2013. This will require local authorities to calculate the reduction in council tax liability of these applicants on the basis of the level of entitlement they would have had for the period up to 1 April 2013. Similar consideration will have to be given to any appeals regarding levels of liability prior to 1 April 2013.
- 13.8 An alternative to a single switch-over would be to transfer people to the new system as new claims are activated or existing claimants' circumstances change. This would allow for a gradual transition. However, it would mean that local authorities would be managing several different processes for claims for local support for council tax (on top of the wider transition to Universal Credit) which may be confusing for local people, and may make it more difficult for local authorities to manage the reduction in funding.
- 13.9 How possibly fraudulent claims for council tax support will be investigated is addressed in more detail in the relevant section of this document, however, local authorities will need to retain adequate powers and capacity to investigate and prosecute council tax benefit fraud cases that come to light after 1 April 2013.

Questions:

13a: Do you agree that a one-off introduction is preferable? If not, how would you move to a new localised system while managing the funding reduction?

13b: What information would local authorities need to retain about current recipients/applicants of council tax benefit in order to determine their entitlement to council tax support?

13c: What can Government do to help local authorities in the transition?

13d: If new or amended IT systems are needed what steps could Government take to shorten the period for design and procurement?

13e: Should applications, if submitted prior 1 April 2013, be treated as if submitted under the new system?

13f: How should rights accrued under the previous system be treated?

Section 14

List of consultation questions

Section 5:

5a: Given the Government's firm commitment to protect pensioners, is maintaining the current system of criteria and allowances the best way to deliver this guarantee of support?

5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?

Section 6:

6a: What, if any, additional data and expertise will local authorities require to be able to forecast demand and take-up?

6b: What forms of external scrutiny, other than public consultation, might be desirable?

6c: Should there be any minimum requirements for consultation, for example, minimum time periods?

6d: Do you agree that councils should be able to change schemes from year to year? What, if any restrictions, should be placed on their freedom to do this?

6e: How can the Government ensure that work incentives are supported, and in particular, that low earning households do not face high participation tax rates?

Section 7:

7a: Should billing authorities have default responsibility for defining and administering the schemes?

7b: What safeguards are needed to protect the interests of major precepting authorities in the design of the scheme, on the basis that they will be a key partner in managing financial risk?

7c: Should local precepting authorities (such as parish councils) be consulted as part of the preparation of the scheme? Should this extend to neighbouring authorities?

7d: Should it be possible for an authority (for example, a single billing authority, county council in a two-tier area) be responsible for the scheme in an area for which it is not a billing authority?

7e: Are there circumstances where Government should require an authority other than the billing authority to lead on either developing or administering a scheme?

Section 8:

8a: Should billing authorities normally share risks with major precepting authorities?

8b: Should other forms of risk sharing (for example, between district councils) be possible?

8c: What administrative changes are required to enable risk sharing to happen?

8d: What safeguards do you think are necessary to ensure that risk sharing is used appropriately?

Section 9:

9a: In what aspects of administration would it be desirable for a consistent approach to be taken across all schemes?

9b: How should this consistency be achieved? Is it desirable to set this out in Regulations?

9c: Should local authorities be encouraged to use these approaches (run-ons, advance claims, retaining information stubs) to provide certainty for claimants?

9d: Are there any other aspects of administration which could provide greater certainty for claimants?

9e: How should local authorities be encouraged to incorporate these features into the design of their schemes?

9f: Do you agree that local authorities should continue to be free to offer discretionary support for council tax, beyond the terms of the formal scheme?

9g: What, if any, circumstances merit transitional protection following changes to local schemes?

9h: Should arrangements for appeals be integrated with the new arrangements for council tax appeals?

9i: What administrative changes could be made to the current system of council tax support for pensioners to improve the way support is delivered (noting that factors determining the calculation of the award will be prescribed by central Government)?

Section 10

10a: What would be the minimum (core) information necessary to administer a local council tax benefit scheme?

10b: Why would a local authority need any information beyond this “core”, and what would that be?

10c: Other than the Department for Work and Pensions, what possible sources of information are there that local authorities could use to establish claimants’ circumstances?

Would you prefer to use raw data or data that has been interpreted in some way?

10d: If the information were to be used to place the applicants into categories, how many categories should there be and what would be the defining characteristics of each?

10e: How would potentially fraudulent claims be investigated if local authorities did not have access to the raw data?

10f: What powers would local authorities need in order to be able to investigate suspected fraud in council tax support?

10g: In what ways could the Single Fraud Investigation Service support the work of local authorities in investigating fraud?

10h: If local authorities investigate possible fraudulent claims for council tax support, to what information, in what form would they need access?

10i: What penalties should be imposed for fraudulent claims, should they apply nationally, and should they relate to the penalties imposed for benefit fraud?

10j: Should all attempts by an individual to commit fraud be taken into account in the imposition of penalties?

Section 11:

11a: Apart from the allocation of central government funding, should additional constraints be placed on the funding councils can devote to their schemes?

11b: Should the schemes be run unchanged over several years or be adjusted annually to reflect changes in need?

Section 12:

12a: What can be done to help local authorities minimise administration costs?

12b: How could joint working be encouraged or incentivised?

Section 13:

13a: Do you agree that a one-off introduction is preferable? If not, how would you move to a new localised system while managing the funding reduction?

13b: What information would local authorities need to retain about current recipients/ applicants of council tax benefit in order to determine their entitlement to council tax support?

13c: What can Government do to help local authorities in the transition?

13d: If new or amended IT systems are needed what steps could Government take to shorten the period for design and procurement?

13e: Should applications, if submitted prior 1 April 2013, be treated as if submitted under the new system?

13f: How should rights accrued under the previous system be treated?

Annex A

How council tax works

Council tax is payable in respect of any dwelling which is not exempt. The liable person is the resident if there is one, or the owner if there is no-one resident. If two or more people are liable in respect of a dwelling, they are jointly and severally liable. The amount to be collected depends both on the band to which the dwelling has been assigned, and on the overall level of council tax set by the various local authorities entitled to raise council tax in respect of the property.

Discounts are available in some circumstances. The single person discount of 25 per cent applies if there is only one resident. Other discounts apply to second homes and empty properties, and billing authorities have discretion to apply other discounts. Certain persons (e.g. full time students) are 'disregarded' when deciding how many residents there are. People who are disregarded are not liable to pay the tax.

The two main categories of authority for council tax are *billing authorities*, which administer the council tax system; including sending out bills, collecting and enforcing payment; and *precepting authorities* which set council tax of their own ('precepts'), but rely on billing authorities to collect it and pass it on to them. The main categories of precepting authorities are county councils, police authorities, fire and rescue authorities, and parishes. Unitary authorities and shire district councils are the main categories of billing authority.

Billing authorities and major precepting authorities calculate their own amounts of council tax for a financial year. In broad terms, their council tax requirement (the total amount each needs to raise from council tax) is the difference between (a) their projected expenditure for the year, and (b) the amounts they expect to receive from Government grants, their own fees and charges, and transfers from their own reserves.

Billing authorities calculate a council tax base each year. It reflects the number and value band of the mix of dwellings in their area; and is adjusted to reflect the discounts and exemptions applicable to them. They use it to calculate the amounts of tax they will raise from each property in a given band. They are required to inform each precepting authority of the council tax base, and they likewise use it to determine the necessary level of their council tax.

All authorities have to maintain a 'General Fund revenue account' into which most of their revenue is paid and from which most expenditure is made. Billing authorities have to maintain a separate Collection Fund, into which council taxes are paid, and from which payments were made to the general fund of billing and major precepting authorities.

National Non-domestic Rates collected by a billing authority are also paid into the fund before being passed on to central government for distribution to local authorities as part of formula grant.

Annex B

Key features of Council Tax Benefit

Council Tax Benefit is an income related social security benefit which may be claimed by an eligible individual who is liable to pay council tax in respect of their sole or main residence and who has submitted a claim to the relevant local authority. It may be payable to people with either sole or joint liability.

Although Council Tax Benefit is a national benefit with policy and rules set by central Government, it is administered by local authorities in England, Scotland and Wales. Administration is linked closely to the council tax billing arrangements and usually takes the form of a reduction to the council tax a person would otherwise be liable to pay. Council tax is a devolved matter in Scotland and Wales, whereas Council Tax Benefit is reserved to the UK Government.

The amount of Council Tax Benefit entitlement is calculated on a weekly basis according to a person's daily liability for council tax after deducting any disability reductions, discount or transitional relief. Entitlement takes into account the means of the person claiming and their partner.

The means test for Council Tax Benefit follows the rules for the income related benefits (Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or the guarantee credit of Pension Credit) and is based on a system of applicable amounts for living expenses set according to the circumstances of the family unit. The person's applicable amount is compared to their income and capital, including that belonging to any partner.

People with income at, or below, the level of the applicable amount are entitled to maximum Council Tax Benefit. This is the whole of their weekly eligible council tax less any set contributions assumed in respect of non-dependant adults who live in the household but are not themselves liable for council tax. People who are not claiming income related benefits, including people who are working may get Council Tax Benefit subject to an income taper. The amount of income which exceeds the applicable amount is taken into account against council tax liability by 20 pence for every one pound of excess income.

In Council Tax Benefit there is a lower capital limit – £6,000 for people of working age and £10,000 pension age – above which an assumed income is taken into account. Council tax benefit is not payable to people with capital above the upper limit of £16,000 unless they are entitled to one of the income-related benefits.

Alternative maximum Council Tax Benefit, more commonly known as the 'Second Adult Rebate', may be awarded to the claimant if they would be better off with this than with council tax benefit under the main rules. Second Adult Rebate may apply when the claimant as the owner or tenant of a property shares their home with a non-dependant person(s) (aged 18 or over) who has no responsibility to pay council tax and is not on the list of disregarded persons. The amount is based on the gross income of the non-dependant person(s) excluding any income related benefits, Attendance Allowance or Disability Allowance. The claimant's own income is ignored. The maximum amount of Second Adult Rebate is limited to 25 per cent of council tax liability.

Annex C

Consultation criteria

The Government has a code of practice on consultations. The criteria below apply to all UK public consultations on the basis of a document in electronic or printed form, and will often be relevant to other sorts of consultation.

Though they have no legal force, and cannot prevail over statutory or other mandatory external requirements, the instructions below should otherwise generally be regarded as binding on UK departments and their agencies, unless ministers conclude that exceptional circumstances require a departure.

1. Formal consultation should take place at a stage when there is scope to influence the policy outcome
2. Consultations should normally last for at least 12 weeks with consideration given to longer timescales where feasible and sensible
3. Consultation documents should be clear about the consultation process, what is being proposed, the scope to influence and the expected costs and benefits of the proposals
4. Consultation exercises should be designed to be accessible to, and clearly targeted at, those people the exercise is intended to reach
5. Keeping the burden of consultation to a minimum is essential if consultations are to be effective and if consultees' buy-in to the process is to be obtained
6. Consultation responses should be analysed carefully, and clear feedback should be provided to participants following the consultation
7. Officials running consultations should seek guidance in how to run an effective consultation exercise and share what they have learned from the experience

The full consultation code may be viewed at:

<http://www.bis.gov.uk/policies/better-regulation/consultation-guidance>