

## **ESSENTIAL REFERENCE PAPER 'C'**

### Localising support for council tax Transitional grant scheme

#### **Overview**

1. The Department for Communities and Local Government is making available an additional £100m for one year to support local authorities in developing well-designed council tax support schemes and maintain positive incentives to work.
2. The grant will be payable in March 2013 to those authorities who adopt schemes that comply with criteria set by Government to ensure that low income households do not face an extensive increase in their council tax liability in 2013-14. This funding will enable councils to explore more sustainable approaches to managing the funding reduction that minimise the impact on vulnerable taxpayers.

#### **Background**

3. In the 2010 Spending Review, the Government announced plans to localise council tax benefit and this is being taken forward through the Local Government Finance Bill currently before Parliament. From April 2013, these reforms will localise council tax support and give councils stronger incentives to support local firms, cut fraud, promote local enterprise and get people back into work.
4. These reforms contribute to the Government's deficit reduction programme, delivering savings of £470 million a year of taxpayers' money in Great Britain from 2013-14. Welfare reform is vital to tackle the budget deficit, as council tax benefit expenditure in England increased from £2 billion to £4.3 billion from 1997-98 by 2010-11.
5. In future support for council tax will be offered as reductions within the council tax system. Regulations will set the rules, allowances and awards for claimants of state pension credit age so that they do not experience a reduction in support as a direct result of this reform.
6. Localisation will give local authorities the flexibility to design council tax support schemes for working-age claimants in their area, taking into account the needs of vulnerable groups and the importance of supporting work incentives.

7. To help the transition to these changes, the Department for Communities and Local Government has already provided £30 million of funding to help councils draw up local support schemes.

8. As outlined in the consultation document *Localising Support for Council Tax: Funding arrangements consultation*<sup>1</sup> published in May 2012 principal funding for the scheme is being provided for billing and precepting authorities and, for all except police authorities, this will be allocated through the reformed local government finance system. In addition local authorities will continue to receive funding to meet ongoing administrative costs, as well as new burdens payments to meet the one-off and recurring costs associated with implementing the new system.

### **Details of the transitional grant Purpose**

9. The Government has been clear that councils have the scope to help manage the impact of the reduction in council tax support funding through sensible savings, for example, securing efficiency savings, tackling fraud and adjusting scheme parameters. In addition, the Government is introducing new flexibilities on council tax.

10. Local authorities have real choices about how they manage the reduction in funding. The Government is now providing up to an additional £100 million transition grant to provide the space and the support for all local authorities to follow the example of those councils who are making the most of opportunities to find savings across their budgets to be able to develop schemes that protect the poorest.

### **Criteria**

11. To apply for a grant, billing authorities must adopt schemes which ensure that:

- **Those who would be entitled to 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their net council tax liability;**
- **The taper rate does not increase above 25%;**
- **There is no sharp reduction in support for those entering work.**

The taper should continue to operate as under current council tax benefit regulations - that is, to be applied to excess income and in relation to the claimant's maximum eligible council tax reduction. Where an authority has decided to adopt a scheme in

which the maximum reduction is lower than 100% of liability, this maximum eligible reduction will therefore be this level, lower than 100% of liability. Further details are set out in an FAQ document which accompanies this publication.

12. Although not one of the scheme criteria, in allowing flexibility over aspects of the scheme, Government would not expect local authorities to impose large additional increases in non-dependant deductions.

### **Funding allocations**

13. Funding will be payable to billing authorities whose schemes satisfy the criteria and their major precepting authorities, as an unringfenced specific grant. The distribution of this funding is based on the methodology for the principal council tax support funding, as set out in *Localising Support for Council Tax: Funding arrangements consultation*<sup>2</sup> published in May 2012.

14. To provide certainty on the funding position in advance, annex A sets out the amounts of funding that individual authorities will receive if schemes meet the criteria above, applying this methodology to the £100m fund. In relation to the principal funding, the distribution will be updated as part of the Local Government Finance Settlement to reflect more recent outturn data on council tax benefit expenditure. The Government does not intend to update allocations for the transitional grant in the same way, to provide certainty over allocations from today.

15. Major precepting authorities will only be entitled to the funding that corresponds to the share of council tax raised by billing authorities who are eligible and have applied for the grant. The relevant billing authority must apply for the funding for all relevant major precepting authorities covered by the scheme. A major precepting authority cannot apply for funding independently of the billing authority.

16. The funding allocations at annex A set out the major precepting authority allocations in respect of each billing authority to which it issues a precept.

As with the principal funding, allocations corresponding to local precepting authorities will be paid to the relevant billing authority.

### **Applications process and milestones**

17. Applications can only be made after the deadline for adopting schemes on 31 January

18. The Government is clear that the process for applying for funding must be light touch, and avoid unnecessary administrative burdens. To be eligible for the grant, therefore, the local authority applying for the funding will need to provide a written indication that its scheme is compliant with the criteria set out in paragraph 11 of this document, and indicate the other authorities covered by its scheme. This must be signed by the Section 151 officer for the lead authority.

19. The deadline for applications will be Friday 15 February 2013. Payments will be made in March 2013.

### **Further information**

20. Further information on the process for applying for a grant will be made available in due course on the Localising Council Tax Support webpage:

<http://www.communities.gov.uk/localgovernment/localgovernmentfinance/counciltax/counciltaxsupport/>

21. A separate Frequently Asked Questions document has been published alongside this document, also on the Localising Council Tax Support.