

# **CIPFA Response to CLG Consultation on Localising support for council tax in England**

**October 2011**

CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public services. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government. CIPFA's members work (often at the most senior level) in public service bodies, in the national audit agencies and major accountancy firms. They are respected throughout for their high technical and ethical standards, and professional integrity. CIPFA also provides a range of high quality advisory, information, and training and consultancy services to public service organisations. As such, CIPFA is the leading independent commentator on managing and accounting for public money.

CIPFA believes that the localisation of support for council tax brings particular challenges at a time of economic constraint. The decision to implement the change along with a 10% reduction in the total cost of the benefit, will lead to a tightening of eligibility criteria at a time when the Government is keen to ensure that work pays. Universal Credit has been designed to manage the transition in to work and ensure all benefits work together, the exclusion of council tax benefit from universal credit may lead to inconsistencies in the system.

The timescale for localisation means that council tax localisation will impact on local authority resources at the same time as relocalisation of business rates which, taken together, transfer significant resource risk from central to local government. The uncertainty over resources will have an impact on local authority investment at a time when it is vital to local growth.

To mitigate some of these risks it is vital that local authorities are given maximum discretion to manage eligibility and other criteria. Local schemes that meet local needs should not be seen as part of a 'postcode lottery' but instead the concept of 'postcode democracy' should be accepted. We would urge therefore that very few minimum requirements should be placed on local authorities when services are transferred.

The implementation timetable will be challenging for local authorities who will need to understand the detail of the final scheme and the impact of proposals for universal credit before drawing up local schemes that will need to be extensively consulted upon and agreed with upper tier councils.

We have provided specific comments under each heading and would be happy to discuss our comments further and provide further input into the design of the final solution.

## **Consultation Questions**

### *Section 5: Principles of the Scheme*

The Government needs to recognise the financial commitment arising from the decision to protect pensioners and the impact it has on the ability of local authorities to manage discount schemes within available resources. The impact of the decision to protect pensioners is to require the 10% overall reduction to be found from a much smaller base.

The proportion of the total council tax benefit bill that arises from pensioner households will vary significantly from authority to authority dependant on their demographic profile. There is also significant concern about the impact on resources if pensioner households that currently do not claim, began to claim.

A reduction in the amount owing is not the only method of providing relief, for example it may be possible to defer payment through the use of voluntary charges on property that could achieve the same impact.

The full impact of protection of pensioners and the impact on criteria for other groups will need to be carefully considered when the Government carries out its new burdens and equality impact assessments of the proposals. Where national criteria are specified the government should consider mechanisms for managing or sharing the risk.

Local authorities are already formally required to balance need with the burdens on taxpayers when they set their annual budget, the decision around levels of council tax benefit clearly sits alongside this existing duty. Specifying criteria limits the ability of local authorities to do this. Too much national definition of criteria etc. could leave authorities with a significant resources gap.

### *Section 6: Establishing Local Schemes*

Local authorities will need to develop models that allow them to forecast future take-up to assess the impact on resources. There will also be potential impacts on council tax arrears and prosecution rates that will need to be taken into account. There will be an inverse correlation between council tax benefit claims and local business rate growth that will compound the impact of local economic circumstances on resources. The level of risk associated with these forecasts will have a direct impact on local authority reserve levels; building reserves to guard against the risk will divert resources away from service provision.

Whilst recognising the impact of change on those in receipt of the benefit, Local Authorities will need the ability to vary schemes to manage within resources and address changing population and service needs.

Where possible, consultation on council tax benefit schemes should be aligned with existing consultation mechanisms to avoid placing a burden of additional consultation, with its associated cost, on local authorities.

In order to minimise fraud and ensure council tax benefit aligns with universal credit, DWP will need to share data and information and work in partnership with local government.

### *Section 7: Joint Working*

Billing authorities should have default responsibility for defining and administering the schemes as this retains the most flexibility for local authorities to come together in ways that reflect local areas. For some counties there may be significant variation between the characteristics of district areas, whilst there may be significant overlap between neighbouring districts that have different upper tier authorities. Joint working should reflect local areas and structures.

Where risk is to be shared with major precepting authorities it is vital that these authorities are actively involved in the design of local schemes. This will ensure that in designing schemes, individual local authorities take into account the implications for all local services.

### *Section 8: Managing Risk*

In two tier areas it is unlikely that district councils could bear the entire risk of the scheme against their share of the resource base, requiring risk to be shared with major precepting authorities. If major precepting authorities are to share the risk with billing authorities they must be involved in designing and approving the schemes.

In order to allow local authorities to consider council tax benefit pooling schemes alongside other joint working, pooling arrangements for business rates and economic areas maximum discretion needs to be allowed to allow local authorities to judge pooling arrangements against local circumstances.

### *Section 9: Administering Local Schemes*

Local Authorities already have significant data sharing arrangements for the prevention of benefit fraud. Schemes should be designed to promote the continuation of such data sharing but with minimal prescription beyond this. Consistency is better achieved through guidance rather than regulation.

If national criteria are to be applied to transitional arrangements, this should be fully funded. However, if local authorities are to fund the cost of transitional arrangements this should be left to local discretion to allow resources and needs to be balanced.

### *Section 10: Data Sharing*

Mechanisms will need to put into place to allow for the continuation of data sharing both between local and central government and between individual local authorities. Access to data about other benefits and services being received will help not only to detect fraud but also identify the take-up of the benefit.

### *Section 11: Funding*

Local Authorities should not have restrictions placed upon them as to the level of resources that can be applied to council tax benefit over and above the grant from central government. It is difficult to see how a limit could be applied with certainty given that demand is not fixed and local authorities will be required to fund all claims that meet the criteria. The frequency with which schemes are changed should be left for local discretion. Funding via grant should be updated on a regular basis according to changes in underlying data. Funding should be based on underlying data not past expenditure in order to avoid perverse incentives.

### *Section 12: Administrative Costs*

Local authorities should have flexibility to design local systems that minimise administration costs and reflect existing local joint working arrangements. Local Authorities should pursue joint working where it offers scope for service improvement and cost saving. Government's role should be to ensure that its own systems do not discourage this. The sharing of best practice can help ensure VFM is achieved.

### *Section 13: Transitional and Implementation Issues*

A one off introduction of a local scheme which provides adequate support where and when it is needed will be difficult to deliver within the proposed timescale. Despite the clear links with Universal Credit, the timetable brings implementation a year earlier than Universal Credit which will not be rolled out until 2014.