



## Localisation of Council Tax Benefit Consultation

The District Councils' Network (DCN) is a special interest group of the Local Government Association and represents the interest of district councils across England. 180 district councils are members of the Network. DCN is a single voice for district councils within the LGA. It is an informed and representative advocate for districts with Government and other national bodies, based on our unique position to deliver for 'local' people.

District councils have a proven track record of delivering efficient and accessible housing and council tax benefits services. Over the last 10 years district councils have worked closely with partners within the public, private and voluntary sector to delivery improved customer contact experience and resolution at a local level.

### Overall Response to Consultation

The District Councils' Network welcomes the recognition that the benefits system has become far too complex and therefore supports the policy direction to simplify the system. However the District Councils' Network is concerned that this particular proposal appears to directly conflict with the general policy direction stated by the Government.

It is currently difficult to envisage or come to the conclusion that this proposal will simplify the benefits system, protect vulnerable groups in a consistent and transparent manner or support and bridge the gap for working age people seeking employment. The District Councils' Network is also deeply concerned that to date there appears to be have been minimal thought given to the practical implications which will need to be worked through prior to implementation and therefore has come to the conclusion that the current proposed time table is unachievable in its current form.

The objectives of the scheme appear to be mixed and the District Councils' Network call for further clarification regarding the desired outcomes ministers are trying to achieve as it is believed that working together could result in the aim of reducing expenditure by 10% whilst simplifying the benefits system for claimants.

It is believed that this could be achieved whilst also avoiding unnecessary capital and revenue expenditure to rewrite software systems, creating bureaucratic arrangements to determine local schemes, increasing collection costs and reducing collection rates.

The District Councils' Network is concerned that the proposals for localisation of Council Tax benefit has the potential to increase hardship for a large number of working age customers. Therefore rather than supporting the drive to tackle people out of work, the proposals could result in claimants being faced with significant levels of debt and create additional financial pressures for councils that could impact on the delivery of frontline support.

Due to the need to protect specified groups (pensioners) there is widespread concern that there will be very little scope remaining to ensure that local schemes support the intention behind the principles of Universal Credit for people in work and moving into work. When analysing the current caseloads it has been found that most Authorities will have in excess of 55% of their case load included within the two protected groups. Therefore this will limit and significantly narrow the opportunity to secure the 10% reduction in the budget and therefore will effectively result in further cuts being applied to the support provided to working age customers.

Based upon current knowledge the District Councils' Network would call for further consideration to include Council Tax Benefit within the proposed arrangements for Universal Credit.

There is a serious concern that the proposals could result in local authorities taking on additional financial risks and costs which have been previously shared between central and local government. In particular there is widespread concern that the current proposals will result in significantly increased administration costs as the economies of scale currently built into the system are lost and that software suppliers will benefit from a large number of changes which will undoubtedly result from localised schemes. These elements alone must place considerable doubt upon the business case and the likelihood of securing 10% efficiency savings without impacting upon the general Council Tax payer either through a loss in front line services or increased Council Tax Payments.

The District Councils' Network is very concerned about the intention to implement the scheme by April 2013 – this appears to be very ambitious and the DCN sees this as being unrealistic and does not give enough time for the legalities to be completed properly. In particular the growing need to fully consider our duty to consult will put considerable strain upon this ambitious timetable. It should be noted that District Councils have an enviable track record in implementing major change to Tax collection and Benefits systems. However despite our previous ability to respond there is a serious belief that the timescales currently being considered are unachievable in its current form and within the current economic environment.

### [An Alternative Approach](#)

The District Councils' Network suggests further consideration is given regarding how the same outcomes can be achieved. It is disappointing that

the consultation currently rules out the possibility of reviewing existing Council Tax discounts and exemptions. This mechanism could easily be enhanced to provide local discretion whilst providing local accountability through the health and wellbeing boards which should have representation from all precepting authorities.

It is also believed that Regulation 57 in the Council Tax Benefit Regulations 2006 could also be amended to set an upper limit for Council Tax Support of 80% for all Working Age claimants. This would enable special considerations (for example in the case of passported benefit recipients or for claimants who are severely disabled) to be easily catered for by granting exemption from the 80% rate by client groups.

It is anticipated that this single regulatory change would possibly ensure that the 10% saving worth £500m would be delivered from 1 April 2013 and will circumvent all unnecessary risks and associated costs currently identified within the DCLG proposals.

It is also clear that the Government wishes to protect particular vulnerable groups and in particular pensioners. Therefore the District Councils' Network calls for a detailed review of how the national support given through winter fuel, Christmas and severe weather payments could be localised and incorporated within a Council Tax Benefit system.

### Summary

Whilst the District Councils' Network accepts reform may well be needed, we do not believe that this proposal will effectively deliver the high level policy objectives as they currently stand.

The level of the financial risk that will be transferred from central to local government is of serious concern to the District Council Network. To retain the current system for pensioners and vulnerable groups whilst still having some scope to devise a reasonable local scheme should include further consideration and determination of council tax discounts and exemptions within a local scheme.

If the Government is committed to protecting pensioners and vulnerable groups, then it must ensure that it meets the cost of servicing these groups – both now and into the future. If the Government does not do this, the remaining funding available for the remaining groups will become so insignificant, local authorities may well face other 'unintended' consequences such as the impact on other services (e.g. homelessness).

The proposals as they currently stand could well result in an unfair and unacceptable financial risk being placed on local authorities – this at a time when councils are already faced with significant cuts to funding. It would seem that the primary driver for this reform is the need to achieve £500m

Government savings in Council Tax Benefit expenditure at a time when the majority of councils are continually seeing their caseloads increase.

If the main objective is to reduce the overall budget, there must be a simpler, fairer and a more cost effective way to achieve this other than the proposals currently being consulted upon. Perhaps the Government could consider retaining a national scheme but one that delivers the required savings itself - that would achieve consistency of scheme across council boundaries and enable the Government to design a scheme that reflected the intentions underpinning Universal Credit. A national scheme would continue to be funded centrally.

The District Councils' Network therefore requests that the Government;

- Considers deferring the implementation date so that it can work closely with local authorities to implement a scheme design that has a better chance of meeting its policy objectives
- Ensures that some form of Government support is in place to deal with volatility
- Seriously reconsiders its policy stance and allow the consideration and determination of council tax discounts and exemptions to be included in a local scheme

The remainder of this response answers the specific questions detailed within the consultation paper.

## QUESTIONS

### Section 5:

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

The proposals to protect pensioners and provide some protection for other people, including people in work and moving into work, would require, in effect, each council to operate multiple schemes. There would be:

1. a national scheme for pensioners prescribed by Government and administered by councils;
2. an in-work scheme that would work in tandem with Universal Credit;
3. a local scheme offering protected levels of council tax support for vulnerable groups, most notably disabled claimants but also other groups not subject to the requirement to look for work; and
4. a local scheme designed by councils that delivers an overall 10% cut in total expenditure from less than half the overall expenditure.

The administrative and software requirements arising from multiple schemes within councils are likely to be expensive, complex and difficult to deliver

and would work against the overall aims of simplification and transparency that underpin Universal Credit.

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

The Government have not defined 'vulnerable groups' - therefore there is a potential that vulnerable groups will differ across local authorities. Pressure on budgets will differ at individual local authority level meaning 'vulnerable groups' may be treated considerably differently dependant on where they live (a potential post code lottery) The Government need to be clear about whether they intend to set a definition of a vulnerable person or whether they are content to let this be decided at local level (in the knowledge of the potential post code lottery that this may bring).

**Section 6:**

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

Local authorities have been administering CTB and HB professionally for many years – the knowledge and capacity already exists.

Clearly, it will be very difficult to accurately forecast demand and caseload levels – it is a demand led service whereby in times of economic recession the demand for benefits increases at a time when people's disposable income decreases. The question being asked is the wrong question – it should be about how the government can financially protect local authorities from unnecessary budget exposure if demand at local level changes.

Forecasts can be made using current and historic data on council tax benefit but there are many factors outside councils' control that significantly increase demand. The last 2 years, for instance, has seen significant increases in benefit claims as a result of the recent recession. There are other factors that make forecasting demand very difficult including the impact of Universal Credit itself. The majority of claims for Universal Credit will be from people in-work, a group that has relatively low levels of Council Tax Benefit take-up. It is likely that links between Universal Credit and local schemes of support will see increases in the numbers of in-work claimants getting local Council Tax support;

Other factors include the impact of an ageing population and scheme design. Simple schemes that are easy to access and understand are likely to stimulate additional demand.

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

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

The suggestion that local schemes should be subject to local consultation seems reasonable. However, we have concerns about the intention to require further consultation on scheme changes. The timescales and processes required to consult would seem to prevent councils reacting to unexpected demand by taking steps to prevent further financial pressures occurring in the next financial year. Consultation in scheme adjustments should be limited to more fundamental redesigns and allow councils to adjust parameters without the need for a formal public consultation exercise. It would not be inconceivable that local authorities may need to consider changes ‘in year’ if extreme budget pressures result from unexpected demand.

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

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

A key consideration is the methodology for establishing the initial grant and we are awaiting the technical paper on this. It would seem reasonable to support annual refreshes of the funding councils receive rather than the option for initial funding levels to remain unchanged for a number of years.

An annual refresh of the grant will provide a degree of protection against the financial risk faced by councils through increased and unexpected demand. The concept that councils may gain from a fixed grant by reducing the number of people requiring local support for council tax is unlikely to occur in practice when considered alongside an ageing population, increased take-up by in-work claimants through links to Universal Credit and uncertain economic performance at a national level.

The annual refresh should also include an up-lift in funding to reflect changes to Council Tax levels. This would provide some protection against increased financial pressures and help provide stable schemes for those already faced with cuts in local support.

**Section 7:**

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

It is very difficult to see how this could be achieved if approximately 75% of claimants are to be protected under current ‘national conditions’.

The preferred option remains for a national scheme to be administered at a local level or failing that, a local scheme that is 100% determined at local level with adequate funding safeguards being in place by central government to help deal with volatility and/or excessive demand changes.

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

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

Major precepting authorities should carry their respective share of the financial risk of the scheme. This should be in accordance with their share of the overall precept level. Accordingly, it is only fair that they should also have a say in the consultation process.

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

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

The District Councils' Network recognises that there could be merit in operating similar local schemes across regions in order to provide some degree of consistency between neighbouring councils and residents. This includes the ability to coordinate resources in design, consultation and implementation of schemes. However, the ability to do this will depend significantly on the make up of each council's caseload, the scope for achieving 10% cuts in expenditure after the application of the Government framework and forecast demand within each council. Alongside this each individual council's political views would have to be considered and taken into account.

Individual councils are unlikely to adopt a scheme that leads to significant financial pressures. Equally individual councils are unlikely to adopt less generous schemes to support other councils and the principle of consistency – not least because this would increase the amount of Council Tax to be collected from the poorest people in the area.

The Government should not require an authority other than the billing authority to lead on either developing or administering a scheme – this should be left to local choice rather than introduce additional Government involvement.

## **Section 8:**

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

If the Government go ahead with the proposals to move the funding risks to local government then it follows that such financial risks must be shared between major precepting authorities. As mentioned earlier, the risk sharing should be in the same proportion as the make up of the council tax bill.

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

The District Councils' Network has a major concern that the issue of 'risk sharing' is not really what this proposal is about. It would seem that local authorities will have to burden the financial risks of the scheme whilst not being able to control the vast majority of caseload (and associated costs) which will comprise pensioners and vulnerable groups. The Government should be looking at ways in which it can operate some form of safety valve to help local authorities who experience increased demand deal with the additional financial burdens.

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

Government are encouraged to refer to the current live consultation of the 'redistribution of business rates' and consider whether any of the suggestions contained within that paper about dealing with volatility could be adapted into something that may work for this initiative.

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

The theory of 'risk sharing' seems to be very much a theoretical model that has many challenges in this context – no more so that when looking at the actual budget numbers and caseload there isn't very much scope to spread the financial risk whatsoever. The idea also is silent about the political make-up of different councils and how these naturally change over time – this clearly will have issues for the longevity of any local scheme.

## **Section 9:**

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

The timescale for implementation of the new scheme is highly ambitious and we have serious concerns that it will be virtually impossible to implement it operating within the current legislative regulations.

The paper suggests that the required primary legislation for localised Council Tax support schemes will not be passed until spring or summer 2012 and that the necessary regulations will follow on from this. It is likely that the required detail and legal framework will not be on the statute books until November/December 2012 and it is not possible to design, consult, build and implement new schemes of support by April 2013. If the Government intends to pursue the localisation of Council Tax support then at the very least the implementation date for the schemes should be deferred until April 2014.

Over recent years, changes to the benefits regime has resulted in additional complexity for customers and administering local authorities. Consequently, for a consistent approach (for customers ease and cost of administration) continuing a national scheme is still the desired outcome.

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

A national scheme will give consistency and stop any post code lottery occurring. It would be desirable and expected this should be set out in regulations in part - but this will depend on the final scheme.

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

With the exception of 'protected groups' (ie, pensioners and vulnerable groups) it is very difficult to see how there can be any certainty for the remaining claimants. The details of the proposed scheme will result in greater uncertainty for the remaining groups because they will in effect have to fund the 10% budget reduction and therefore will see real decreases in their benefits. However if a national scheme were to continue, claimants would have certainty and a clear knowledge that all CTB customers were being treated the same across the country irrespective of your postcode.

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

If the Government are to bring these proposals forward, we would strongly encourage the Government to reconsider changing the regulations about Council Tax discounts and exemptions.

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

If local authorities are to have any real chance of operating a local scheme (with any form of discretionary elements) it is important that they have control over discounts and exemptions also. We can see no reason why this can't happen and would encourage that the Government considers looking at

this again. For example - single person's discount is a remnant of the Community Charge and that, twenty years on from its abolition, there are good reasons for returning to a tax based wholly on property value.

**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?**

A substantial amount of money could be raised by abolishing automatic discounts for particular categories and wrapping all support into one comprehensive means-tested scheme. Even after taking into account its interaction with Council Tax Benefit, the removal of single person's discount would yield two or three times more than the government's savings target, money which could then be refunded into more generous work incentives.

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

We believe that the Government should seriously consider mechanisms for protecting local authorities from unnecessary additional financial burdens if it wishes local authorities to operate schemes at a local level. However such funding should not be transitional but a permanent feature of any system going forward - in the answer to question 8 we suggested that the Government should refer to the consultation on retention of business rates in relation to measures to deal with volatility.

If the Government were to operate some form of support (be it transitional or permanent) then the funding would need to come from a different source - to operate a local scheme that gives protection to pensioners and vulnerable groups whilst reducing overall funding by 10% and operate a transitional scheme would be very challenging unless funded from some other funding source.

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

It is highly likely that the new scheme will result in an increased number of appeals - the risk for such appeals on legislative grounds are considered to be even greater if the Government presses ahead with an implementation date of April 2013.

Local authorities have collectively said that the implementation date is unfeasible and as such local authorities should be protected financially against appeals that result from an implementation date of April 2013. Authorities should also be protected for claims against individuals who believe that they should be classified as 'vulnerable'.

**9i: What administrative changes could be made to the current system for 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)?**

The District Councils' Network is supportive of the desire to positively encourage support and take up for pensioners - however we remain concerned that because we will have no say in the make-up of this scheme that we could be left holding the bill for increased take-up (and support) for pensioners - this seems unfair when in effect this element of the scheme is still a 'national scheme' and as such must be 100% funded centrally.

Whilst we believe there is a need to protect pensioners, we also believe our responsibility to help every customer is just as important. The consultation states pensioners will not be affected by any changes therefore support will be predominately needed to help low paid earners struggling to make ends meet and the younger population trying to obtain skills to enable them to work.

**Section 10:**

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

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

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

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

The current national system works and works well with the inclusion of GCSX, CIS and more recently ATLAS information. The information shared between organisations is secure and received in a timely manner. At a minimum this would be expected to continue but until a scheme is finalised we are unable to state what other information will be necessary and in what format it would be required.

**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?**

If categories were to be defined by government for a local scheme this potentially would put additional pressure on local authority budgets. There is either a local scheme in operation or not?

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

This would be very difficult especially if existing powers were lost

The government are proposing a central fraud team and now the government are backtracking and saying local authorities will also need a fraud team - we doubt whether this will be cost effective - surely local knowledge will be needed for both HB and CTB and should be combined not dealt with in isolation

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

The same as they currently hold for investigating HB and CBT. LA CTB investigators would require their own powers to request information to enable them to investigate offices.

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

Local authorities would be a point of contact to supply SFIS investigators with historic HB data.

The government have decided on a single fraud team taking away fraud from local authorities - now it is being suggested that local authorities will have to employ further fraud officers to deal with CTB only. Surely this is not a cost effective approach.

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

The same as what we currently use to investigate HB and CTB some of which are:

Information from employers including details of employee and related employment (including salary) / Details of private pensions paid / Financial investment records / credit reference agency information / telecommunications detailing bill payer / start dates of contracts / addresses of bill payer / HMRC and DWP raw data, insurance information

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

This will depend on the scheme being proposed but the following could be considered:

Where the offence is strictly liability and has been committed in isolation of any other benefit, we could move away from ad pens and use the level 2 or 3

finer as in current council tax cases, this would simplify the schemes and appeals processes. More serious cases would still be prosecuted or, more serious fines/penalties would be considered

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

Penalties are already being used in HB and CBT however until the new scheme has been determined along with the detail regarding the single fraud team we are unable to comment in detail - however offences would need to reflect the difference between strict liability offences and offences where there is the need to prove through investigation that the offender knew that what they were doing was wrong.

**Section 11:**

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

With LA funding being constantly reduced it is unrealistic of the government to suggest local authorities should have any additional constraints. If the local scheme were to go ahead the government will be putting an additional level of risk on local authorities which in turn may be very difficult to administer within cash-limited resources at a time when the economic environment is very turbulent and unemployment continues to rise.

In short - funds should not be ring-fenced.

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

To enable local authorities to try and manage their budgets - the maximum flexibility possible to scheme changes would be encouraged. Local authorities must be free to determine their own scheme criteria and free to have the ability to change the scheme details when they see fit (to be able to react to local conditions or financial pressures).

**Section 12:**

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

Having one all encompassing national scheme - The administrative and software requirements arising from multiple schemes within councils are likely to be expensive, complex and difficult to deliver and would work against the overall aims of simplification and transparency that underpin Universal Credit.

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

There may be scope for some council's to collaborate and jointly administer local schemes, particularly where there are current shared schemes. However, this scope exists at the moment with the national Council Tax Benefit scheme therefore if a national scheme were to be maintained joint working could be continued and built upon. Individual local authorities must be free to determine the most appropriate service delivery method for their individual circumstances.

### **Section 13:**

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

If this scheme were to go ahead and additional funding were not available, a one off introduction would be necessary – but not necessarily preferred. It is anticipated no local authority will have any additional funding available - Schemes will need to be designed based on a fixed grant allocation.

Local authorities will need to consider what additional contingency arrangements should be put in place within their local schemes to take account of unplanned increases in demand or take-up.

## **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?**

This will depend on the scheme being proposed but at a minimum it is anticipated all information currently retained and obtained by local authorities will continue to be required

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

To successfully introduce a new system the Government must be realistic in the timescales and risks that local authorities may face.

Any new scheme will be complex by nature, it has to be preferable to keep local authorities on board when designing the scheme – the current proposals do not adequately allow for this.

We believe that the timescale for implementation is unrealistic. The paper suggests that the required primary legislation for localised Council Tax support schemes will not be passed until spring or summer 2012 and that the necessary regulations will follow on from this. It is likely that the required detail and legal framework will not be on the statute books until November/December 2012 and it is not possible to design, consult, build and implement new schemes of support by April 2013. If the Government

intends to pursue the localisation of Council Tax support then at the very least the implementation date for the schemes must be deferred until April 2014.

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

By having a national scheme, IT suppliers will only have one set of system changes to make rather than hundreds of individual changes.

The software requirements arising from multiple schemes within councils are likely to be expensive, complex and difficult to deliver and would work against the overall aims of simplification and transparency that underpins Universal Credit.

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

The funding of a local scheme will require an end date for the old system and a start date for the new system. This is when everybody must transfer to the new system irrelevant of date of commencement – any variation to this will require additional funding from government because this could not be managed by local authorities when taking into account a 10% reduction in grant

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

Rights accrued previously would have to be null and void if a local scheme were to be administered; a local scheme cannot financially work without additional funding from Government if rights accrued were taken into account.