

RMBC Response to Localising Support for Council Tax in England

Introduction

Please find below answers to the consultation in respect of localising support for Council Tax in England.

Whilst Members of the Council are supportive of decision making at the most appropriate local level, they see Council Tax Benefit (CTB) as Social Security support for housing costs alongside rent etc, and that any move away from this would be a retrograde step in supporting vulnerable people and tackling poverty, especially child poverty.

Notwithstanding the issues arising from a 10% cut in the funding available, they see the removal of CTB and its proposed replacement as a return to an archaic "poor law" approach not befitting the 21st century.

The Authority has not assessed the type of scheme it would like to operate, therefore, the answers are very broad and are constructed in a way that any framework/governance that is set by central government will still provide Authorities with the flexibility it needs to devise a financially viable local scheme.

At the time of writing, it is difficult to consider a scheme other than one that is means tested in some way as it is in the current scheme. Although, this brings with it greater administration requirements it will result in a fairer system where support is withdrawn at gradual rates as income increases.

A scheme where discounts are awarded to certain groups would be easier to administer but would probably result in a less fairer system. It also has to be acknowledged that any scheme that becomes a discount is likely to increase take up for example among pensioners which will lead to pressure on budgets and possibly limit the help Authorities can give to other vulnerable groups.

An alternative suggestion that has been mentioned recently by some stakeholders, although not at this time being promoted by the Council, is adjustments to the single person discount rules, even as far as removing this type of council tax reduction. This would more than save the £500M savings the Government are targeting.

Single Person Discount (SPD) is not income related and allows people to claim 25% off council tax whether they are on income support or a millionaire. This scheme could be changed allowing authorities to vary the discount rate perhaps with a national minimum rate – say 10% and then let authorities agree their own percentages between 10% to 25%. The additional income from this could then contribute to or pay for the localised council tax benefit scheme.

For 2011/12 we are currently reducing council tax for SPD at a total cost of £9.8M. The 10% reduction in benefits is looking to save £2.25M. So if the SPD discount is reduced from 25% to 20% then this may achieve the same level of saving required from the 10% council tax benefit reduction. However, there are people claiming council tax benefit that also claim SPD and therefore, the SPD level would be towards 15% rather than 20%

Section 5: Principles of the scheme

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?

Yes – The Authority cannot see any other way to protect pensioners in the way Government requires without retaining the current criteria. Changes to the current system would invariably lead to winners and losers.

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

The Authority has taken this question in the context of providing certain guarantees of support to other groups as detailed in 5.6 of the consultation. The Authority feels that should the Government provide further protection to groups laid out in the framework, then it is likely that the scheme would be un-workable given the 10% funding cut.

Based on current year figures, the Authority has projected it will award £22.588m in Council Tax Benefit (£11.017m to 14,208 pensioners and £11.571m to 15,303 working age). Taking into account that pensioners are protected the 10% saving of £2.26m must be applied across **working age customers which will equate to a 19.5% reduction for them**. Achieving this reduction across 15,303 working age customers will prove challenging however, by introducing further protected groups through legislation will result in the saving been made over a much smaller group which may prove financially impossible for this group and possibly create collection problems for the Authority.

Example – if we also protected the 1,261 Employment Support Allowance(Income Based) claimants the impact on all other claimants would be a **reduction in council tax benefit of 28.3%**.

If you look at para 6.10 of the DCLG document it indicates that the Government's aim is to "create a maximum net participation rate of no more than 20%". Just protecting pensioners more or less brings all other claimants up to the 20% limit and any other vulnerable group will bring it above that.

Under the Government's proposals the scope of schemes will not be able to protect all vulnerable groups, leading to other policy objectives to support people with disabilities and tackle child poverty being undermined. The Government need to understand that what is an arbitrary cut of 10% is the greater cause of this than the issue of local schemes.

It appears to the Authority that the Government announced the 10% cut in funding before giving any consideration to how this could be practically implemented and what implications would arise. The Government need to recognise their shortcomings and either amend their proposals accordingly or take responsibility for the consequences.

Section 6: Establishing local schemes

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

The number of pensioners in the area now and expected numbers in future years. This would help the Authority gauge pensioner demand/expenditure in the future. Does the DWP have forecasts for numbers of people becoming pensioners or of pensionable age for future years and by local authority area?

Beyond the above, the authority believes this is a difficult question to answer until it starts the design of its scheme. It is highly likely that Authorities will be able to use existing benefit data to assess whether a proposed scheme financially viable. However, it is possible that additional information may be required from central government once we are in the design phase and arrangements should be put in place for this to happen.

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

The Authority will carry out public consultation in accordance with its community engagement framework.

In addition other external scrutiny should include national advice agencies (CAB, Age UK etc), local advice agencies, local community groups (disabled, carers), external audit, precepting authorities and neighbouring authorities. However, The Authority believes that the decision on external scrutiny should remain with the Authority as any Government imposed scrutiny may result in the Authority losing its flexibility in devising a scheme that it feels meets local needs.

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

No – The standard consultation period in Rotherham is 12 weeks in accordance with national guidelines. Although Authority's should be encouraged to maintain this standard, it does not feel it should be set by central government. Local Authorities will need the flexibility to set shorter consultation periods if it feels necessary for adjustments to their scheme. In addition, as detailed above in 6b, the only minimum requirements should be that some consultation takes place in accordance with the Authority's consultation policy but the decision on who to consult should ultimately remain with the Authority.

Introducing national scrutiny requirements could result in restricting the Authority's flexibility in devising a scheme to meet local needs.

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?

Yes – Authorities should be able to change their schemes from year to year as local priorities can change and adjustments may be needed to meet its financial commitments.

Although it is not the Authority's intention to change the scheme regularly in year, it does believe that it should have the flexibility to do so if it feels it is necessary. The Authority believes it may need such flexibility to accommodate changes to local priorities, meet its financial commitments and also accommodate changes that may happen to national benefits.

Authorities have shown, whilst administering the current scheme, that it can manage in year changes whilst having regard to the needs of claimants. In the first year of the localised scheme, the Authority will have to devise a scheme which will have to change in year to accommodate claimants who commence to receive the new Universal Credit.

There should be no restrictions on the Authority in changing its scheme providing relevant consultation has been conducted and sufficient lead in times have been allowed for.

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?

As detailed in 5b, with the protection of pensioner support the reduction in funding results in a 19.5% cut across our working age claimants (including low earning claimants). The clear way to ensure low earning households do not face high participation tax rates would be for Government to legislate for it by setting a maximum withdrawal rate that can be applied to low earners to ensure that work incentives are maintained. However, the Authority would like to see a minimum of central criteria and therefore an alternative would be for the Government to provide example schemes which can be considered showing how local schemes could interact with Universal Credit to maintain work incentives.

However, any legislative provision would need to take account of affordability within the resources that the Government makes available. It should be recognised that if certain vulnerable groups receive protection, then certain other low income households receiving Universal Credit would receive no support for Council Tax at all and the issue of withdrawal rate would be purely academic.

Section 7: Joint working

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

Yes as it is the Authority who has the responsibility for Council Tax collection.

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?

Precepting authorities should be consulted on the design of any scheme.

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?

Yes on both accounts.

Precepting authorities should be consulted in the preparation of the scheme to ensure that they are aware of how their increases in precepts can affect the Authority's financial ability to protect vulnerable residents with support in the localised scheme.

Neighbouring Local Authorities should also be consulted as a scheme in one area could have an impact on another.

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?

The Authority welcomes the proposal that councils have the flexibility to consider joint working and the level of such arrangements.

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 – The Authority cannot envisage such requirements being required at this time.

Section 8: Managing risk

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

The authority agrees that it should be able to share the financial risks across major precepting authorities within it. However, the Authority also believes that it should also have flexibility to share the risk with local precepting authorities (local parish council) if it feels necessary.

In addition, consideration should be taken by Government on how risk will be managed between Authorities and Central Government. It is accepted that it is for Authorities to manage risk in respect of general changes to demand, however, it also considers that Central Government should also build in safeguards where change in demands are exceptional. Authorities have always had an interest in the local economy and the benefits of attracting new businesses to the area to move people into work. Such actions should reduce the burden on benefit support however such issues are sometimes beyond Authorities control, as shown in the previous 3/4 years. Such arrangements could include releasing additional grant when the total number of claimants increase in an area or nationwide or where the pensioner take up in an area increases significantly which would hinder the Authority's financial ability to provide support to working age customers.

The Government have announced that there will be separate detailed technical consultation on the factors and indicators that should be used to determine the level of the new grant. These technical details, at the time of writing, have not been published. Without these details, additional risks arise concerning the sharing of risk.

Other potentially shared risks concern the implications on the collection of Council Tax. These include:

- The Council would need to collect relatively small sums from those on low incomes - this would increase the costs of collection as well as giving rise to higher levels of arrears.
- Increased arrears would have cash flow implications for the Council.

- Over time, the higher levels of arrears are likely to result in larger losses on collection of Council Tax. Increased losses could mean that the current 3% assumption (giving a 97% collection rate) would need to be reviewed. Increasing the assumption would reduce council tax yield and lead to increases in tax rates.

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

The Authority believes that there should also be flexibility to share risks with neighbouring Authorities where joint working is implemented.

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

For the Government's approach to be consistent, given financial responsibilities and accountability, administration changes should be included in primary legislation, although it would be acceptable for some detail to be set out in Regulations.

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

Billing Authorities and precepting authorities should be compelled to set out a framework/agreement in advance of the introduction of the localised scheme. The framework/agreement should clearly show how the risk will be shared without any one authority being exposed to un-necessary financial risk and how it will be governed/reviewed.

Any scheme also needs to build into its governance arrangements the involvement of elected members.

Section 9: Administering local schemes

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

The intention of a localised scheme is to allow Authorities the freedom to devise a scheme that they believe will meet the needs of its residents. Introducing central legislation to ensure consistencies across all schemes will only reduce such freedom.

The Authority believes that Government will achieve some kind of consistent approach by producing guidance aspects of where they feel a common approach should be taken. Possibly identifying the key criteria that all schemes should have as a minimum.

However, the ultimate design should remain with the Authority.

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

Please see 9a above.

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

Yes – The guidance mentioned in 9a above should encourage the above. Such approaches supply's certainty for claimants and also makes schemes simpler and reduces administration. These may also help towards the incentives for getting people back into work

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

The guidance mentioned in 9a above should include all aspects where Government believes a common approach should be taken, e.g. start date of claims, backdating rules, disregarded income/capital however, ultimate responsibility should remain with the Authority.

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

The clear way would be to legislate for the inclusion of such features or offer financial incentives. However, the Authority believes incorporation of these features in a good practice guide or a model scheme would encourage Authorities to include them in a localised scheme.

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?

Yes – the Authority believes that it should be able to use the existing provision detailed in section 13a of the Local Government Finance Scheme to provide discretionary support to residents who do not fall within the formal localised scheme.

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

The Authority is of the opinion that previous transitional schemes in the current benefit system have proved unsuccessful in the past and only complicates the system and can make administration more expensive. More errors are likely too be made and systems will have to cope with these extra rules

Such arrangements tend to confuse claimants resulting multiply contacts for explanations and increases software costs. Therefore, the Authority believes transitional schemes should not be encouraged and Authorities should plan changes to their scheme to allow sufficient time to be able to notify claimants of the changes. Please see 6d above in respect of mid-year changes which could be used where there is insufficient lead in time to notify claimants of changes before the start of the new year.

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

The Authority's opinion is that it would be difficult for a centralised body to conduct appeals over a number of Authority's which will have different rules. Therefore, appeal arrangements should be devised by Authorities when devising its scheme and be included in any consultation. To ensure independence of decisions Authorities should be encouraged to include external local stakeholders in any appeals process it devises e.g. the head of the local CAB, senior DWP officer/manager

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)?

The Authority believes the Government should retain the ability for Authorities to obtain similar information to that obtained in the current scheme - accessing information via CIS, in respect of pension credits and state pensions.

In addition, any pension reform should accommodate what information Authorities will need to safeguard pensioner entitlement in its localised scheme. Clear guidelines should also dictate on how government expects Authorities to engage with pensioners to ensure they receive the support it should, e.g. pensioners not having to make claims, with authorities contacting them directly at pension age to obtain information to assess if they would qualify for assistance.

Such a scheme would require a change to the data protection so Authorities could retain liable parties' dates of birth to enable them to make contact at the appropriate time.

The government should accept that such a scheme is likely to increase take up amongst pensioners and therefore, likely to lead to pressures on council finances as would a discount scheme for pensioners. Please see 8a above in respect of risk sharing between Authorities and central government.

Section 10: Data sharing

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

The Authority believes that this is a difficult question to answer until it starts to design its local scheme. However, it does consider that the information that is currently available to Authorities should remain available to them and in addition provision should be made for Authorities to access Universal Credit information when introduced October 2013. Also where available, details of household members included in national benefits should also be available.

Raw data would provide Authorities with the flexibility to manipulate it and use it as it sees fit to meet the requirements of its local scheme.

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

At the present time the only information the Authority can foresee it would require beyond this would be information in relation to occupiers of the property who are not dependant on the council tax payer.

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?

Authorities should be able to obtain the data it can now and should be able to obtain the different elements of support claimants are receiving via Universal Credit when introduced. Other possible sources of information that maybe useful would be HMRC data, bank information and credit reference data.

As the scheme is localised, any data provided should be the raw data to enable authorities to manipulate it as it sees fit and this data to be electronic where possible.

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?

It is our belief that claimants should not be placed into categories as it would be difficult for central government to accommodate the requirements from so many Authorities who may be operating different schemes. Imposing centrally defined categories would indicate that central government intend certain groups should receive more help than others and would detract the flexibility Authorities has in devising its own scheme.

In addition, at the present time, it is difficult for the Authority to look beyond a means tested benefit similar to the one currently being operated where support is withdrawn gradually in line with increases of income. The Authority believes that such a scheme is fairer than applying a discount based on client groups but would be more expensive to administer. The Authority is of the opinion that, in general, Authorities will devised schemes based on the financial constraints place on it based on the grant that is given to cover support and administration.

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

Without access to raw data the only way the Authority could review claims/investigate suspected fraudulent claimants would be via claimants. The Authority considers that having raw data only acts as a tool for Authorities to use in combating fraud and in the majority of cases will not replace contact with the claimant.

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

The powers needed to enable Authorities to investigate suspected fraud should be similar to those that are included in the current scheme for example powers to contact banks,

employers, summon for interview under caution etc. In addition powers should be supplied to Authorities to enable it to allow third parties to carry out such functions on its behalf.

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

Arrangements should be put in place for joint working to continue or at the very least referrals to be made to the unit where suspected fraud affects both the national scheme and the localised scheme, e.g. undeclared work. In addition arrangements should be made to enable each organisation to share information with the other even though the suspected fraud may only affect one of the schemes.

Although this may fall outside the remit of the Single Fraud Unit, the Authority would also like to see arrangements where Authorities can have its data matched against DWP data. This would be similar to the current matching service with Authorities setting the matching criteria based on its local scheme.

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

Please see 10f and 10g above, Authorities should retain access to the information it currently has and universal credit information once it is introduced.

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

The Authority believes that a national guideline of penalties should be produced by central government but should also give Authorities the flexibility to set its own criteria of when certain penalties will be applied and the length of such penalties. The prescribed penalties should include current penalties such as sanctions and prosecutions as well as withdrawal of benefits.

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

Yes – all attempts of fraud against central government and local authorities should be taken into account and arrangements should be put in place to ensure this happens. Arrangements on sharing the results of investigations between Authorities and the Single Fraud unit would need to be put in place or alternatively a national system could be introduced where results are recorded against claimants utilising their national insurance number.

Section 11: Funding

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

Authorities should be allowed to decide if it wants to commit more to its scheme than the central grant offered without constraints. However, past experience of dealing with cash

limited budgets (for example discretionary housing payments in the current scheme) it is highly likely Authorities will work towards a scheme that will not exceed its grant.

Given the level of cuts being imposed on local authorities, it is difficult to see how additional resources will be identified to top-up the Support for Council Tax scheme.

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

To ensure this is a progressive scheme and reflects circumstances relevant at the time annual adjustments should be made. Or at least the scheme should have an annual review probably based on forecasts of the scheme covering changes in claimant types and volumes and changes to council tax levels

Section 12: Administrative costs

The Authority welcomes the Government's commitment to carry out further detail work to determine the amount of funding it will supply to Authorities to administer the scheme. Such funding should cover the continued requirement for Authorities to investigate suspect fraudulent claims.

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

Ensure that the information that is available to Authorities under the current scheme continues to be available under the localised scheme. The design of Universal Credit should also include the requirement of making information available to Authorities to enable it to carry out its functions.

Having a set of core rules or criteria for the base of the scheme for every local authority would help minimise the costs, especially those related to computer system development.

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

Joint working could be encouraged by offering financial incentives/grants for setting up such schemes.

Section 13: Transitional and implementation issues

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?

Yes – The Authority believes that a one off introduction is preferable.

However, we consider that the current timetable is un-realistic. Central government should consider deferring the introduction of the new scheme for a year to give Authorities the sufficient lead in time to carry out the functions it needs to, e.g. devise the scheme, procure software, test software, consult and publicise the scheme.

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?

It is highly likely that Authorities will retain all the current data it holds in respect of claimants to move them across to the new scheme.

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

Provide funding so Authorities are not left out of pocket on introducing the new scheme at the same time as managing the transition to universal credit. Also see 13a in respect of revised timeline.

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

The Authority believes it would be difficult for central government to influence this without offering large financial incentives to suppliers to prioritise such work. Alternatively, the only other way would be for central government to set a national framework or core set of criteria with allowance for flexibility for Authorities to configure for local needs.

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

Yes – all live claims held by the Authority should be transferred to the new scheme and outstanding claims at the transfer should be considered under both schemes.

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

As detailed above in 13a above, the Authority prefers a single transfer to the new scheme and therefore customers should have no accrued rights under the new scheme.