



Ministry of Housing,
Communities &
Local Government

The Government response to an Independent Review of Local Council Tax Support Schemes



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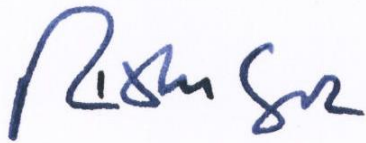
Foreword

Local council tax support was one of a number of reforms introduced by the Government in 2013 to increase local financial accountability and decision-making, ensuring that councils benefit from the proceeds of growth and are accountable for decisions over council tax. The changes gave local authorities the freedom to design local council tax support schemes that delivered help to those local taxpayers most in need of assistance. This improved work incentives and ensured that resources were used more effectively and reduced worklessness, helping to reduce a culture of benefit dependency.

Eric Ollerenshaw OBE conducted a rigorous review of local council tax support schemes and submitted a report to the then Department for Communities and Local Government. The Government welcomes his report, which confirms that councils have successfully implemented the local council tax support schemes in England.

I am very grateful to Eric for using his wealth of experience in leading the review, and for publishing a report that provides a comprehensive analysis of the issues affecting the administration of local schemes.

The report has given us valuable insights into the implementation of local council tax support schemes, highlighting what works well. It will also help us to improve the framework within which councils operate and to enhance the administration of local schemes by councils.

A handwritten signature in blue ink, appearing to read 'Rishi Sunak', is centered on a white rectangular background.

Rishi Sunak MP

Parliamentary Under Secretary of State

Background to the review

At the 2010 Spending Review, the Government announced that support for council tax would be localised from 2013-14 and expenditure reduced by 10 per cent from the same date. The Government subsequently consulted on proposals for the localisation of council tax support in England, and the response to that consultation was published in December 2011, alongside the introduction of a Local Government Finance Bill, which contained provisions requiring local authorities to implement their own localised council tax reduction systems from 1 April 2013.

During the passage of the Local Government Finance Bill, the Government committed to review the delivery of local council tax support schemes after three years. Eric Ollerenshaw OBE was appointed in December 2015 to lead an independent review into local council tax support schemes as required by section 9 of the Local Government Finance Act 2012.

The review focused on the effectiveness, efficiency, fairness and transparency of the various local council tax support schemes and their impact on the localism agenda, and whether or not the schemes should be brought within Universal Credit. Mr Ollerenshaw published his report in April 2016.

Local council tax support came into effect on 1 April 2013, as one of the measures brought in under the Local Government Finance Act 2012. Local council tax support replaced the means-tested Council Tax Benefit with localised support schemes, designed by local authorities, and was accompanied by a 10 per cent reduction in central government funding.

In the interests of administering local council tax support fairly the Government has ensured that local authorities provide council tax support for the most vulnerable in society. The localisation of council tax support took place within a wider programme of welfare reform that helped move people back into work. Low-income pensioners, however, were protected from any reductions, with the intention being that no low-income pensioner would have to pay more towards their council tax bill under local council tax support.

Localising council tax support was intended to help devolve power from central to local government, giving councils increased financial autonomy and a greater stake in their local economies, allowing councils to balance local priorities and their own financial circumstance. Councils set and administer council tax, so it also makes sense for them to assess local residents' applications and decide the levels of council tax support which working-age people on low incomes should receive, taking into account their individual circumstances.

The Ministry of Housing, Communities and Local Government has made the following funds available to councils for administering local council tax support schemes since its introduction in April 2013:

- **£3.70 billion** was provided for council tax support in 2013-14, 2014-15 and 2015-16 (**£3.30bn** for councils and **£0.40bn** for police).

- **£30 million** of new burdens funding was distributed to billing authorities in 2012-13, with a further **£33.50 million** in 2013-14 and **£34.80 million** in 2014-15.
- An additional **£100 million** transition grant was given to councils in 2013-14 to help them develop well-tailored council tax support schemes and maintain incentives to work.
- In 2015-16 **£67.70m** administration subsidy grant was distributed to councils, along with **£12.46m** in new burdens funding.
- In 2016-17 **£77m** administration subsidy grant was distributed to local authorities.
- In 2017-18 **£73m** administration subsidy grant was distributed to councils.

Government response

Recommendation 1: Government should remove the January 31st deadline for schemes to be agreed on, and replace it with a condition that councils have a local council tax support scheme agreed and in place by the end of March each year.

We have considered the arguments advanced in the review that councils need sufficient time to plan and design their schemes which the deadline of 31 January does not allow them to do. Councils also highlighted that updates to the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 ('the prescribed requirements regulations'), which set out the policy changes that councils must reflect in their schemes, have not been made by the Government until December each year. Moving the annual deadline from 31 January nearer to when schemes start on 1 April, would give councils more time to consider revisions to their schemes that meet statutory requirements while most effectively providing assistance to those in most need.

The Government accepts this recommendation and has moved the annual deadline for the agreement of schemes from 31 January to 11 March. This has been delivered through the recent update to the prescribed requirements regulations. The amendment requires billing authorities to set and agree their schemes on a similar timescale to that on which they calculate their council tax requirement and bills for the following year.

Recommendation 2: Multi-year or rolling schemes should be allowed. Councils should be required to review their schemes at Full Council only when changes are being proposed.

The prescribed requirements regulations are updated yearly to take account of changes to the Department for Work and Pensions' (DWP) Housing Benefit Regulations and wider policy measures. However, aside from including the amended prescribed requirements each year, there is no statutory obligation for a billing authority to revise or replace its local council tax support scheme. The obligation is to "consider" whether to revise or replace its scheme. The same scheme (with the exception of any changes to the prescribed requirements regulations) could therefore remain in place for multiple years, as long as the authority considers each year whether to revise or replace it. We encourage councils to continue to do this, to ensure that each scheme takes account of policy changes to benefits and to claimants' circumstances.

Recommendation 3: The statutory consultation requirements should be clarified by Government, so that councils can take a less risk-averse approach. This should make consultations less burdensome on councils, and more engaging to residents.

Consultation is an important means of allowing local residents and others to make an input to the decision-making process and helps to ensure that local schemes address the needs of local citizens. It is right that councils should be able to undertake consultation in the most appropriate way without being subjected to a large volume of Government guidance. Local authorities are also best placed to work with their own legal advisers to consider the effect of an evolving body of case law on their own local circumstances and schemes. So, the Government will not issue a separate guidance on consultation.

Nevertheless, alongside this, councils may wish to consider using the Cabinet Office's general guidance for public authorities on conducting consultations which may assist in simplifying the process.

Recommendation 4: DCLG should issue updates to the prescribed requirements regulations sooner in the year, so as to inform local consultation. This can be a two-stage process, with policy intent provided in summer, and details and updates to regulations confirmed after the autumn statement.

The Government recognises the importance of notifying councils of policy changes in a timely way as possible. The prescribed requirements regulations are amended yearly to reflect welfare and other policy changes that will affect councils' local council tax support schemes. The amendments are broadly consequential upon a range of factors, for example, the uprating of the state pension, and cannot be finalised until all such matters are resolved. However, the Government will make every effort to minimise delays and will work closely with stakeholder groups when preparing and implementing the necessary changes.

Moving the annual deadline for the agreement of schemes from 31 January to 11 March as set out above will also allow local authorities more time to make any necessary changes.

For the 2017 amendments to the prescribed requirements regulations, we worked with other departments to identify policy changes and we had updated the regulations this autumn. We included changes such as additional disregards, including payments from the We Love Manchester Emergency Fund and London Emergencies Trust. The Government is working with local authorities to consider how to support those affected by the Grenfell Tower fire in their eligibility for existing and new benefits, as well as local council tax support.

Recommendation 5: Government should enable local council tax support recipients to pay off arrears through a voluntary attachment to benefits agreed with the council, without the requirement to obtain a liability order. Safeguards should be put in place to ensure that individuals have had the time, information and capacity to consider the option and make an informed decision.

The Government maintains its position that local residents should generally take financial responsibility and manage their own council tax payments.

Before councils approach DWP to request a deduction from local council tax support debtor's benefits, they must obtain a liability order from courts at a cost that is transferred to the debtor. This approach is necessary to protect the legal interests of residents. The liability order provides a clear arbitration that the debt is correctly assessed, and that the individual debtor is liable for that debt. We acknowledge that this adds costs to debts incurred, and we encourage councils to continue to work with their local residents to understand their personal circumstances and respond appropriately. Councils should also be aware of the statutory requirement to agree to payment by instalments (usually 10 months, or 12 months if requested by the council taxpayer at the start of the financial year) and other flexible payment arrangements which may be considered in appropriate circumstances.

Feedback from our recent engagement with councils suggests that the DCLG's guidance on Good Practice in the Collection of Council Tax Arrears (available at <https://www.gov.uk/government/publications/council-tax>) and the Ministry of Justice guidance on Bailiff Actions and Fees have been effective and have helped shape the process and reduce complaints. We will continue to keep the guidance under review. In terms of reviewing the 2014 reforms governing the activities of bailiffs, the Government is considering its next steps and will review national standards in due course. Enforcement Agencies should be willing to work with vulnerable people to ensure that they pay their debts, including allowing payment by instalments.

Recommendation 6: Government should work closely with councils to rectify data-sharing issues between council systems and Universal Credit systems, and to address concerns about how critical Government-held data will be shared with councils as Universal Credit is rolled out to local council tax support recipients.

The Government accepts the need for better data sharing in this area. Following the feedback received from local authorities in Universal Credit Full Service areas, DWP is sharing more information with local authorities to support the development and implementation of their schemes. This includes data on property details, earnings, amounts deducted from payment due to earnings, amounts deducted from payment due to benefit cap, deductions for sanctions and fraud penalties etc., other benefits in payment and the total amount of unspecified savings and investments/capital.

The Government, with support from local authorities, introduced a technical data-sharing solution to support this in May 2016. As local council tax support schemes change and evolve, the Government will continue to work with local authorities, to refine the solution.

Recommendation 7: Government should consider localising at least part of the local council tax support scheme for pensioners, allowing councils to decide how much support they wish to provide for all low-income residents.

Councils have highlighted that almost half of their local council tax support funding is allocated to pensioners' schemes and want the design of these schemes to be devolved to local authorities to provide greater overall flexibility.

The Government has considered the recommendation and understands councils' desire to achieve greater flexibility in determining how to spend council tax support budgets. However, the Government has a clear policy position on protecting vulnerable groups, especially low-income pensioners, who have worked hard all their lives and cannot be expected to go back to work. The Government therefore has no plans to allow local authorities increased discretion in this area. We will retain national rules and associated pensioner protection. Some pensioners currently receive a reduction in their council tax liability, with those on very low incomes being awarded 100% discounts. Pensioners who are financially well-off and can pay their full council tax bill must do so.

The Government is committed to providing a secure and dignified retirement for those pensioners who would otherwise find themselves without an adequate income. The Government also protect the poorest pensioners through Pension Credit, an income-related benefit paid out of general taxation.

Pensioners are frequently less likely to be in work or in a position to increase their earnings through work. In 2015/16, state benefits accounted for 43 per cent of pensioner unit incomes, private pensions (occupational and personal pensions) 33 per cent, earnings 16 per cent and investment income 8 per cent.

Benefit rates and local council tax support therefore play important roles in helping to increase pensioner income and thereby reduce pensioner poverty.

It remains open to councils to tailor their local schemes to best meet the needs of working age people in their area.

Recommendation 8: Government should consider granting more local flexibility over other nationally-set council tax discounts, such as the single person discount.

While the single person discount is outside the terms of reference of this review, the Government notes that the single person discount applies where there is only one liable adult living in a dwelling. In such cases, the personal element of council tax is reduced to give an overall discount of 25%. For 2016-17, the cost of the single person discount to councils in England was £2.4billion.

The single person discount has been an established part of the council tax regime since 1993 when council tax was introduced, and reflects the fact that single-person households use local authority services less than multi-member households.

Other national set council tax discounts include: student discounts applicable to full time students; disabled person discounts; discounts for properties that are annexes and used together with the main property; second home discounts; and Job-related second home discount.

The Government has no plans to change these discounts set out above.

Recommendation 9: Government should take steps to better understand the impact of local council tax support on individuals and councils, widening the data it holds on local council tax support. This will enable future policy evaluation.

The Government acknowledges the concerns noted in the review about the possible impact of the local council tax support reforms on local citizens and the need to understand the scale and scope of them. We will explore options for data gathering and analysis and decide next steps in due course.

Recommendation 10: Government should commission in-depth academic research on the impact of local council tax support within the wider context of other welfare and socioeconomic changes.

Understanding the impact on citizens and local authorities of the changes introduced through local council tax support is methodologically complex.

We will explore options, including the potential for undertaking a feasibility study, to better understand what further research or analysis may be able to contribute (over and above that which is available from existing data sources), before deciding whether to commission additional research.

Recommendation 11: Government should be transparent about how much funding for local council tax support is paid through Revenue Support Grant, and it should be explicit about the future funding of local council tax support schemes, including any expectations on how local council tax support should be locally funded.

The Government provides funding annually through the Local Government Finance Settlement, which is approved by the House of Commons. All funding available to local authorities through the Settlement is unringfenced, which allows local authorities to manage their budgets in line with local priorities. The administration of local council tax support has been devolved so councils can manage their own schemes, set their own policy agendas, and target their spending to match.

We are in the third year of a four year settlement, which 97% of councils accepted. This was designed to provide funding certainty over the medium term to enable more proactive planning ahead of longer term reforms which will see local government funded through local taxes. The Government is currently exploring the best way to proceed with local government finance reform working in close collaboration with the local government sector.

Recommendation 12: Government should improve its engagement and ongoing dialogue with local government on local council tax support. This could be done via an updated and more transparent Council Tax Partnership Forum, or by setting up another forum for this purpose.

The Government engages with councils on local council tax support issues via the following forum:

- DCLG's Council Tax Partnership Forum – scope includes all aspects of policy and practice on business rate issues and council tax, including local council tax support issues. Membership includes representatives from local authorities, the Local Government Association and central government. The group meets three times yearly.

In addition to the Forum mentioned above, DWP has a number of local authority engagement groups where local welfare issues are discussed:

- DWP's Local Authority Welfare Steering Group – comprises representatives from DWP, DCLG, the Local Government Association, local authorities and devolved administrations. The group is primarily responsible for considering and providing a strategic, expert view from a local authority perspective into all Housing Benefit, Universal Credit, Universal Support and other DWP Welfare related matters. DCLG also uses the forum to highlight local council tax support issues.
- The Practitioners' Operational Group (POG) sits underneath WSG and provide operational advice on Housing Benefit matters and Universal Credit operational impacts for local authorities.
- BenX – a group of local authority Benefits and Revenues Services. The purpose of the group is to support the work of DWP, DCLG and LAs by providing a forum for discussion of topical issues, helping to inform / influence policy, strategy or operational issues. Ben X supports the work of both POG and LA Welfare Steering

Group by providing operational insight or conducting operational research (subject to capacity constraints).

We do not intend to establish a separate forum, but will intensify our engagement activities with councils through the existing forums to exchange information on local council tax support issues and to promote closer cooperation between central government and local authorities. We will also continue to use other forms of communication products such as council tax information letters and issue guidance on emerging issues.

Recommendation 13: Government should require councils to clearly state how much funding they intend to pass on to parishes as part of their consultation on local council tax support schemes.

We understand that each local council tax support scheme is different and the amount due to a parish will be affected by how the caseload and tax base is spread geographically. However, as the parish and town council element of council tax support funding sits with councils as billing authorities, we expect them to agree an appropriate level of funding for each parish, depending on local circumstances. The Government will explore ways in which it can strengthen the requirement for principal authorities to pass a share of local council tax support to their towns and parishes.

The Government's clear expectation is that billing authorities will work with parish and town councils to pass down funding so that increases in their precepts can be avoided. The Government has issued guidance and also written to billing authorities about this matter over the years, so we are disappointed that some councils have nonetheless chosen not to pass local council tax support funding on to parish and town councils, and would urge them to reconsider. Without a share of local council tax support funding, parishes may come under pressure to increase their council tax precept in order to fill the gap, or may have to scale back the services they provide.

As the tier of local government closest to their communities, parish and town councils have an active and important role to play in local government decision making. Where money is not passed down, we would expect the authority to justify this to their taxpayers. We therefore strongly encourage billing authorities and parish and town councils to work collaboratively together to address this issue.

Recommendation 14: Government should confirm that local council tax support will remain a local discount scheme for a local tax, and that it will not be rolled into Universal Credit.

Council tax support is now rightly a localised benefit and the Government has no plans to roll it into Universal Credit.

Local Government Association response

The Local Government Association has provided its response below on behalf of local authorities.

Recommendation 1: Where possible, councils should work in partnership in designing future schemes. Councils should consider options around joint procurement of software providers, and joint schemes with neighbouring councils, where appropriate.

Councils do work closely together, for example, in county areas, and many do work with neighbouring authorities to procure revenues services jointly (for example, the Anglia Revenues Partnership, which covers seven districts). However, it should be remembered that councils are democratically accountable bodies and that they will have to take a decision on scheme design in each case.

Recommendation 2: Councils should ensure their debt collection practices remain in line with latest Government guidance, and that their processes are proportionate to the debt involved. Councils should consider signing up to the Citizens Advice 'Council Tax Arrears: Good Practice Protocol', developed in partnership with the Local Government Association.

The Local Government Association would encourage councils to consider signing up to this protocol.

Recommendation 3: Departments and teams within councils should work closely with each other and with partner organisations to develop a holistic approach to local council tax support council tax collection, identifying and supporting people who are struggling to pay.

There is much good practice in councils which can be drawn upon. It is up to councils to decide how they configure their services and which partner organisations they work with.