

### Localising Support for Council Tax in England

#### 1. SUMMARY OF THE CONSULTATION PROPOSALS

In line with the Government's commitment to localism and decentralisation, this consultation seeks comment on proposals for the localisation of council tax support in England from 2013-14. The Government is proposing that local authorities will develop their own 'council tax support' schemes, choose their own eligibility criteria and determine the level of council tax benefit that can be claimed.

As announced in the 2010 Spending Review, the Government's financial support for council tax will be reduced by ten per cent nationally. However, special protection will be made for pensioners; therefore in practice the net reduction on other groups currently claiming council tax benefit is therefore likely to be higher than 10%.

#### 2. BACKGROUND

At the moment, support for council tax (council tax benefit) is set nationally by central government. Single person households, students, pensioners and those on benefits are eligible for various discounts on their council tax bill. Local authorities administer this benefit on behalf of the government.

On 17 February 2011 the Government published the Welfare Reform Bill, containing provisions for the abolition of council tax benefit, paving the way for new localised schemes set by local authorities.

The 'Localisation of Support for Council Tax' consultation paper was published by the Department for Communities and Local Government in August 2011, and sets out proposals for a framework for local support for council tax, to be in place by April 2013.

Proposals to put local authorities in charge of providing support for council tax are part of a wider decentralisation policy that, the Government claims, will aim to give local authorities increased financial freedoms and a greater stake in the economic future of their local area.

The localisation of support for council tax is also taking place within a wider programme of welfare reform which is intended to help move people back into work - supporting work incentives that will be introduced through the Government's plans for Universal Credit.

The Government has estimated that the cost of council tax benefit to taxpayers is equivalent to almost £200 per household a year. The changes will help to

deliver a 10 per cent reduction in the current £4.8 billion annual council tax benefit bill across Great Britain, resulting in significant savings nationally.

### **3. KEY PROPOSALS**

#### **3.1 Establishing local schemes**

Councils will be expected to design their own council tax support schemes and set local parameters for eligibility for council tax support, to be in place by April 2013. They must consult on these with local residents. Local council tax support schemes must support the improved work incentives that Universal Credit aims to deliver and the consultation seeks views on how to achieve this.

When designing our local scheme, we will need to set parameters to take into account the funding that we will allocate for council tax support. To do this, we will need to take into account:

- The strategic framework set by Government (ie. Protection for Pensioners)
- Other duties and responsibilities (eg. The Child Poverty Act)
- Local policy priorities (eg. Reducing homelessness or tackling unemployment)
- Forecasts of demand for council tax support
- Impact of non-collection on council's budget

#### **3.2 Joint working**

The consultation suggests councils may wish to work together in the design and administration of local council tax support schemes. This could mean billing authorities co-ordinating approaches whilst retaining individual responsibility, creating a lead authority that would be responsible for developing a single scheme across a group of authorities, or establishing a joint body made up of a number of authorities to develop a single scheme. A joint approach may also enable the sharing of risk across authorities working together within a local scheme, in addition to administrative savings associated with the processing of council tax support.

Councils that are interested in joint schemes will need to start planning their schemes as soon as possible to ensure the April 2013 deadline can be met.

#### **3.3 Administering local schemes**

The consultation suggests that it is up to local authorities to administer council tax support in as fair and easy a way as is possible whilst minimising errors and the risk of fraud. The consultation proposes that under the new system, local authorities will continue to be responsible for the investigation of errors and fraud.

There will be costs associated with the transition to a localised council tax support scheme. The consultation recognises this, but makes no commitment to providing councils with specific funding for this. We can therefore assume that transitional costs will need to be borne from existing reserves.

### **3.4 Funding for Council Tax Support**

The consultation proposes that funding will be paid to local authorities, in the form of an unringfenced special grant. However, **we do not yet know the total allocation that will come to Havering**, due to the Government not having yet published guidance on what funding mechanisms it will use to allocate council tax support to Councils. This will be the focus of a separate consultation which will ask for views on the basis for allocating grants and the frequency of adjustments made to the amounts paid to local authorities to account for fluctuations in demand. The consultation does however include two broad options:

- Frequent adjustments to Councils' allocations, to reflect fluctuations in demand for council tax support
- Leaving a Council's grant allocation unchanged for several years.

## **4. SPECIFIC IMPLICATIONS FOR HAVERING**

As outlined in the CSR 2010, the Government is aiming to save 10% from the national council tax benefit bill, whilst protecting Pensioners who will still be entitled to a 100% discount. In Havering, in real terms this would mean approximately £2m less than we are currently working with. Pensioners currently make up just under 50% of total council tax benefit claimants. If they are protected, assuming the total council tax benefit funding is also reduced by 10%, the real impact on other claimant groups would in effect be a 20% reduction.

Eligibility for council tax benefit support is an emotive subject, and developing our own local scheme will not be a straightforward process. We will need to consider if existing discounts, such as the single persons discount, are still affordable with in effect 10% less funding than we currently have. Under the Government's current proposals, there will be insufficient funding to cover the scheme at its current levels. In these austere times, it is extremely unlikely any authority will have financial capacity to spend over and above the grant allocation.

There are significant equalities implications in designing our own local council tax support scheme, due to the likely consequences of other national policy changes, such as housing benefit capping, which is likely to see more people moving from central to outer London, placing an increased demand for council tax benefit in Havering over the coming years.

By moving to fund council tax benefit from a cash limited grant, the Government may be putting an unacceptable level of risk on Local Authorities in delivering schemes that support vulnerable people in the context of severely reduced resources. The consultation paper does not make any reference to how any increases in the demand for council tax support will be planned and managed, nor the relationship between increases in Council Tax Benefit Grant and the overall regime of Council Tax capping. It is possible that Councils will be in the position of having to raise Council Tax simply to raise enough additional resources to pay for Council Tax Benefit.

There are also serious implications in terms of risk, in respect of the extremely short timescale local authorities have been given to put in place a council tax support scheme that has been fully consulted on, equality impact assessed and the required staffing and systems put in place, by 1<sup>st</sup> April 2013.

In practice, implementing a new system to replace Council Tax Benefit will involve the procurement of new IT systems or significant adaptations to existing systems. Given the timetable for decisions, with primary and secondary legislation not due until 2012, it could be argued that there is insufficient time for the development and procurement of new systems in time for an April 2013 implementation.