

Response to the Consultation on the Localisation of Council Tax Support

1. GENERAL COMMENTS

- 1.1 The London Borough of Havering welcomes the opportunity to comment on the Government's proposals to localise the support for council tax.
- 1.2 Overall, we are concerned about the implications for having locally determined council tax support schemes, and would like further clarification as to why council tax benefit will not feature as part of the Universal Credit, which we feel will be a opportunity missed to simplify and improve the current benefits system.

One of the main objectives for welfare reform, set out in the White Paper "Universal Credit: Welfare that Works" (Nov 2010), was the simplification of the benefits system, by setting up a single benefit. As well as the obvious duplication in setting up a national administrative system for Universal Credit and potentially hundreds of local administration schemes, the exclusion of council tax benefit from the Universal Credit will be confusing to benefit claimants.

Another objective of the Universal Credit proposals was to ensure that families do not receive more in welfare than median after-tax earnings for working households. Locally determined eligibility fluctuations in the level of council tax support will mean that it will be impossible to achieve this objective in practice.

We feel that a simpler, more efficient and less expensive way of dealing with the replacement for Council Tax Benefit would be to create a fifth element within Universal Credit for a council tax credit to be worked out by the Universal Credit system. Then using the current efficient systems that already exist between the Department for Work and Pensions (DWP) and local authorities (ATLAS and CIS) a figure for the council tax element could be passed from Government to local councils' core benefit systems which in turn interface with all local council tax systems. This would be an automated process and costs would be saved by the public purse in the duplication of administration.

- 1.3 Whilst it is clear that the principle of locally determined schemes are to encourage people to get back to work in areas with high levels of unemployment, we are concerned that the fluctuation and variance in council tax benefit schemes across the country, and particularly across London, could place huge pressure on housing demand, particularly in those areas with more 'generous' schemes than others.

For particularly the outer London boroughs, this problem will be compounded by the likely impact of increased housing demand once the council tax benefit caps come into force in 2013, which may see large numbers of housing benefit claimants move from inner London to outer London boroughs. Local authorities would then be faced with an increase in demand for council tax support, with significantly less funding to support this demand.

- 1.4 There is also a compounded risk that customers experiencing financial hardship may prioritise their council tax (because of the threat of committal) over their rent payments and therefore risk eviction - placing a burden on local authorities to house them.
- 1.5 The LB Havering would like further clarification from the Government on what the mechanisms for allocating council tax support grant will be to councils. Whilst the Government is aiming to save 10% nationally, with provision made for pensioners, as Havering has the highest proportion of older people in London, this would place increased pressure on us financially, possibly amounting to a 20% saving on current expenditure on council tax support to other groups.
- 1.6 In Section 9 of the consultation paper, local authorities are asked to consider complex benefit regulations, but told throughout the document that council tax replacement should be a local scheme which may be administered much like a discount. This is both conflicting and confusing and we would welcome clarity on this issue.
- 1.7 Whilst LB Havering is supportive of the principles of Localism, we feel that devolving Council Tax Benefit will have wider negative policy and financial implications for local authorities.

2. RESPONSE TO THE SPECIFIC TECHNICAL CONSULTATION QUESTIONS

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

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

5a. We feel that there are no clear reasons for why Government should protect only pensioners under a local scheme through primary legislation. Pensioners in Havering make up 46% of the caseload, therefore as set out above, ringfencing support for pensioners will place a disproportionate burden on the support we are able to offer other claimant groups. Assuming a flat rate of 10% reduction in the grant we receive for council tax benefit, in Havering that would mean that working age claimants would in effect receive a drop in their Council Tax Benefit (CTB) replacement of 19%.

Indeed, it could be argued that it is inequitable and directly discriminatory under the Equalities Act 2010 to protect all pensioners at the expense of working age taxpayers.

5b. Under the current scheme rules for CTB, entitlement is based on ability to pay. One could justify an argument that the whole of this group is vulnerable because they need assistance with paying their council tax bill. However, if the Government do not revise their decision to protect pensioners alone, then low-income, able-bodied, working age taxpayers would become a vulnerable group themselves by reducing their support further than 19%.

If Havering Council were to assume that 10% of this caseload were vulnerable, this would leave the remaining 44% of the caseload to disproportionately bear the burden of these cuts, which we feel would be fundamentally inequitable.

Local authorities have contended with their excellent track record in housing and council tax benefit administration that they would be able to successfully administer the Universal Credit and the CTB replacement but it should be government's responsibility to determine the design, rules and regulations of the scheme and ensure that welfare 'postcode lotteries' are avoided.

We believe that the fairest way to determine the amount of council tax support is to use a means test, based on the individual's ability to pay which should simply mirror the rules for Universal Credit.

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

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

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

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

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

6a. All information provided to the DWP to administer Universal Credit should be made available to local authorities to develop and maintain the local scheme. This is achievable through current links with the DWP and local authorities.

6b. & 6c. Potentially, the local scheme could change year on year in order to manage the un-ring fenced grant. If this is the case, consultation therefore must be quick and simple to avoid hindering the process.

6d. If the current proposals are implemented, on the one hand local authorities must be able to change the local scheme annually in order to manage their budgets. But on the other hand, it will be a huge administrative cost to do so and is therefore unlikely to happen in practice.

6e. If the CTB replacement scheme criteria mirrors the rules and criteria for the calculation of Universal Credit, then clearly low earning households would not experience high participation tax rates.

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

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

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

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

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

7a. Billing authorities were not incorporated to design local schemes. To do so would require considerable support from DWP and CLG particularly in light of the timescales provided to ensure schemes align with national priorities around welfare reform and the Universal Credit.

7b. With regard to safeguards for precepting authorities, this does then raise the question of what safeguards are in place for local authorities.

7c. Whilst this is not applicable to London Boroughs, this would seem fair but consultation period would then be protracted.

7d. If it is what is determined locally as a way forward, then we agree that this should be possible.

7e. As we have argued in section 1.2 of this response, we feel that the duplication of process and design with Universal Credit is very apparent. It is our view that the DWP would be in the best position to lead on or subsume the council tax benefit replacement within this scheme.

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

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

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

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

8a. We feel that it is unreasonable and unfair to place this burden on local authorities to consider this as an option.

8b. Generally, local authorities can minimise the financial risk by increasing the resources to collect and enforce payment of council tax. This in turn will increase administration costs and the level of council tax payable.

8d. For this to occur, CLG should support local schemes by underwriting the risks. Under the current proposals, CLG are in effect exposing authorities to risk by delegating the design and implementation of the local scheme to local authorities. Support for Council Tax does not lend itself easily to a local scheme.

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

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

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

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

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

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

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

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

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

9a. For the reasons outlined in our opening sections, we feel that a national scheme is more likely to succeed than 326 local schemes, or partnerships of a small number of schemes combined.

9b. Yes, regulations should be used to maintain parity of schemes. Current links with DWP could then be used to administer the scheme thereby reducing administrative expenditure.

9c. All aspects of the scheme should be consistent, but by doing so CLG blur the lines between a local and national scheme. Run-ons and advanced claims are clearly part of a national scheme. This conflict within the document creates confusion.

9d. The Government has determined that Universal Credit is the way forward for welfare benefits. We feel that council tax support sits more comfortably with the national scheme, and will provide more certainty for claimants. Indeed, the fluctuations between local authority areas simply make the system more confusing to people in need of this support.

9e. Through a national scheme governed by legislation.

9f. Yes, however under the current proposals it would be very unlikely that any local authorities will be able to meet current demand for council tax support, let alone offer discretionary discounts.

9g. All taxpayers who experience a reduction in support from the change to the CTB replacement should be granted transitional protection for a limited period of time.

9h. It is not practical to expect independent tribunals to be aware of potentially 326 different scheme designs to administer and determine appeals. Realistically, appeals would have to be dealt with by each local authority but this would be extremely inefficient.

9i. There is no change for Pensioners because Government have determined they must be protected at the cost of working age low income tax payers. The current local authority core benefit systems can process these claims with very minor tweaks thus saving more expense in software development.

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

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

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

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

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

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

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

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

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

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

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

10a. Legislation would be required to enable the DWP to share information regarding not just claimants of Universal Credit but all persons in receipt of government benefits. This will assist local authorities determine its vulnerable groups from inception and assist forecast demand and manage take-up, in addition to managing fraud. However this merely illustrates the point about duplication of administrative processes.

Local authorities will also need direct access to departments such as the Office of National Statistics and whichever departments within CLG who collect data from local authorities on local schemes so that consistency and comparison can take place.

Access to the relevant and various government Ministers and departments in the same way DWP's Policy team have in relation to welfare benefits currently.

10b. To administer a local scheme of this size and ensure fairness, consistency and that Central and Local Government's objectives are met will require all of the information and access mentioned in 10a, above.

10c. Tax payers are the only source other than the DWP who can provide the detailed information required to determine eligibility to a local scheme. It would be a step backwards to ask taxpayers for information which they have already provided to the DWP in relation to another benefit. Because this is a “local scheme”, local authorities will need raw data to determine factors that design the scheme and data which has been interpreted in some way to compare and contrast.

10d. This question cannot be answered in detail without CLG providing further information which defines the parameters of the scheme, including a national definition for ‘pensioners’ and ‘vulnerable groups’ and establishing the level of set up and administrative costs available to run the local scheme. However, any infinite number of categories could be developed were the scheme to be truly local which could include more radical characteristics such as length of time in the borough and local ward factors. More information is required to establish the scheme that ideally reflects the principles and values on which Universal Credit are being developed.

10e. A single fraud investigation service is planned by the DWP for 2013 which will not investigate local schemes. If information is limited to local fraud teams, they will not be able to progress investigations.

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

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

11a. Under the Government’s current proposals, there will be insufficient funding to cover the scheme. In these austere times, it is extremely unlikely any authority will have financial capacity to spend over and above the grant allocation. However, under a local scheme, some authorities may take the view that Council Tax should be increased to cover the cost of support.

11b. Pensioner caseloads are increasing across the country and this will have a growing negative impact on the amount of support that can be provided to working age people year on year. There has to be flexibility to adjust the scheme annually to enable local authorities to remain within budget.

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

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

12a. As outlined above, we feel that the best way to minimise administration costs will be to merge the CTB replacement with Universal Credit.

12b. Whilst the Government is keen to encourage joint working between local authorities in setting local eligibility criteria, in practice this will be difficult to

achieve. Particularly in London, where demographics between local authorities vary significantly and pressure on housing supply is extremely high. We feel that in practice this will be very difficult to achieve, particularly in the short space of time which we have to put our local schemes in place.

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

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

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

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

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

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

13a. A one-off introduction would mean a complete re-calculation of the CTB caseload assuming all information is available from tax payers to determine entitlement to the council tax support. Following which, transitional protection should be considered. Given the timescales, we feel that this is unrealistic. Following the lead set by the DWP, new claims should be considered first for council tax support.

13b. The same information which is currently held for the calculation of entitlement to CTB.

13c. As set out above, we feel that the ideal solution is to subsume the CTB replacement within Universal Credit. Failing that, expedite the legislation to enable information to be shared between the DWP and local authorities and provide the appropriate level of funding to cover capital and administrative costs.

13d. Nationalise the scheme and subsume within Universal Credit.

13e. Once again national scheme rules for welfare benefits are being used to determine the local scheme. Tax payers did not ask for this change and should not be required to submit new claims or forms for the new scheme.

13f. Rights accrued under the current scheme should be subject to transitional protection.