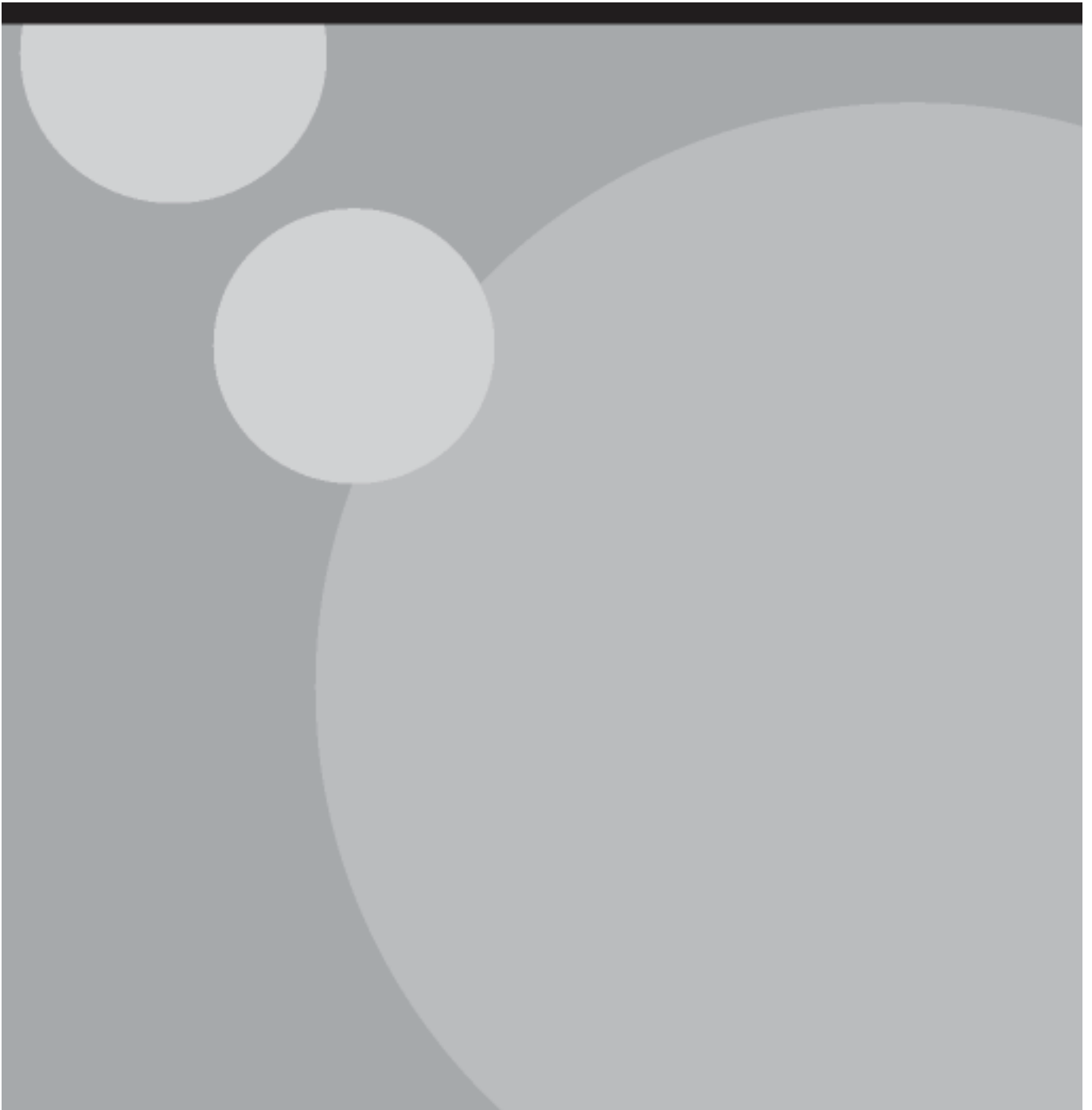




## Localising support for council tax in England: Government's response to the outcome of consultation



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# Introduction

- 1.1 Earlier this year, the Government consulted on proposals for the localisation of support for council tax in England. This followed the announcement at Spending Review 2010 that support for council tax would be localised from 2013-14 and expenditure reduced by 10% from the same date.
- 1.2 This document sets out the outcome of that consultation, how the Government intends to respond to the issues raised, and its plans for enabling local authorities to introduce localised schemes in England from 2013-14.
- 1.3 The Government is clear that localisation is the most effective means of ensuring sufficient local flexibility to secure the planned reduction in expenditure, reflecting local circumstance and priorities.
- 1.4 This is part of a wider set of reforms to the welfare system: improving the incentives to work and ensuring resources are used more effectively, so reducing worklessness and ending a culture of benefit dependency.
- 1.5 Localisation is part of a policy of decentralisation that will give local authorities increased financial freedoms and a greater stake in ensuring local tax payers are supported into work and how resources are used to achieve that. It is one of a number of reforms introduced by this Government to increase local financial accountability and decision-making, ensuring that councils benefit from the proceeds of growth and are accountable for decisions over council tax.
- 1.6 This document is published alongside the Local Government Finance Bill, which contains provisions for the establishment of localised council tax support schemes in England. The detail of the framework for local schemes will be set out in regulations, which the Government intends to publish in draft form while the Bill is in passage through Parliament. The Department for Communities and Local Government will also continue to engage with local authorities to support their work in preparing for the introduction of local schemes. The Bill also provides for local retention of business rates, and a number of technical reforms to council tax, including powers to reduce certain discounts and exemptions
- 1.7 **Section one** of this document sets out further detail on the Government's policy of localisation, in response to the consultation.

The Government is clear on the importance of helping local authorities to introduce local schemes in 2013-14. **Section two** focuses on the delivery of local schemes and on the work the Department for Communities and Local Government has already begun with local

government to identify how model schemes, data sharing and the use of existing systems and processes could assist implementation.

- 1.8 Particular steps will be needed to address the delivery challenge and support local authorities in the early years of this policy, as highlighted in the consultation responses. Over time, local capacity to deliver schemes will increase, and different local approaches are likely to develop. The Government in turn will want to consider whether different approaches, for example, to setting grant allocations of a number of years, will be more appropriate.
- 1.9 **Section three** of this document sets out analysis of the four hundred responses received to the consultation, as well as the issues raised at over fifteen events and discussions with partners in local authorities and other sectors the Department for Communities and Local Government held across in England in August and September 2011.

# Section One: Policy

## Chapter 2: Principles of localisation

- 2.1 *In localising support for council tax, the Government believes that local schemes should provide support for the most vulnerable, including vulnerable pensioners. The Government has concluded that support for vulnerable pensioners should be delivered through a national framework of criteria and allowances.*
- 2.2 *Lifting the poorest off benefits, by supporting them into work is a key Government objective. Local authorities will have a strengthened financial stake in ensuring local schemes support this aim and help to deliver the positive incentives to work that will reduce poverty and reliance on support for council tax in the long term.*

### Pensioners

- 2.3 Pensioner council tax support will not be reduced as a result of the introduction of this reform. The Government wants to ensure that 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, will continue to receive support for their council tax.
- 2.4 There was broad support in the consultation responses and at engagement events for the proposal that the retention of support for pensioners could only be delivered (as it is now) through a national 'rules-based' approach. Just under two thirds (61%) of respondents thought that maintaining the current system of criteria and allowances was the best way to deliver this. Though there were also requests for the system to be as similar as possible to the current system for pensioners, with 14% of respondents suggesting that while the current system should be retained, it should also be simplified.
- 2.5 As requested by respondents to the consultation, pensioner protection will be achieved by keeping in place national rules, with eligibility and rates defined in Regulations broadly similar to those that exist today<sup>1</sup>. This means that pensioners<sup>2</sup> will not lose or gain relative to the

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<sup>1</sup> For example, the *Council Tax Benefit (Persons who have attained the qualifying age for state Pension Credit) Regulations 2006*, as amended by the *Social Security (Claims and Information) Regulations 2007* and the *Housing Benefit and Council Tax Benefit (War Pensions Disregards) Regulations 2007*.

current system as a result of the introduction of this reform, although individual pensioners may experience a change in their awards in future (for example where there is a change in their personal or household circumstances). The Government has taken a power in the Bill to prescribe arrangements for certain categories of claimant to provide for this. As is currently the case, the Government will keep the system under review, and will be able to make such changes (following consultation in the usual way) as are needed to ensure that the framework for support keeps in step with other tax and benefit changes for pensioners.

### **Pensioners in receipt of support for council tax**

Currently, 2.7m pensioners receive Council Tax Benefit. The main eligible 'pensioner' groups are:

#### **PASSPORTED CLAIMANTS**

- Those in receipt of Pension Credit Guarantee Credit (1.8m – 67%)

Pension Credit 'Guarantee Credit' acts as a passport to maximum Council Tax Benefit support. Pensioners apply to the Pension Service and if successful are prompted to apply for Council Tax Benefit. The Pension Service can take the claim on behalf of the local authority and will send an assessment direct to the relevant local authority to minimise red tape.

#### **MEANS-TESTED CLAIMANTS**

- *Means-tested claimants in receipt of Pension Credit 'Savings Credit' Only (0.4m – 15%)*

Pension Credit applicants may be awarded 'Savings Credit' only. This group are also prompted to apply for Council Tax Benefit, and if they do the Pension Service will send appropriate data to the relevant local authority who complete the means-testing applying nationally set rules (see below).

- *Other means-tested claimants (0.5m – 18%)*

Customers can also apply directly. Claimants who have attained the qualifying age for State Pension Credit are means-tested by the Local Authority on application, to determine eligibility for support. The exact amount of support needed will depend on a range of factors, such as age, income, capital, the personal circumstances of the individual and the Council Tax band their home falls into.

*(Source: December 2010 Single Housing Benefit Extract)*

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<sup>2</sup> Note that the qualifying age for Council Tax Benefit is the same as the qualifying age for State Pension Credit. This is linked to women's State Pension age, which is gradually increasing to 66 by 2020 as set out in the Pensions Act 2011.

- 2.6 The arrangements put in place will continue to ensure that the poorest pensioners receive support with their council tax bill. It is not proposed that this support should be extended to all pensioners: those pensioners with means to pay their council tax will continue to do so. The Government has taken a series of steps to support councils to keep council tax bills as a whole down for all local residents, including pensioners.
- 2.7 The Government will consider whether there are opportunities to simplify the way that support is calculated and administered for pensioners. There was a wide diversity of views on the types of adjustment that could be made to simplify the system. The Government will work with the Department for Work and Pensions and others to seek viable simplifications within the existing system where possible

## Vulnerable Groups

- 2.8 Local authorities already have clearly defined responsibilities in relation to, and awareness of, the most vulnerable groups and individuals other than pensioners in their areas.
- 2.9 This includes, for example, through their responsibilities under:
- the Child Poverty Act 2010,<sup>3</sup> which imposes a duty on local authorities and their partners, to reduce and mitigate the effects of child poverty in their local areas;
  - the Disabled Persons (Services, Consultation and Representation) Act 1986,<sup>4</sup> and Chronically Sick and Disabled Persons Act 1970,<sup>5</sup> which include a range of duties relating to the welfare needs of disabled people;
  - the Housing Act 1996,<sup>6</sup> which gives local authorities a duty to prevent homelessness with special regard to vulnerable groups;
- 2.10 The Department for Communities and Local Government will work closely with local authorities and the relevant representative organisations to ensure that local authorities understand their existing responsibilities in relation to vulnerable groups.
- 2.11 As chapter three outlines, local authorities will be required to consult publicly on local schemes. This will give local residents and representative organisations the opportunity to make representations on the impact of proposed schemes on vulnerable residents.

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<sup>3</sup> <http://www.legislation.gov.uk/ukpga/2010/9/contents>

<sup>4</sup> <http://www.legislation.gov.uk/ukpga/1986/33>

<sup>5</sup> <http://www.legislation.gov.uk/ukpga/1970/44>

<sup>6</sup> <http://www.legislation.gov.uk/ukpga/1996/52/contents>



- 2.12 In exercising functions in relation to local schemes, including in particular when making and revising schemes, billing authorities will need to comply with the public sector equality duty in section 149 of the Equality Act 2010.

## Work incentives

- 2.13 Localisation of support for council tax is part of a wider set of changes to reform the welfare system: ensuring resources are used more effectively and improving the incentives to work, and so reducing worklessness and dependency on benefits, and the costs to the taxpayer. Localisation will give local authorities a greater stake in ensuring local tax payers are supported into work, and greater control over how resources are used to achieve that.
- 2.14 Local schemes of support for council tax will be implemented shortly before the introduction of Universal Credit begins in October 2013. 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 helping with housing costs, simplifying the welfare system to make work pay and combat worklessness and poverty.

### **Supporting work incentives through the design of local schemes**

- 2.15 Localisation will give local authorities a financial stake in the provision of support for council tax, and a strong interest in helping to move local taxpayers into work, and reduce dependence on support. It will therefore be in the interest of local authorities to ensure that local schemes support the improved work incentives to be delivered through Universal Credit, which will be crucial in supporting local authorities in their efforts to increase employment and drive local growth.

#### **WELFARE REFORM**

The Government's welfare reform agenda, including this reform, are based on clear principles. These are:

- People should get more overall income in work than out of work
- People should get more overall income from working more and earning more
- People should be confident that support will be provided whether they are in work or out of work, and will be timely and correct.

- 2.16 29% of respondents thought that either local authorities should have complete discretion or that design features such as run-ons and disregards should be provided for, but not prescribed. A further 9% thought that local schemes should be aligned with Universal Credit - for

example taking Universal Credit information about claimants to determine tapers and awards. 9% thought that design features such as tapers should be prescribed in legislation and a further 17% thought that schemes should be administered nationally or that support should be delivered through Universal Credit. However, 12% of all respondents thought that support should be delivered without any reduction in funding, or with some additional funding to support work incentives. 4% of respondents who thought that support should be delivered nationally or through Universal Credit thought there should be no reduction in funding.

- 2.17 Participants at the Department's engagement events recognised the need for localised council tax support schemes to complement Universal Credit's work incentives principle. Some commented that the current council tax benefit system gives them very little scope to influence people back into work.
- 2.18 As set out in the consultation, there are a number of features that local authorities can incorporate into local schemes which can provide greater certainty for claimants, and so also support decisions to enter into work or increase hours. These features, set out in section 9.10 – 9.16 of the consultation document include:
- **'Run-ons'**: Allowing the award to continue unchanged for a period after someone returns to work.
  - **Advance claims**: Allowing claimants to submit claims for council tax support in advance of being liable for paying council tax, which may encourage some claimants to take up short term employment opportunities.
  - **Retaining 'information stubs' about claimants for a fixed period after eligibility is lost**: Providing for simplified claim procedures when a claimant reclaims within a specified period of their previous claim provided there has been no change in their circumstances.
- 2.19 The consultation sought views on whether local authorities should be encouraged to use approaches outlined above to provide certainty for claimants. Nearly half (48%) of respondents thought that local authorities should be encouraged to use these approaches, with 20% saying that local authorities should have the freedom and flexibility to make the decisions themselves.
- 2.20 Views were sought on whether there were any other aspects of administration which could provide greater certainty for claimants. The two main suggestions put forward were fixed term awards (16%) and transparency over the likely award (11%),
- 2.21 When asked how local authorities should be encouraged to incorporate these features into the design of their scheme, 13% of consultation

respondents thought there should be no requirement and 11% thought this should be included through guidance. 17% thought this should be achieved through a mixture of legislation and financial incentives for local authorities.

2.22 The consultation document also set out the importance of avoiding high participation tax rates. The participation tax rate measures the proportion of total earnings lost from withdrawal of benefits and taxation, and is a measure of the financial reward for entering work. A high participation tax rate means the financial incentive to work is low. Helping local authorities to understand how participation tax rates are calculated, and their importance in creating incentives to work, will enable local authorities to take this into account in designing their schemes and understand how their schemes interact with other parts of the benefits and taxation system.

2.23 The Government intends that the general principles of supporting work incentives will be set out in guidance which will help local authorities to design support. The Government will also consider what technical details around work incentives will help local authorities to consider interactions with Universal Credit and whether work incentives have been adequately supported. The Department will explore this in its work on the delivery of local schemes with local government representative organisations.

#### **CHANGES TO UNIVERSAL CREDIT**

- Respondents to the consultation recognised the need for local schemes to support the improved work incentives to be delivered through Universal Credit, and to avoid unhelpful interaction between local schemes and Universal Credit. In October the Department for Work and Pensions published its revised Impact Assessment for Universal Credit. This set out some changes to the Universal Credit parameters that had been presented in the White Paper, specifically setting out higher earnings disregards for certain groups, meaning that Universal Credit would start to be withdrawn at higher earnings levels than had originally been proposed.
- These changes will help to reduce the risk of ‘dual tapering’, where council tax support and Universal Credit are withdrawn simultaneously, leading to higher marginal deduction rates (the rate at which the gains from increased earnings through work are reduced by the withdrawal of benefits and increased tax), and will help ensure that the incentives to enter work (measured by the Participation Tax Rate) remain strong.
- To achieve this, additions to the original earnings disregards in Universal Credit have been proposed, including:
  - An additional earnings disregard to couples with children of £250;
  - Increasing the child element in the earnings disregard from £2,700 to £4,000, and;
  - An increase in the minimum disregard per adult of £700, including for single claimants.

# Chapter 3: Establishing local schemes

- 3.1 *Support for council tax will become fully integrated into the council tax system, with support being offered as reductions on council tax bills. This means that local decisions about the discounts to offer will need to be taken as part of the council tax-setting process. The following section sets out how it is envisaged that process will operate.*

## Lead authority

- 3.2 Billing authorities will be the default lead authority for council tax support schemes. However, under their existing powers under section 101 of the Local Government Act 1972 they will be able to collaborate with other billing authorities to develop schemes together, develop schemes on behalf of one or more other authorities, or allow an upper tier authority (in a two-tier authority) to develop a scheme on behalf of one or more billing authorities.
- 3.3 Over two-thirds of respondents thought that billing authorities should normally be the lead in developing local schemes. Over half (55%) of respondents thought that it should be possible for an authority (for example, a single billing authority, county council in a two-tier area) to be responsible for the scheme in an area for which it is not a billing authority. Participants at the Department's engagement events on the whole thought it appropriate for billing authorities to take the lead on localised support for council tax schemes.

## Developing a scheme

- 3.4 In order to take decisions about the scheme to be offered, the lead authority will need to know:
- **The scheme grant allocation.**
- 3.5 The grant will be paid to the billing and precepting authorities, in proportion to their share of council tax, and so reducing each authority's council tax requirement. Chapter five sets out more detail on the proposed approach to calculating and distributing grant.
- **The potential caseload.**
- 3.6 Local authorities should be able to use data on the preceding year's claimants to begin to make decisions about the level of award to be offered. Section two (chapter ten) on delivery, sets out the work that the Government is beginning with local government to look at how local authorities could use the existing components of council tax benefit to design and administer local schemes.
- 3.7 This work could also support the development of tools to enable local authorities to model the caseload. This would enable them to analyse the effects of changing variables in the calculation of support to adjust

the level of award. At the same time local authorities will need to consider any factors which could increase demand for support among certain groups.

## Factors to be covered by schemes

3.8 Billing authorities will be required to develop schemes which include:

- **Categories of claimants are entitled to a council tax reduction and the council tax reductions which are to apply to those categories**

3.9 The Secretary of State will also have power to prescribe categories of persons who must be included in a scheme and the reductions which must apply to them. This power will be the one used to prescribe how support is to be provided to pensioners – the Government does not intend to use it for other groups. Local authorities would be free to design schemes for working age claimants as they wish, taking into account the issues set out in chapter two of this document. However, as section two - chapter ten sets out, there are strong practical reasons why local authorities may choose to develop schemes based on the underlying systems that support council tax benefit currently.

- **The procedure by which a person may apply for a council tax reduction**

3.10 Chapter six sets out the procedural elements that local authorities will need to provide for in their schemes.

## Consultation

- **With precepting authorities**

3.11 The lead authority will be required to consult on the scheme with the major precepting authorities, reflecting the fact that precepting authorities will share in the effects of any increases – or reductions – in demand, which could impact on council tax collection rates.

3.12 When asked 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, over half (54%) of the respondents suggested consultation as part of their response. More detail on risk sharing is set out in chapter four.

- **With the public**

3.13 Local authorities will be required to hold a public consultation on their proposed scheme. The Government will consider with local authorities and other groups whether it is desirable to prescribe in regulations how the public consultation will operate. Local authorities will want to ensure

that those individuals likely to be affected by decisions about the design of the scheme, and groups representing them are able to make representations about the proposed scheme.

## Adoption of the scheme

- 3.14 The final scheme must be adopted by the council before the 31 January of the preceding financial year, which is also the date by which the tax base must be adopted.

## Revisions to schemes

- 3.15 Local authorities will not be able to revise schemes in year, because of the need to provide certainty to claimants. Risk-sharing arrangements, detailed in chapter four, will help to manage pressures as a result of increased demand in year. Participants at engagement events recognised the need for certainty and agreed that schemes should not be changed in year but that they would need some scope to revise schemes on an annual basis particularly in the early years as the new localised schemes bed in. Over half (55%) of respondents to the consultation thought that schemes should be adjusted annually.
- 3.16 Local authorities will be free to revise schemes between years, and will be able to make such transitional provisions as they see fit.

## Default schemes

- 3.17 Where a billing authority fails to adopt a scheme before 31 January 2013, a default scheme, to be provided for in regulations, will take effect. The Government proposes that this default scheme should retain the criteria and allowances currently in place for council tax benefit, and the default scheme would also set out the other procedures (for example, on the making of claims and appeals) which local schemes must cover.
- 3.18 There will be a strong financial incentive for local authorities to avoid the imposition of a default schemes, as this will limit their ability to adjust awards to manage the funding reduction. In subsequent years, if an authority fails to adopt a new scheme, the scheme in the preceding year will remain in force.

# Chapter 4: Risk sharing

- 4.1 *In future, support schemes for council tax will form part of the council tax system. Mechanisms already in place to share the effects of reduction in council tax collection rates between billing and major precepting authorities will enable financial pressures as a result of increases in demand for support to be shared.*

## Sharing risk through the collection fund

- 4.2 Local schemes will be fully integrated with the council tax system, with support being offered in the form of a council tax reduction. Grant will be paid to the billing and major precepting authorities, reducing each authority's council tax requirement, and off-setting partially or fully the reduction on the council tax base as a result of the new discounts that are being offered (see Annex B for an explanation of how council tax is set).
- 4.3 Where demand for support increases above or falls below local forecasts, billing authorities will collect less or more council tax than had been estimated at the beginning of the financial year. This will result in a deficit or surplus on the collection fund (into which council tax and business rates revenues are paid) at the end of the year.
- 4.4 The Government believes that – as at present – this deficit or surplus should be shared between the billing and major precepting authorities at the beginning of the following financial year. This deficit is either absorbed as a reduction in the council tax requirement the following year, or through a general increase in council tax. Over three quarters (76%) of respondents to the consultation agreed that billing authorities should normally share risks with major precepting authorities.
- 4.5 As major precepting authorities (Fire and Rescue Authorities, Police Authorities and upper tier authorities) will receive a share of the grant in proportion to their share of council tax, and because they stand to benefit financially from any reduction in demand which would lead to an increase in council tax revenues collected, the Government believes that it is right that they also share in any decrease in council tax revenue.
- 4.6 Major precepting authorities will have an opportunity to influence the design of the scheme through the consultation process. Over half of respondents to the consultation thought that major precepting authorities should be consulted over the design of the scheme.

## Varying precepts in year

- 4.7 Currently precepts are paid by billing authorities to major precepting authorities in accordance with a schedule set at the beginning of the year. While the timing of payments can be adjusted, the amount to be paid cannot. The Government is minded to enable billing authorities to

vary the amount of precept to be paid to the major precepting authorities in year to reflect any fluctuations in collection rates. This could help to protect billing authorities, which could include small district councils, from the totality of any financial pressures which could otherwise only be addressed at the beginning of the following financial year. The Government will consider how this can be achieved in a way which manages the pressures on billing authorities while minimising complexity and uncertainty for all authorities. This might be through consultation or notice periods.



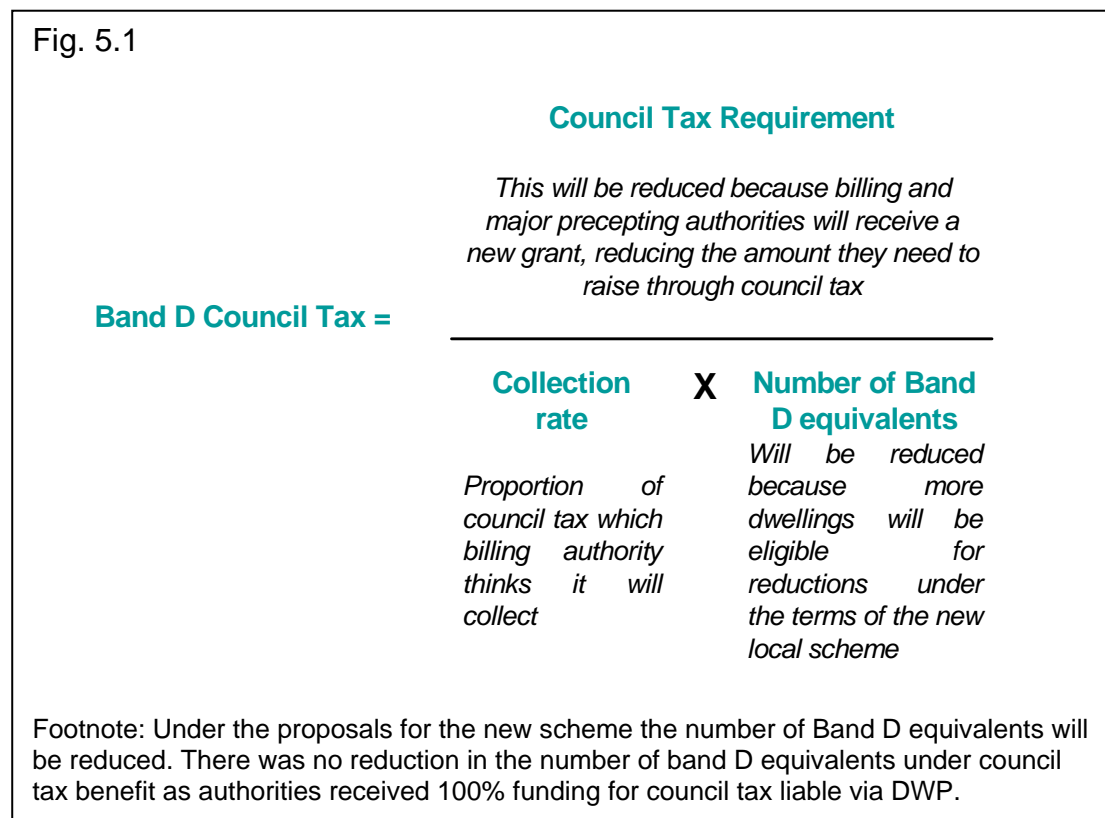
# Chapter 5: Funding

5.1 *Local authorities will be paid a grant to enable them to offer support for council tax, allocated in advance. The following section sets out the Government's plans for which authorities this grant will be paid to, the powers under which this grant will be paid, and the frequency with which allocations will be adjusted.*

## Which authorities will receive grant

5.2 The Government proposes that the grant will be paid to billing and major precepting authorities. This would have the effect of reducing each authority's council tax requirement and so helping to off-set the reduction in the council tax base as a result of the creation of new discounts.

Fig. 5.1



5.3 The Department for Communities and Local Government will work with billing authorities and local precepting authorities to understand whether similar arrangements to those proposed for paying grant to major precepting authorities are needed for local precepting authorities, and how these arrangements would operate. This will need to take into account both the implications for the calculation of council tax, and administrative consequences, particularly given that the Government would have to take powers to make payments to parish councils or provide for principal authorities to do so.

## Powers to pay grant

- 5.4 The Government will pay the grant to billing and major precepting authorities using existing powers. It is intended that provisional allocations will be published in time for local authorities to begin planning and consulting on their schemes and that final allocations will be published before schemes are adopted.

## Methodology for distributing grant

- 5.5 The Government is currently considering the options for distributing grant for the first two years of the scheme, taking into account the responses to the consultation, and expects to publish a technical consultation on the detail for funding in Spring 2012. The Government is minded to base grant distribution on previous shares of expenditure but will consider what, if any, provision needs to be made for authorities who may face the greatest pressures.

## Frequency of grant allocation

- 5.6 The consultation sought views on the frequency with which allocations should be set, and specifically whether grants should be set on a multi-year basis. Over half (55%) of consultation respondents wanted allocations to be set annually. Engagement event participants liked the idea of the certainty of having a four yearly grant allocation but were concerned about the ability to reflect changes in demand particularly in the early years of the localised schemes.
- 5.7 As a result, the Government will set allocations on an annual basis for the first two years following introduction, allowing new allocations to be set for 2014-15 if required.

## Grant allocation in future Spending Review periods

- 5.8 The Government will consider whether a new basis for distributing grant, other than previous expenditure, is required from 2015-16. It will also consider whether in future Spending Review periods, multi-year allocations would provide greater certainty and better allow local authorities to benefit financially where demand for support was reduced over several years. The Government will consult on both of these issues at the appropriate time.

## Limits on spending

- 5.9 In the consultation the Government sought views on whether councils should be restricted in the amount they can put towards schemes. 69% of respondents to the consultation thought this should not be the case and the majority of participants at the engagement events also agreed that there should be no restrictions on local authorities.

- 5.10 The Government has therefore decided that they do not envisage the proposals outlined above to be subject to such a restriction being imposed. Billing authorities would be free to design a scheme where the tax foregone through discounts exceeds the amount of grant or to increase reductions by applying their powers under section 13A to offer additional support on a discretionary basis. This was supported by three quarters of consultation respondents, who thought that billing authorities should retain their existing powers to offer discretionary support.

## Managing pressures

- 5.11 Responses to the consultation raised concerns about managing cost pressures in the new arrangements, particularly as a result of:
- **Increases in council tax;**
  - **Demographic pressures.**
- 5.12 Funding for the first two years of localised schemes is derived from the Office of Budget Responsibility forecast for spending on council tax benefit, which reflects existing spending and therefore assumptions about underlying demographic changes and council tax increases.
- 5.13 Thereafter, decisions about the level of funding will be taken as part of the Spending Review process, which will provide an opportunity to consider cost pressures.

# Chapter 6: Administering local schemes

- 6.1 *Local schemes will need to set out the procedures to be followed in making applications and appealing decisions, in addition to the council tax reduction offered under the scheme.*

## Making an application

- 6.2 Local authorities will, as part of their scheme, need to set out the procedures to be followed by a claimant for making an application.

## Appeals – to the local authority

- 6.3 The taxpayer will receive a council tax demand notice which will set out how the council tax bill amount has been calculated, including the information used to calculate the amount of any council tax reduction awarded. Local authorities will be required to inform recipients of support how to appeal if they disagree with the council tax bill amount.
- 6.4 Local authorities will be required to follow the statutory procedures set out in section 16 of the Local Government Finance Act 1992, which requires the billing authority to review each appeal and explain the steps they have taken in the process.

## Appeals – to another body

- 6.5 Most respondents to the consultation and at engagement events agreed that it was important that unresolved appeals are seen to be dealt with by a body that is independent of the local authority. It was recognised that the Valuation Tribunal for England would be an appropriate organisation to carry out this role, but there were concerns that the number of appeals may increase with the introduction of local schemes and that this would be also be challenging because of variations of local schemes and the need for additional expertise on means testing.
- 6.6 The Government is clear that there should be a single appeals process for the council tax bill and that the appeal arrangements are clear to the taxpayer. The Department for Communities and Local Government will be working with Valuation Tribunal for England and the Ministry of Justice, who is working to establish a unified tribunal system, to determine the impact of the appeal arrangements.

## Arrangements for individuals subject to immigration control or are not habitually resident in the UK

- 6.7 At present individuals subject to immigration control or are not habitually resident in the UK are not able to claim council tax benefit.

The Government thinks that these arrangements should continue under the framework for local support schemes, and will consider how best to give effect to this. The consultation did not seek views on this issue.

## Chapter 7: Data sharing

- 7.1 *As the consultation recognised, data sharing will be an important way of maximising convenience and reducing complexity for claimants, while also helping to reduce administrative costs. Using existing components to calculate entitlement, as outlined in the previous section, will help local authorities to take advantage of data collected by the Department for Work and Pensions both to design and administer local schemes.*
- 7.2 The Government wishes to reduce the need for individuals to have to repeatedly provide the same information and evidence to various public sector bodies. This approach was welcomed by engagement event participants and consultation respondents. Therefore, we will be seeking sufficient powers to facilitate the sharing of detailed information between the Department for Work and Pensions and local authorities and between local authorities, where appropriate and possible.
- 7.3 Specifically, to support the design and administration of local schemes, the Government proposes that:
- The Secretary of State (primarily the Department for Work and Pensions) be empowered to provide relevant information to a billing authority;
  - A billing authority be empowered to provide relevant information to the Secretary of State (primarily the Department for Work and Pensions); and
  - A billing authority be empowered to provide relevant information to another billing authority.

### Data sharing to design schemes

- 7.4 In order for a local authority to be able design schemes that reflect the likely need in an area, and make decisions about the level of support that can be afforded, local authorities will, in the first year, use information they hold already regarding entitlement to Council Tax Benefit and Housing Benefit.
- 7.5 In future years, as local authority administration of housing benefit diminishes, the amount of information they themselves hold will also diminish. Therefore, access to information held by the Department for Work and Pensions regarding the numbers of claimants of various benefits and the amount of benefits received would enable local authorities to determine the likely impact of any changes to the design of their scheme (by modelling the impact of altering the level of entitlement of people in receipt of different amounts of different benefits). Government is considering how it may be able to provide

local authorities with sufficient information to facilitate the design of schemes.

- 7.6 Section two, on delivery, sets out how, by taking the current council tax benefit system as the starting point, local authorities could use information they currently hold to calculate the likely costs of possible schemes they might want to introduce.

## Data sharing to process claims within local schemes

- 7.7 Government wants to minimise inconvenience to the claimant and the cost of the administration of local schemes by sharing the relevant information with local authorities to help them calculate entitlement. In doing this, Government will take all necessary steps to ensure that appropriate controls are in place to safeguard all data shared between organisations.
- 7.8 Likewise, if the claimant has provided information to the local authority, and is submitting a claim for a benefit, we would like to enable the local authority to share this information with the Department for Work and Pensions.
- 7.9 Currently data is shared with local authorities primarily for the administration of social security benefits, and not council tax. In future support for council tax will be delivered as a discount in the council tax system (as outlined in chapter five). This will mark a change in purpose of the sharing of data and Government will need to ensure the implications of this are fully understood in developing proposals for how data sharing will operate.

## Enabling data sharing

- 7.10 An additional consideration in the sharing of data is the cost to Government of doing so. To minimise the costs of providing information to local authorities, Government is considering how it may be able to make use of existing infrastructure used to relay information between it and local authorities to facilitate data sharing for local schemes for council tax support. Several systems are currently used to exchange information over secure networks, including:
- **Automated Transfers to Local Authority Systems (ATLAS)** - a system that notifies local authorities of relevant changes by sending them the Department for Work and Pensions and HMRC award data in a format that enables automatic feed into the local authority benefit processing systems;
  - **Local Authority Claim Information (LACI)** – customers who apply for Pension Credit or Employment Support Allowance (ESA) can

also apply for housing benefit and/or council tax benefit at the same time, this information is sent directly to the local authority via a LACI after the Pension Credit/ Employment and Support Allowance application has been assessed;

- **Local Authority Input Document (LAID)** – information from customers who make a claim for housing benefit and/or council tax benefit at the same time as Income Support or Job Seekers Allowance via Jobcentre Plus is sent to local authorities via a LAID;
- **Electronic Transfer of Data (ETD)** – these provide local authorities with notification of new benefit awards and changes in claimants' circumstances, often prompting interrogation of the Department for Work and Pensions' Customer Information System (CIS);
- **Secure access to the Department for Work and Pensions' Customer Information System (CIS)** - the Department for Work and Pensions has made substantial investment in time and money to provide best-in-class security arrangements to enable direct interrogation of CIS by local authority staff from their desktop and laptop PCs
- **Hubs** – Local authorities submit the identity details to a central hub, which then interrogates the Department for Work and Pensions' data, and sends back a yes/no answer to the local authority without having to actually share any personal data.

7.11 The Government recognises the value of sharing data with local authorities in these ways and is exploring how it may enable the continued flow of data, for which the detail and mechanisms will need to be agreed.



## Chapter 8: Fraud

- 8.1 Local authorities currently have extensive powers to investigate possible fraud in claims for council tax benefit. In relation to council tax a billing authority has power to impose penalties on a person who fails to supply information when required to do so by regulations.
- 8.2 At the engagement events and in the consultation responses there was very strong support for an extension of the powers which local authorities currently have for the investigation of fraud in relation to council tax benefit to cover new local council tax support schemes. However, local support schemes will form part of the council tax - not the benefits - system and this extension of investigative powers will mean an increase in powers local authorities have in relation to council tax.
- 8.3 The Government needs to be certain that any powers it gives to local authorities are appropriate and proportionate, with suitable safeguards in place. While it may be appropriate to allow local authorities to access personal financial and employment information in order to determine whether an individual is fraudulently claiming means-tested support, the implications of this extension of powers in relation to council tax need to be fully understood.
- 8.4 The Government will continue to consider how best to respond to the clear demand from local authorities for further powers to investigate fraud in local council tax schemes in order to enable them to better protect the public purse, with the need to ensure powers are proportionate and respect the civil liberties of law-abiding citizens, and will set out further details in due course.

# Chapter 9: Administrative costs and Transitional Arrangements

## Administrative costs

- 9.1 As set out in the consultation on proposals for localising support for council tax, 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.

## Transitional arrangements

- 9.2 As set out in the consultation, the Government envisages a one-off transition to the localised schemes in April 2013. 71% of consultation respondents agreed that this was preferable.
- 9.3 The consultation also sought views on how the Government could support local authorities in the transition to the new system. Respondents made a wide range of multiple suggestions including: provide model schemes (34%), engage with IT suppliers (23%), publicise (18%), provide support and guidance (20%) and provide data (19%). The Department will continue work with local government on the arrangements for moving claimants on to the new local systems, as part of its wider work on delivering the new system.
- 9.4 The consultation sought views on how rights accrued under the previous system should be treated. Further details of the way in which appeals, applications in the system, legacy payments and overpayments incurred under the previous council tax benefit system should be treated will be set out in due course.
- 9.5 Plans to work with local government to understand how new local schemes can, at least initially, be based on the existing components of council tax benefit, using existing systems, section two, chapter ten is intended to address concerns raised in the consultation about the time and costs of bringing in wholly new systems in time for April 2013, and minimise disruption over the transition to new local schemes.

# Section Two: Delivery

## Chapter 10: Delivery

- 10.1 *The Government is committed to working with local government to ensure that schemes can be introduced by April 2013. In particular, it is keen to look at ways in which the implementation of new schemes in the short term can be made easier by using existing systems and processes, and making use of available data.*
- 10.2 *Over time, however, local authority schemes are likely to develop to reflect local circumstances and priorities, and move away from current arrangements. The Government is clear that local authorities must have the flexibility to design schemes that meet local priorities to shape the development of schemes in the long term*

### Building on existing approaches

- 10.3 Local support schemes will provide support for those least able to pay their council tax bill. As with the current council tax benefit system, such schemes are likely to take into account factors including receipt of benefits, income, capital and household composition in calculating the award.
- 10.4 For pensioners the current criteria and allowances will continue as part of a national framework. The Department for Communities and Local Government is therefore also looking at how the components of council tax benefit calculations could be used voluntarily as the building blocks of new local schemes for working age claimants, enabling schemes to be brought in with potentially limited changes to systems and data requirements.
- 10.5 Currently the council tax benefit award is calculated taking into account factors including:
- Personal allowances
  - Premiums
  - Non-dependant deductions
  - Disregards
  - Second adult rebate
  - Taper
- 10.6 Annex C sets out more information on these components, and how they are used to calculate the award. Weighting the various components differently (reducing allowances, or disregards, changing the rates for non-dependent deductions or second adult rebate) would affect the calculation of the overall award. This would ensure local authorities have flexibility over the final award, while enabling minimal

disruption to underpinning systems. This could lead to different schemes as authorities choose to weight components differently, or leave out certain factors altogether.

10.7 This approach has a number of positive implications for the delivery of local schemes:

- **Forecasting and designing schemes**

10.8 Using the same factors would allow current caseload data to be used as the basis for modelling future schemes. Shared tools could enable local authorities to model the effects of changing variable on the costs of providing support to the current caseload to support local planning.

- **Data sharing**

10.9 Using common factors will enable The Department for Work and Pensions to share data with local authorities, and avoid potentially costly bespoke data requirements, which central Government may not be able to support. However, the Government is clear that it will be for local authorities to decide how to weight these, factors, in relation to working age claimants, and so determine the level of award.

- **Systems**

10.10 Retaining the current approach for calculating support for pensioners, and enabling support for working age claimants to be calculated using the same factors, has the potential to reduce significantly the amount of change required to underlying IT systems. This could help reduce both the cost of introducing new schemes, and the time taken to make the necessary IT changes.

10.11 The Department will work with local government and the Department for Work and Pensions to understand what changes might be required, and the interaction with the planned migration of housing benefit claimants from common systems on to Universal Credit.

10.12 The Government is clear that final decisions about the level of support to be offered to working age claimants would be for local authorities, and it has no plans to prescribe how schemes should operate. The approach set out above would be entirely voluntary, however there would be strong financial and delivery benefits to local authorities in pursuing this, and the Department for Communities and Local Government has already begun to engage with local government on how such an approach could work.

# Section Three: Consultation

## Chapter 11: Overview

- 11.1 Throughout the development of the localising support for council tax policy, the Department for Communities and Local Government sought to engage a number of different partners to feed into the process. Whilst drafting the consultation document the Department held five pre-consultation focus group sessions with local authorities, professional bodies, charities and lobby groups to aide policy development.
- 11.2 As part of the consultation, the Department ran a programme of engagement events throughout England for local authorities and other interested organisations. The Department ran a total of sixteen engagement events to discuss proposals in the consultation document, in locations including London, Leeds, Birmingham, Newcastle and Bristol.

## Consultation Responses

- 11.3 The Department's consultation which sought views on the localisation of support for council tax in England ran from 2 August 2011 to 14 October 2011 and we received four hundred responses. The majority of responses were from local authorities and the Department also received a number from professional bodies, charities, lobby groups and members of the public. The responses to the consultation have been valuable in helping the Government to formulate the policy on localised support for council tax.

## Breakdown of Responses

11.4 The following pages give the percentage breakdown of the responses<sup>7</sup> the Department received for the consultation questions on each of the Government's proposals for localising support for council tax in England, covering the following areas:

	Page:
• <b>Principles of the Scheme</b>	29
• <b>Establishing Local Schemes</b>	31
• <b>Joint Working</b>	35
• <b>Managing Risk</b>	38
• <b>Administering Local Schemes</b>	40
• <b>Data Sharing</b>	45
• <b>Funding</b>	51
• <b>Administrative Costs</b>	53
• <b>Transitional and Implementation Issues</b>	54

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<sup>7</sup> In the analysis, N/A is given where an answer to the question was not provided, either because it did not answer the question asked or because it was left blank.

# Chapter 12: Consultation analysis

## Principles of the Scheme

- 12.1 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.
- 12.2 Section 5 of the consultation document sought views on the best ways to deliver protection for pensioners, and how the needs of other vulnerable groups should be considered. The following responses were received to the specific questions asked:

<b>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?</b>		
<b>Response</b>	<b>No. responses</b>	<b>% of responses</b>
n/a	18	6%
No - administrative complexity of two schemes, one of which is the existing scheme for pensioners	25	9%
No - give local authorities flexibility	18	6%
No - protecting pensioners only will put pressure on working age	42	15%
No - this will not work financially	8	3%
Yes	174	61%

<b>5b: What is the best way of balancing the protection of vulnerable groups with the need for local authority flexibility?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	12	4%
By fully funding any protection	31	11%
Continue current means testing	5	2%
Don't cut	4	1%
Guidance on vulnerable groups	81	28%
Limited flexibility anyway	8	3%
Means testing with disregards for disability	1	0%

National scheme	1	0%
No guidance/ local flexibility	64	22%
Not possible	26	9%
Regulations on vulnerable groups	52	18%

- 12.3 Chapter two sets out more details on Government’s plans to provide support for vulnerable pensioners, to be delivered through a national framework of criteria and allowances. This was the approach favoured by respondents to the consultation, with half of respondents indicating that local authorities should have flexibility, or at most, guidance.
- 12.4 On protection for vulnerable groups, there was general agreement that there should be no further prescription of support for vulnerable groups, and chapter two sets out how the Department for Communities and Local Government will work with local authorities and the relevant representative organisations to ensure local authorities are aware of their existing responsibilities towards vulnerable groups to be able reflect these in local schemes.



## Establishing Local Schemes

12.5 The consultation proposed that support for council tax should become part of the council tax system, and section 6 of the consultation document set out how the Government envisaged local schemes should be established, and the factors that local authorities would need to take into account in setting up local schemes.

<b>6a: What, if any, additional data and expertise will local authorities require to be able to forecast demand and take-up?</b>		
	<b>No. respondents</b>	<b>% of respondents*</b>
n/a	110	34%
Benefit Data	167	51%
Economic / employment forecasts	33	10%
Future funding levels	4	1%
Her Majesty's Revenue and Customs data	22	7%
Local Government Finance data	2	1%
Locally collected data for forecasting	1	0%
National data and expertise	3	1%
None	8	2%
Personal data (Date of Birth) on council tax payers	2	1%
Population / census data	80	24%
Trend data	3	1%

\*Does not sum to 100%, due to respondents suggesting multiple answers

12.6 The Government recognises that the responsibility of forecasting demand and take-up will create new challenges for local authorities, and through its work with local government on the delivery of local schemes, set out in section two it will continue to work with local authorities to understand what data and support local authorities will require, based on the issues raised in the consultation responses.

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

	No. responses	% of responses
n/a	78	24%
Audit	95	29%
CAB	3	1%
DWP	3	1%
Engage with welfare groups	20	6%
Equality and Human Rights Commission	4	1%
Local discretion	9	3%
Legal advice	2	1%
Members	8	2%
None	86	26%
Ombudsman	6	2%
Peer 2 peer review	2	1%
Professional bodies	12	4%

**6c (1): Should there be any minimum requirements for consultation?**

	No. responses	% of responses
n/a	67	20%
Advisory limit only	30	9%
No	89	27%
Yes	142	43%

**6c (2): Should there be any minimum requirements for consultation, for example, minimum time periods?**

	No. responses	% of responses
n/a	191	58%
Align with other statutory requirements	20	6%
Government Code of Practice	6	2%
Local authorities to decide	4	1%

Minimal	2	1%
Must include equality assessments	1	0%
Publicity	1	0%
Time	10	3%
Time - 12 weeks	46	14%
Time - 16 weeks	2	1%
Time - 24 weeks	4	1%
Time - 4 weeks	5	2%
Time - 6 weeks	5	2%
Time - 8 weeks	6	2%
Time and standards	18	5%
Timescale makes lengthy consultation impossible	7	2%

12.7 In response to the views received, the Government proposes that local authorities should be required to consult publicly on schemes; nearly half of respondents to the question thought there should be minimum requirements for consultation. The Government will take powers to prescribe in detail how consultation should operate, but is minded to leave this to local discretion.

**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?**

	No. responses	% of responses
n/a	61	19%
No	10	3%
Yes, no restrictions	181	55%
Yes, some restrictions	76	23%

12.8 The Government also sought views on how best local schemes could support the improved work incentives to be delivered through Universal Credit.

<b>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?</b>		
	<b>No. responses</b>	<b>% of respondents*</b>
n/a	72	22%
Adjust grant distribution	5	2%
Align with Universal Credit	29	9%
As part of Universal Credit / with no cut / requires additional funding	40	12%
Complete local discretion	21	6%
Impossible	29	9%
Increase tax thresholds	3	1%
Limits/taper set in legislation/nationally	28	9%
Tapers/design features (run ons etc) (non-statutory)	73	22%
Put into Universal Credit	29	9%
Run the scheme nationally	24	7%

12.9 Chapter two sets out the Government’s intention to work with local government to develop guidance which will help local authorities to design support taking into account the need to support work incentives and the interactions with Universal Credit. 29% of respondents thought that either local authorities should have complete discretion or that design features such as run ons and disregards should be provided for, but not prescribed. A further 9% thought that local schemes should be aligned with Universal Credit - for example taking Universal Credit information about claimants to determine tapers and awards.

12.10 9% thought that design features such as tapers should be prescribed in legislation and a further 17% thought that schemes should be administered nationally or that support should be delivered through Universal Credit. However, 12% of all respondents thought that support should be delivered without any reduction in funding, or with some additional funding to support work incentives.

## Joint Working

12.11 The consultation document looked at the reasons why local authorities may need or want to work together to design and administer local schemes and sought views on what if any safeguards would be needed to ensure the interests of collaborating authorities were protected.

<b>7a: Should billing authorities have default responsibility for defining and administering the schemes?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	53	16%
Billing authority administers, county defines in two tier area	3	1%
Billing authority should lead - but may collaborate / should consult (with county / other billing authorities)	18	6%
County defines and administers in two tier area	2	1%
National scheme	18	6%
No	5	2%
Yes	226	70%

<b>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?</b>		
	<b>No. respondents</b>	<b>% of respondents*</b>
n/a	93	29%
Backstop protection for preceptors (eg min precept)	17	5%
Communication	3	1%
Consult	177	54%
Contingency Arrangements	5	2%
Control over design of scheme	2	1%
Formal agreement	20	6%
Involvement in design	7	2%
Major preceptors shouldn't be sharing risk/needs further clarification	4	1%

Major preceptors take control of scheme	9	3%
National protection	2	1%
None	11	3%
Prescribe arrangements in legislation	2	1%
Robust Risk Assurance Framework	1	0%
Share risk / gain	44	14%
Standardisation across counties	2	1%

\*Does not sum to 100%, due to respondents suggesting multiple answers

**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?**

	No. responses	% of responses
n/a	84	26%
No	46	14%
No to parish but yes to neighbouring	16	5%
Only if sharing risk	12	4%
Up to local authorities	51	16%
Yes	104	32%
Yes but no to neighbouring	12	4%

**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?**

	No. responses	% of responses
n/a	75	23%
No	58	18%
To administer, yes, to design, no	14	4%
Yes - within certain limits / by agreement	38	12%
Yes	140	43%

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

	No. responses	% of responses
n/a	81	25%
National scheme	4	1%
No	124	38%
Yes	51	16%
Yes -where an local authority fails to implement a local scheme / scheme is wrong	65	20%

12.12 In response, the Government therefore proposes that:

- Billing authorities should be the lead authority – however, they will be free to collaborate with other billing authorities under their existing powers, as set out in chapter three. There was overwhelming support for this proposal;
- Billing authorities must consult with major precepting authorities prior to consulting more widely on their draft scheme, as set out in chapter three. The majority of consultation respondents supported the proposal that consultation could protect the interests of precepting authorities.

12.13 It is not proposed that billing authorities should be required to consult with local precepting authorities or neighbouring authorities, nor does the Government propose to be able to specify an authority other than the billing authority to be able to lead on a scheme, although it envisages that in some areas, in particular two-tier areas, local authorities may agree between them that an authority other than the billing authority should lead in the design of their scheme. Over half of respondents to this question supported this approach.

## Managing Risk

12.14 In designing and administering local schemes, the Government is clear that local authorities will need to consider how to manage any possible financial pressures as a result of a fall in collection rates. This could occur where demand for support increases above or falls below forecasts, and as a result billing authorities collect less or more council tax than had been estimated at the beginning of the financial year.

12.15 Through the consultation the Government sought views on how local authorities could share risks, in particular to ensure that billing authorities – which could be small district councils – are not exposed to the full impact of any financial pressure.

<b>8a: Should billing authorities normally share risks with major precepting authorities?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	59	18%
Local discretion	8	2%
No	12	4%
Yes	249	76%

<b>8b: Should other forms of risk sharing (for example, between district councils) be possible?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	86	26%
No	52	16%
Yes	190	58%

<b>8c: What administrative changes are required to enable risk sharing to happen?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	115	35%
Change to collection fund	72	22%
Formal guidance / legislation	77	23%
Joint working	20	6%
Local discretion	20	6%



Not possible	15	5%
Risk sharing	9	3%

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

	No. responses	% of responses
n/a	122	37%
Formal contractual monitoring	90	27%
Formal guidance / legislation	62	19%
Local discretion	30	9%
None	17	5%
Risk sharing	7	2%

12.16 The Government proposes that any decreases – or increases - in collection rates should continue to be shared between billing and major precepting authorities through the collection fund. Chapter four sets out how this would operate in more detail. Over three quarters of consultation respondents agreed that billing authorities should normally share risks with major precepting authorities. Local authorities would be free to explore other means of sharing risk, making use, for example, of the general powers available to them under sections 1 and 9 of the Localism Act 2011.

12.17 As outlined above, and in chapter three, billing authorities would be required to consult on draft schemes with major precepting authorities, and so giving them an opportunity to influence the design of the scheme.

## Administering Local Schemes

12.18 Local authorities will need 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 consultation sought views on a range of issues which local authorities would need to take account of in the administration of their schemes.

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

	No. responses	% of responses
n/a	105	33%
All	5	2%
Application + other	25	8%
Carers	1	0%
Finance + IT + claim	2	1%
IT system	6	2%
National scheme	53	16%
None	25	8%
Pensioners	6	2%
Some elements - finance	52	16%
Some elements - time related	3	1%
Treatment of work incentives	1	0%
Various	3	1%
Vulnerable groups	23	7%
Vulnerable groups + finance	13	4%

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

	No. responses	% of responses
n/a	94	29%
Guidance	30	9%
Guidance and regulations	10	3%
Legislation	12	4%

None	9	3%
Regulations	168	52%

12.19 Local authorities will need to set out in their scheme the procedures to be followed in making applications and appealing decisions, in addition to the council tax reduction offered under the scheme. Section two sets out the work that the Department will be undertaking with local government to understand how existing systems and processes could be used to assist delivery, which if local authorities chose, could be used to establish common approaches to aspects of administration.

<b>9c: Should local authorities be encouraged to use these approaches (run-ons, advance claims, retaining information stubs) to provide certainty for claimants?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	94	29%
Give local authorities freedom and flexibility	63	20%
Maybe	4	1%
No	7	2%
Yes	155	48%

<b>9d: Are there any other aspects of administration which could provide greater certainty for claimants?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	137	42%
Appeal process	3	1%
Application + passporting	1	0%
Dealing with under/over payments	1	0%
Fixed term awards	51	16%
Give local authorities freedom and flexibility	6	2%
Guidance	12	4%
Guidance + Fixed period	1	0%
National scheme / guidance	29	9%
National scheme or passporting	3	1%

Nothing extra	6	2%
Processing of claim	31	10%
Processing of claim + Fixed period	8	2%
Transparent awards	34	11%

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

	No. responses	% of responses
n/a	130	40%
Encourage only	5	2%
Financial incentives	40	12%
Guidance	34	11%
Legislation	13	4%
Legislation + financial incentives	18	6%
No requirement	42	13%
Regulations	34	11%
Regulations + guidance	7	2%

12.20 Chapter two sets out how local authorities will be supported, through guidance, in taking into account the need to support work incentives, when designing local 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?**

	No. responses	% of responses
n/a	71	22%
No	12	4%
Yes	240	74%

12.21 Local authorities will be free to continue to use their discretionary powers to offer additional support as set out in chapter five.

<b>9g: What, if any, circumstances merit transitional protection following changes to local schemes?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	134	41%
Additional funding	1	0%
Local authority to decide	85	26%
None	95	29%
Prescribed time period	7	2%
Protect certain group	1	0%

12.22 The Government proposes that authorities will be free to revise schemes between years, and will be able to make such transitional provisions as they see fit.

<b>9h: Should arrangements for appeals be integrated with the new arrangements for council tax appeals?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	104	32%
No	90	28%
Yes	129	40%

12.23 The Department for Communities and Local Government will be working with Valuation Tribunal for England and the Ministry of Justice, to consider the role of the Valuation Tribunal for England in dealing with unresolved appeals in relation to local support schemes.

<b>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)?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	128	40%
Claim process	22	7%
Claim process + fixed award period	9	3%

Data sharing + IT	52	16%
Fixed annual award	5	2%
Fixed award period	2	1%
No change	44	14%
Passporting	51	16%
Pension service	9	3%
Use income bands	1	0%

## Data Sharing

12.24 The Government recognises that data sharing will be an important way of maximising convenience and reducing complexity for claimants, while also helping to reduce administrative costs. The consultation sought views regarding the nature, extent and possible sources of information to which local authorities would want access. The consultation also sought views on how any fraud may be investigated and what penalties may be imposed.

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

	No. respondents	% of respondents*
n/a	73	23%
2nd home info	4	1%
Access to all government data	3	1%
As much data as possible	2	1%
Credit referencing	2	1%
Current scheme info	232	73%
Data interrogation of electoral register	1	0%
Demographic data for area	1	0%
Detailed information on employment	1	0%
Employers and financial institutions	1	0%
Forecasting Data	3	1%
Her Majesty's Revenue and Customs real time info	10	3%
Nationality	2	1%
NI	1	0%
Powers to hold Date of Birth and National Insurance number	2	1%
Sanctions	6	2%
Tenure type	6	2%
Universal Credit data	77	24%

\*Does not sum to 100%, due to respondents suggesting multiple answers

<b>10bi: Why would a local authority need any information beyond this “core”</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	230	72%
Administrative efficiency	12	4%
Calculating entitlement	36	11%
Collection issues	1	0%
Designing scheme	9	3%
Fraud investigation	23	7%
Identifying vulnerable	8	3%
None	1	0%

<b>10bii: and what would that be?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	209	65%
Household information	56	18%
Immigration status	4	1%
Income/capital info	27	8%
None	10	3%
Universal Credit	5	2%
Wider demographics	9	3%

<b>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?</b>		
	<b>No. respondents</b>	<b>% of respondents*</b>
n/a	106	33%
Central government	194	61%
Local government	43	13%
None	6	2%
Other (including private sector)	35	11%



\*Does not sum to 100%, due to respondents suggesting multiple answers

<b>Would you prefer to use raw data or data that has been interpreted in some way?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	165	52%
Raw	99	31%
Interpreted	14	4%
No clear preference	42	13%

<b>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?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	166	52%
2	5	2%
2x 8	2	1%
At least 3, with sub groups	15	5%
4	11	3%
5	13	4%
6	8	3%
7	7	2%
8	8	3%
9	1	0%
13	7	2%
As current passported scheme	3	1%
Follow national scheme Universal Credit & Pension Credit	2	1%
Income bands?	11	3%
Nature of family (foster carer, disabled)	2	1%
None	18	6%
Pensioners separate category	7	2%
Should be left to local authorities	24	8%

Same as the Department for Work and Pensions and Universal Credit	1	0%
Too simplistic, and would cause too many exceptions	9	3%

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

	No. responses	% of responses
n/a	92	29%
Internal processes/data matching	12	4%
Single Fraud Investigation Service/ the Department for Work and Pensions fraud service	49	15%
Should have access	139	43%
Claimant/collect own data	6	2%
Police	2	1%
Specific request	19	6%
No impact	1	0%

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

	No. respondents	% of respondents*
n/a	82	26%
Amend Fraud Act	1	0%
As council tax now	7	2%
As council tax benefit now	202	63%
As Single Fraud Investigation Service	23	7%
Commission others	4	1%
Data access powers	39	12%
None	1	0%
Penalties	10	3%

\*Does not sum to 100%, due to respondents suggesting multiple answers

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

	No. responses	% of responses
n/a	117	37%
Intelligence sharing	30	9%
Single Fraud Investigation Service investigates	58	18%
Local authorities investigate alone	7	2%
Partnership/collaboration	108	34%

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

	No. responses	% of responses
n/a	102	32%
The Department for Work and Pensions / Single Fraud Investigation Service / Her Majesty's Revenue and Customs (inc Universal Credit)	103	32%
Claim form	28	9%
Current (inc Customer Information System)	87	27%

**10i: What penalties should be imposed for fraudulent claims,**

	No. responses	% of responses
n/a	197	62%
Administrative	28	9%
Community	2	1%
Current	53	17%
Deny access	5	2%
Fines	21	7%
Prosecute	14	4%

<b>10i: should they apply nationally?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	166	52%
No	11	3%
Yes	143	45%

<b>10i: and should they relate to the penalties imposed for benefit fraud?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	251	78%
No	2	1%
Yes	67	21%

<b>10j: Should all attempts by an individual to commit fraud be taken into account in the imposition of penalties?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	116	36%
No	2	1%
Yes	202	63%

12.25 Chapter seven sets out the Government's proposals for enabling data to be shared between the Department for Work and Pensions and local authorities to support the design and administration of local schemes. The issues that the Government will consider in relation to powers to investigate and prosecute fraud are set out in chapter eight.

## Funding

12.26 Currently funding is paid by the Department for Work and Pensions out of their Annually Managed Expenditure to local authorities as a reimbursement of their expenditure according to nationally-set criteria. 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.

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

	No. responses	% of responses
n/a	62	19%
No	224	69%
Yes	37	11%

12.27 In response to the views put forward in the consultation, the Government proposes not to place any restrictions on the amount local authorities can put towards schemes as set out in chapter five.

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

	No. responses	% of responses
n/a	71	22%
Changed 3 years	4	1%
Adjusted regularly as required	4	1%
Annually, with external scrutiny after first 6 months	1	0%
Changed - time to time	28	9%
Changed annually	179	55%
Changes subject to further consultation	1	0%
Fixed in line with spending reviews	3	1%
Follow Revenue Support Grant methodology	1	0%

Local authority to decide at start of scheme, no requirement to change	7	2%
Local discretion	22	7%
Unchanged over several years	2	1%

12.28 The Government is minded to review grant allocations on an annual basis for the remainder of this Spending Review period. Further details on the Government's proposals for grant allocation are set out in chapter five.

## Administrative Costs

12.29 Currently council tax benefit administration is funded through housing benefit/council tax benefit administration subsidy.

<b>12a: What can be done to help local authorities minimise administration costs?</b>		
	<b>No. respondents</b>	<b>% of respondents*</b>
n/a	55	17%
Automation	44	14%
Common & shared IT and Data	100	31%
Discounts & exemptions flexibility	6	2%
Formal Guidance / Legislation	39	12%
Funding	51	16%
Joint working	20	6%
National / same scheme	89	28%
Pensioner Options	5	2%
Simplification / flexibility	87	27%
Timetable	47	15%

\*Does not sum to 100%, due to respondents suggesting multiple answers

<b>12b: How could joint working be encouraged or incentivised?</b>		
	<b>No. responses</b>	<b>% of responses</b>
n/a	69	22%
Financial incentive	111	35%
Formal guidance / legislation	9	3%
Can't be incentivised	54	17%
Joint working	7	2%
Local discretion	32	10%
National system	28	9%
Regional system	9	3%

12.30 Further detail on the work the Government will be doing to understand administration costs is set out in chapter nine.

## Transitional and Implementation Issues

12.31 The consultation sought views on a range of issues relating to the transition to new local schemes.

**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?**

	No. responses	% of responses
n/a	65	20%
Local authority to decide	9	3%
No	18	6%
Yes	226	71%

**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?**

	No. responses	% of responses
n/a	76	24%
All	229	72%
All + appeals + fraud + overpayments	1	0%
All + employment history	1	0%
All + immigration status	1	0%
Benefits (Finance) + National Insurance	2	1%
Benefits + finance + age + household	2	1%
Benefits + finance + age + household + National Insurance + Disability	1	0%
Benefits + finance + household	2	1%
Benefits + finance + household + National Insurance	1	0%
Benefits + finance + household + status + childcare costs + pension costs	1	0%
National Insurance + Age (DATE OF BIRTH) + Identify vulnerable groups	1	0%



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

	<b>No. respondents</b>	<b>% of respondents*</b>
n/a	85	27%
Advance info of Universal Credit	32	10%
Amend time frame	1	0%
Analytical help	3	1%
Define vulnerable groups	2	1%
Delay implementation	1	0%
Do national research	6	2%
Engage with IT suppliers	72	23%
Establish and test data exchange	10	3%
Focus groups	4	1%
Funding for implementation	1	0%
Give local authority freedom and flexibility	2	1%
Legal advice	2	1%
Meaningful consultation	3	1%
Model schemes	107	34%
Pilot and consolidation of lessons learnt	1	0%
Pilot schemes + national framework	7	2%
Provide data	59	19%
Provide proposed legislation	2	1%
Publicise	58	18%
Simplify scheme	1	0%
Speed up legislative requirements	56	7%
Sufficient time to implement	101	13%
Support + guidance	158	20%
Transitional funding	1	0%

\*Does not sum to 100%, due to respondents suggesting multiple answers

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

	<b>No. responses</b>	<b>% of responses</b>
n/a	108	34%
Data migration	1	0%
Decide Framework	89	28%
Framework + IT suppliers	117	37%
Leave to local authority	2	1%
Relax procurement rules	1	0%

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

	<b>No. responses</b>	<b>% of responses</b>
n/a	92	29%
Local authority to decide	10	3%
No	32	10%
Yes	184	58%

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

	<b>No. responses</b>	<b>% of responses</b>
n/a	153	48%
Assessed under new system	15	5%
Assessed under previous scheme	31	10%
Local authority decides	29	9%
Lapse at the transition date	40	13%
Preserved - transitional arrangements	50	16%

12.32 The Government envisages a one-off transition to the localised schemes in April 2013. This was supported by over two thirds of consultation respondents. Further detail on other transitional issues will be set out in due course.

12.33 Consultation responses highlighted an interest in model schemes and support and guidance. Section two sets out the work the Department for Communities and Local Government has already initiated with local government on understanding the scope to use existing systems and processes to assist implementation.

# **Annex A - timetable**

## **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 consulting on draft secondary legislation.
- Technical consultation on grant distribution

## **Summer 2012**

- Primary legislation passed.
- Secondary legislation prepared.
- Local authorities designing local schemes, scoping IT changes.

## **Autumn / Winter 2012/13**

- Secondary legislation passed (early Autumn).
- Grant allocations published
- Local authorities establishing local schemes – consultation with major precepting authorities and public, revisions to schemes.
- Technical changes to systems begin
- Local authorities setting budgets.
- Local authorities adopt schemes

## **Spring 2013**

- Local schemes in operation.

## Annex B: 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% 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 C: How council tax benefit works

## Components of council tax benefit calculations for working age

### **Council Tax Liability**

1. The council tax liability is based on the valuation band of the property.

### **Passported Benefits**

2. Claimants receiving Income Support, Job Seekers Allowance (income based) or Employment Support Allowance (income related) are entitled to receive full council tax benefit subject to any non-dependant deductions which may apply.

### **Non-dependant deductions**

3. A non-dependant is someone who is 18 or over and who normally lives with the claimant but isn't:
  - Claimant's husband/wife/partner; or
  - A child the claimant receives child benefit for; or
  - Someone jointly liable to pay council tax
4. There are different deductions for non-dependants, based on their earnings.

### **Personal Allowances**

5. Personal Allowances are the basic amounts of money the government says a claimant needs to live on. The level of the personal allowance will depend on the claimant's age and whether they are part of a couple. There are additional personal allowances for dependant children.

### **Premiums**

6. Premiums are additional amounts added to the personal allowance because of claimant's personal circumstances. The government recognises that it is more expensive to live with a family or if someone have a disability or caring responsibilities. Extra amounts are added to income based benefits to account for this.

## **Applicable Amount**

7. The applicable amount is the amount that the Government says that the claimant and their family need to live on each week. It is made up of either personal allowances only or a combination of personal allowances and premiums.

## **Capital**

8. If a person's capital exceeds £16,000 then they are not entitled to claim council tax benefit. They could however claim Second Adult Rebate (see paras 14 and 15) If a claimant has capital of more than £6,000, £1 per week will be added to the income that is used to work out the benefit for every £250 or part of £250 above this amount, this is called tariff income.

## **Income**

9. Income from all sources is taken into account in the calculation of council tax benefit. This includes income from employment, self employment, pensions, benefits and maintenance. If the claimant has a partner than both incomes are added together.

## **Disregards**

10. There are standard earnings disregards for singles, couples and lone parents. People in certain groups, such as carers and people with disabilities are eligible for a higher disregard. In addition, people in certain special occupations are also eligible for the higher disregard e.g. coastguards and firefighters in recognition of the services they provide and the potential hazards they face in undertaking these duties.
11. Childcare charges disregard offers extra financial help to those people who are on a low income, work over 16 hours and incur childcare costs.
12. As part of the income calculation, some income is either disregarded in part or in full. Income from benefits that are fully disregarded include:
  - Disability living allowance
  - Attendance allowance
  - Maintenance for children
  - Child benefit

## **Excess Income**

13. Excess income is the sum of income minus any disregards minus the applicable amount

## **Second Adult Rebate or Alternative maximum council tax benefit**

14. A claimant can receive Second Adult Rebate if the person they share their home with is:

- not their partner or civil partner
- aged 18 or over
- not paying the claimant rent
- not paying council tax themselves
- on a low income

15. The following discounts are awarded:

- 25% - when the second person is in receipt of Income Support, Job Seekers Allowance (income based) or Employment Support Allowance (income related)
- 15% - second adult's gross income is under £177.00 per week
- 7.5% - second adult's gross income is between £177.00 and £230.99 per week

### **Taper**

The claimant's excess income is reduced by 20p for each £1. This is called the taper.



## Example of council tax benefit calculations

1. The process used to calculate council tax benefit is as follows:
  - A. **Check capital:** Check that capital is under £16,000. Capital between £6,000 and £16,000 attracts tariff income.
  - B. **Calculate applicable amount**
  - C. **Calculate income** taking into account disregards
  - D. **Calculate the claimant's contribution:** The applicable amount is taken away from the income. If income is less than or equal to the applicable amount OR if the claimant is in receipt of a passported benefit, then full council tax benefit is payable i.e. 100% of the weekly eligible council tax less any non-dependant deductions. If income is more than the applicable amount then the claimant can get partial council tax benefit. This is the full council tax benefit after any non-dependant deductions less 20% (x 0.2) of the difference between Income and applicable amount (excess income). For example if the claimant's income is £10 more than the applicable amount, they will pay an extra £2 a week towards their council tax.
  - E. **Calculate Council Tax Benefit:**
    - i) Weekly eligible council tax liability - This is the annual council tax divided by 52
    - ii) Take away any reduction from full council tax benefit (from Stage D)
    - iii) Take away any non-dependant deductions
  - F. **Better off calculation:** Check if better off on alternative maximum council tax benefit / Second adult rebate.