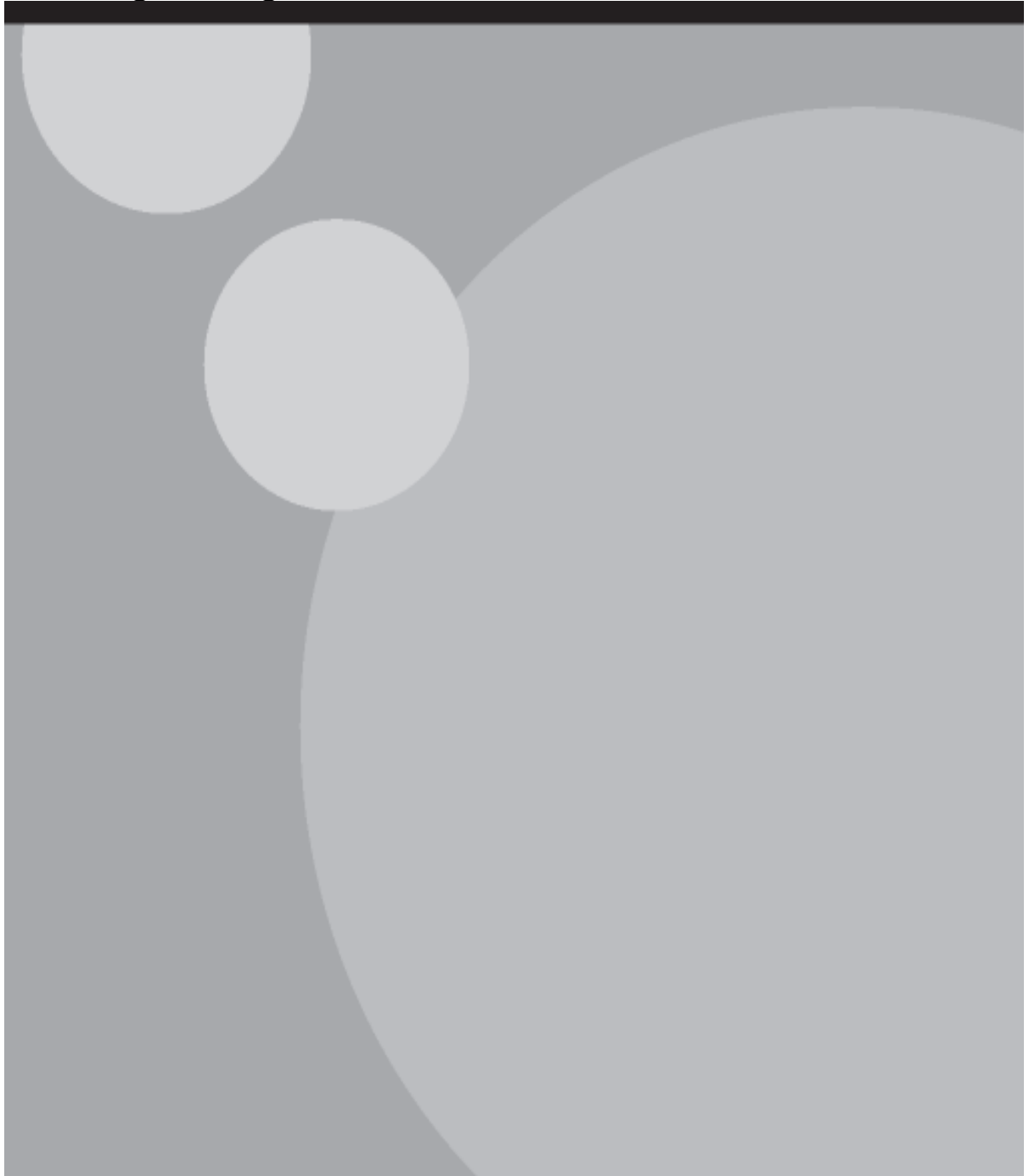




## Localising Support for Council Tax Funding arrangements consultation





# Localising Support for Council Tax Funding arrangements consultation

May 2012  
Department for Communities and Local Government

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# The Consultation Process and How to Respond

## Scope of the consultation

<b>Topic of this consultation:</b>	Localising Council Tax Support
<b>Scope of this consultation:</b>	The Local Government Finance Bill includes provisions for local council tax support schemes in England. This document sets out how the Government intends to distribute funding to support local schemes and seeks views on possible adjustments to allocations to avoid potential budgetary pressures in a few authorities. It is published alongside statements of intent for the key sets of regulations which will provide the legal framework for local schemes.
<b>Geographical scope:</b>	England.
<b>Impact Assessment:</b>	The Impact Assessment for the policy has been published on the DCLG website at <a href="http://www.communities.gov.uk/publications/localgovernment/lgfblocalisingcounciltax">http://www.communities.gov.uk/publications/localgovernment/lgfblocalisingcounciltax</a>

## Basic Information

<b>To:</b>	This consultation is aimed primarily at local government, fire authorities and parish councils.
<b>Body responsible for the consultation:</b>	The Department for Communities and Local Government is responsible leading on the policy and the consultation exercise.
<b>Duration:</b>	17 May 2012 – 12 July 2012
<b>Enquiries and how to respond</b>	For enquiries and to respond to this consultation. Please e-mail <a href="mailto:CTB-REFORM@communities.gsi.gov.uk">CTB-REFORM@communities.gsi.gov.uk</a> Or write to: Localising Council Tax Benefit Team Department of Communities and Local Government 5/J3 Eland House

	<p>Bressenden Place LONDON SW1E 5DU</p> <p>For more information, please see <a href="http://www.communities.gov.uk">www.communities.gov.uk</a></p>
<b>After the consultation:</b>	The Government will publish its response to the consultation in the Autumn, and allocations will be published as part of the provisional Local Government Finance Settlement.
<b>Compliance with the Code of Practice on Consultation:</b>	This will be an 8 week consultation. We are seeking views on the question asked in this consultation from local authorities, fire authorities and parish councils and believe that this will provide sufficient time for considered responses.

## Background

<b>Getting to this stage:</b>	<p>The Department consulted on proposals for localisation of council tax support in England last year, and the Government response setting out the details of the policy of localisation, was published alongside the Local Government Finance Bill in December 2011. The response to the consultation responses can be found at <a href="http://www.communities.gov.uk/publications/localgovernment/lgfblocalisingcounciltax">http://www.communities.gov.uk/publications/localgovernment/lgfblocalisingcounciltax</a></p>
<b>Previous engagement:</b>	<p>The Department consulted last year on proposals for localising council tax support, including running a series of engagement events. The response to the outcome of consultation was published in December 2012: <a href="http://www.communities.gov.uk/publications/localgovernment/localisingtaxresponse">http://www.communities.gov.uk/publications/localgovernment/localisingtaxresponse</a></p> <p>The Department continues to engage with local authorities and representative organisations through regular meetings, and attendance at local authority events.</p>

## How to respond

1. The question on which we are seeking views is on page 20. Responses to this consultation must be received by **5pm on Thursday, 12 July 2012**.

2. You can respond by email to [CTB-REFORM@communities.gsi.gov.uk](mailto:CTB-REFORM@communities.gsi.gov.uk)

or write to:

Localising Council Tax Support Team  
Department for Communities and Local Government  
5/J3 Eland House  
Bressenden Place  
London SW1E 5DU

3. When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of an organisation, please give a summary of the people and organisations it represents and, where relevant, who else you have consulted in reaching your conclusions.

## Additional copies

4. This consultation paper is available on the Department for Communities and Local Government website at [www.communities.gov.uk/corporate/publications/consultations](http://www.communities.gov.uk/corporate/publications/consultations) you may obtain a hard copy of this consultation paper from the address given at paragraph 2 above.

5. If you require this publication in an alternative format please email CTB-REFORM@ communities.gsi.gov.uk or online via the website at [www.communities.gov.uk](http://www.communities.gov.uk)

## Confidentiality and data protection

6. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

7. If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory code of practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, in itself, be regarded as binding on the department.

8. DCLG will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will

not be disclosed to third parties. Individual responses will not be acknowledged unless specifically requested.

9. Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

## Help with queries

10. Questions about the policy issues raised in the document can be sent to the address given at paragraph 2 above.

11. A copy of the consultation criteria from the Code of Practice on Consultation is at Annex B. Are you satisfied that this consultation has followed these criteria? If not or you have any other observations about how we can improve the process please email: [consultationcoordinator@communities.gsi.gov.uk](mailto:consultationcoordinator@communities.gsi.gov.uk)

or write to:

DCLG Consultation Co-ordinator  
Zone 8/J6  
Eland House, Bressenden Place  
London  
SW1E 5DU

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# Chapter 1

## Introduction

### Summary

- 1.1 The Local Government Finance Bill supports the Government's commitment to delivering economic growth, decentralising control over finance, and reducing the deficit. It includes provisions for local council tax support schemes in England, delivering the Spending Review 2010 commitment that support for council tax would be localised from 2013-14 and expenditure reduced by 10% from the same date.
- 1.2 To implement local council tax support schemes in April 2013, local authorities will need to be preparing their proposed schemes and embarking on consultation with major precepting authorities and their taxpayers. This document sets out how the Government intends to distribute funding to support local schemes and seeks views on possible adjustments to allocations to avoid potential budgetary pressures in a few authorities. It is published alongside statements of intent for the key sets of regulations which will provide the legal framework for local schemes.
- 1.3 The consultation will close on 12 July 2012. Details of how to respond to this consultation are set out at the beginning of this document. The Government will publish its response to the consultation in the Autumn, and allocations will be published as part of the provisional Local Government Finance Settlement.

### Policy background

- 1.4 In December 2011 The Department for Communities and Local Government published its response to the outcome of consultation on proposals for the localisation of council tax support in England<sup>1</sup>. This set out how the Department intends to implement, in England, the Spending Review commitment to localise support for council tax from 2013-14, reducing expenditure by 10%.
- 1.5 The Government intends that 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

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<sup>1</sup> <http://www.communities.gov.uk/publications/localgovernment/localisingtaxresponse>

do not experience a reduction in support as a direct result of this reform. Local authorities will have the freedom to design schemes for working age claimants, taking into account their responsibilities towards vulnerable groups and the importance of supporting incentives to work, reducing demand for support.

- 1.6 The Department will make funding – based on 90% of the forecast council tax benefit expenditure for 2013-14 - available to billing and major precepting authorities. This funding will have the effect of reducing each authority's council tax requirement and so help to off-set the reduction in the council tax base as a result of the creation of new council tax reductions to be set out in local schemes. The Government has previously indicated that it is minded to base funding distribution on previous shares of council tax benefit expenditure but would consider what, if any, provision needs to be made for authorities who may face the greatest pressures, and what arrangements might need to be put in place for local precepting authorities. This document sets out more detail on all of these issues. The Government is clear that local authorities need as much certainty as possible about how the distribution of funding will be calculated to enable them to begin planning in detail for the implementation of local schemes. This document therefore sets out the approach that Government intends to take to distribution, and why it has decided not to pursue a possible alternative approach (section four).

## Local Government Resource Review

- 1.7 Provisions for the implementation of localised council tax support in England are contained in the Local Government Finance Bill, which also contains provisions for a Business Rates Retention Scheme in England.
- 1.8 The Business Rates Retention Scheme, to be implemented from April 2013, will create a growth incentive for local authorities by localising a percentage of the total business rates collected locally (known as 'the local share') and allowing them to keep at least a proportion of the growth on their local share of business rates. As well as providing an incentive for local authorities to promote local growth, this will help many authorities break free from dependency on central government grant funding. A system of top-ups and tariffs will ensure that no authority will be worse off as a result of its business rates tax base at the beginning of the scheme. There will also be a safety net (funded by a levy on disproportionate growth) for authorities who see their income drop by a set percentage below their baseline funding level. This will provide support to those authorities who experience volatility in their business rates income.
- 1.9 The Government is setting out, in a statement of intent published at the same time as this document, its plans for the local share as part of the business rates retention scheme. This is available at:  
<http://www.communities.gov.uk/publications/localgovernment/businessratescentral>

This document sets out the Government's intention for the funding of council tax schemes to be provided through the business rates retention scheme rather than a separate grant, for all authorities except local policing bodies<sup>2</sup>.

- 1.10 The Government is providing funding via the retained business rates system to strengthen the incentive for authorities to grow their local economy and help residents back into employment – councils will be able to benefit from an increase in business rates at the same time as reducing poverty and reliance on support for council tax in the long term. Moving funding into the business rates retention scheme also provides an opportunity for a greater overall amount in the local share to increase in line with business rates growth. On average, business rates growth runs at 1 per cent per annum in real terms.

## Administrative funding

- 1.11 This consultation relates to the principal funding to be made available to local authorities to support local authorities in the delivery of local schemes. Separately, the Department for Communities and Local Government is working with local authorities and the Department for Work and Pensions to establish the administrative costs of delivering local schemes and the net new burdens associated with the move from council tax benefit to local council tax support schemes, in accordance with the new burdens doctrine. In the 2012 Budget statement the Government announced the release of initial funding totalling £30 million to assist local authorities in preparing for the change.

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<sup>2</sup> Section 1 of the Police Reform and Social Responsibility Act 2011 (c. 13) replaces police authorities in England and Wales, other than in London, with police and crime commissioners. Section 3 of the same Act replaces the Metropolitan Police Authority with the Mayor's Office for Policing and Crime. It is intended that section 1 will come into force in November 2012 and section 3 came into effect in January 2012. Police and crime commissioners, the Mayor's Office for Policing and Crime and the Common Council of the City of London (which retains its role as police authority for the City of London) are referred to collectively in the Act as "local policing bodies".

## Contents and next steps

- **Section two** sets out the Government's intended funding distribution. Annex A exemplifies what this distribution would mean for local authorities, using currently available data.
- **Section three** seeks views on options for addressing possible relative budget pressures in a small number of authorities. Annex B sets out the potential implications for authorities of the different possible approaches.
- **Section four** sets out an alternative approach to distribution, which the Government has rejected, and explains why it has done so.
- **Section five** sets out the intended mechanism by which funding will be made available through locally retained business rates, for all authorities except local policing bodies.

# Chapter 2

## Proposed funding distribution

### Current funding of council tax benefit

- 2.1 Local authorities are reimbursed currently at a rate of 100% for correctly awarded council tax benefit. Benefit awarded incorrectly or late attracts lower, or nil, subsidy rates. Local authorities claim subsidy directly from the Department for Work and Pensions by completing a claim form setting out the amount of council tax benefit awarded at each of the subsidy rates. In addition to the total subsidy claimed by local authorities, the claim form also captures the total expenditure for council tax benefit in terms of benefit granted by the authority during the relevant year. Subsidy is paid from Annually Managed Expenditure, which is demand-led. The 10 per cent reduction in expenditure announced by the Spending Review<sup>3</sup> relates to subsidised expenditure only.
- 2.2 Subsidy claim forms are required by law to be certified by independent auditors before local authorities submit them to the Department for Work and Pensions for reimbursement. In addition to claiming subsidy, local authorities also provide detailed caseload data for all council tax benefit awards to the Department for Work and Pensions which informs the summary data held by the Department on all types of claimants.

### Future funding of council tax support

- 2.3 To secure the reduction in subsidised expenditure, funding for council tax will, from 2013, no longer be met from Annually Managed Expenditure but will be set through an upfront allocation for all billing and major precepting authorities. This will be 90 per cent of the forecast subsidised council tax benefit expenditure for 2013-14. This funding will have the effect of reducing each authority's council tax requirement and so help to off-set the reduction in the council tax base as a result of the creation of new reductions. Funding relating to the estimated amount of subsidised council tax benefit expenditure attributable to the local precept, reflecting the 10% reduction, will be allocated to the billing authority. The Government expects billing and local precepting authorities to work together to manage the impact on local precepting authorities' Band D levels. (Section 3 sets out more details on how

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<sup>3</sup> [http://cdn.hm-treasury.gov.uk/sr2010\\_complereport.pdf](http://cdn.hm-treasury.gov.uk/sr2010_complereport.pdf) , p50

Government intends to make funding available through retained business rates for all authorities except local policing bodies).

- 2.4 This approach to funding is consistent with the Government's wider approach of making the new reductions part of the council tax system rather than a separately funded benefit. Funding will not be ringfenced, and billing authorities will have choices about how they design their schemes, taking into account factors including: the cost of providing services; available funding - including funding for council tax support schemes - whether raised locally through business rates, or provided by Government; and decisions about council tax.

## Administrative implications

- 2.5 Government will still require some information from local authorities about the costs of their schemes and to whom those schemes provide support, but it is envisaged that this will be significantly less than that at present.
- 2.6 Similarly, as this will be unringfenced funding, local authorities will not need to account for spending in the same level of detail as at present, but will clearly be accountable to local tax payers for decisions about the design of schemes and spending on services. Transparency over local support schemes will be important, and the Local Government Finance Bill requires billing authorities to consult on the draft scheme with major precepting authorities and other persons it considers are likely to have an interest.
- 2.7 The Department for Communities and Local Government will work with local authorities to determine what minimal data will be required for future evaluation and decision-making and to ensure that local authorities can be held accountable locally for the costs and impacts of their schemes. It will also consider whether any light-touch arrangements are required in relation to this funding in addition to existing audit arrangements for unringfenced local government expenditure.

## Proposal for distribution

- 2.8 The Government intends that funding for local authorities to assist with the costs of providing council tax support should be distributed on the basis of shares of previous subsidised council tax benefit expenditure. This ensures that relative costs and take-up levels are reflected in the distribution at the outset.
- 2.9 The total amount for distribution in England is based on forecasts of the England share of total subsidised council tax benefit expenditure for Great Britain for 2013-14. Forecasts for Great Britain level expenditure are published

on the Department for Work and Pensions website<sup>4</sup>. At Budget 2012 the total estimate for Great Britain for 2013-14 was £4,235m. <sup>5</sup>The England share of this, based on previous expenditure is £3,697m.

2.10 This funding will then be distributed:

- Between billing authority areas, according to shares of annual subsidised council tax benefit expenditure for 2011-12. <sup>6</sup>
- Between the billing and major precepting authorities within a billing authority area, according to shares of council tax for 2012 in each authority.

<sup>7</sup>

## Local authority allocations

2.11 Annex A sets out the indicative level of funding that would be allocated to each billing and major precepting authority under the Government's intended approach, including an amount attributable to the local precepting authority element of council tax that will be allocated to the billing authority. (Paragraphs [2.14 – 2.18] below set out more detail on the Government's proposed approach to local precepting authorities.)

2.12 These indicative allocations are illustrative, and based on the best available current data. Final allocations will be based on revised forecasts of subsidised council tax benefit expenditure, to be issued in the autumn, which will determine the total amount available to distribute, and 2011-12 outturn data on subsidised expenditure, due to be made available in the summer, which will determine the distribution between billing authority areas. **It is therefore likely that the final allocations will differ, both in amount and also in the relative distribution between authorities.** However the figures in annex A provide a clear basis for planning.

2.13 The Government believes it is appropriate to use the most recent available robust data in determining final allocations, so the overall amount available and individual allocations most closely reflect the likely distribution, had council tax benefit continued in 2013-14. This provides a sensible baseline, recognising that some local authorities may not wish to make significant changes to existing council tax benefit arrangements in the first year of local schemes.

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<sup>4</sup> Budget 2012 forecast of GB council tax benefit expenditure (table 1a, nominal)  
[http://statistics.dwp.gov.uk/asd/asd4/budget\\_2012\\_summ.xls](http://statistics.dwp.gov.uk/asd/asd4/budget_2012_summ.xls)

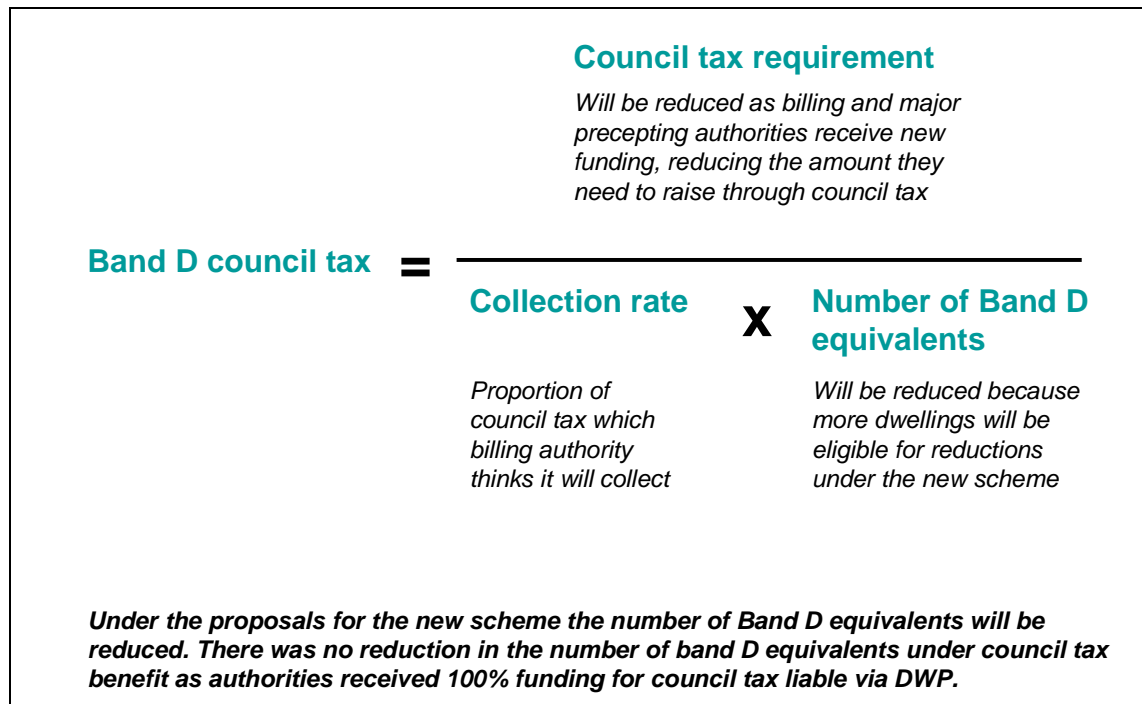
<sup>5</sup> Budget 2012 forecast of Great Britain council tax benefit expenditure (table 1a, nominal)  
[http://statistics.dwp.gov.uk/asd/asd4/budget\\_2012\\_summ.xls](http://statistics.dwp.gov.uk/asd/asd4/budget_2012_summ.xls)

<sup>6</sup> 2010-11 subsidised council tax benefit by local authority (table H16):  
[http://statistics.dwp.gov.uk/asd/asd4/h\\_tables\\_budget\\_2012.xls](http://statistics.dwp.gov.uk/asd/asd4/h_tables_budget_2012.xls)

<sup>7</sup> 2012 council tax levels by local authority  
<http://www.communities.gov.uk/documents/statistics/xls/2110555.xls>

## Local precepting authorities

- 2.14 The new council tax reductions will normally reduce the tax base on which the local precepting authority's council tax is raised. Assuming that the council tax requirement remains unchanged, then this reduced tax base would lead to a higher local precepting authority Band D council tax level.



- 2.15 The Government expects billing and local precepting authorities to work together to manage the potential impact on the local precepting authority Band D council tax level.

- 2.16 This could be achieved by billing authorities passing down an element of the funding to the local precepting authority, so the funding is taken into account when calculating the local precepting authority's council tax requirement. The portion of the funding that could be passed down will depend on the local scheme being developed and its impacts in each local precepting authority. This approach will allow local authorities to take a proportionate approach to managing the impact on local precepting authority Band D levels, appropriate to their circumstances.

- 2.17 The Localism Act 2011 provides local residents with a power to approve or veto excessive council tax rises.<sup>8</sup> The new provisions enable the Secretary of State to determine principles defining an excessive increase in council tax for

<sup>8</sup> Schedule 5 of the Localism Act



any financial year subject to approval of the House of Commons. The main principle to be determined relates to the increase in the 'relevant basic amount of council tax' (essentially the average Band D council tax for the authority's area adjusted to disregard levies and local precepts) from one year to the next.

- 2.18 In 2012-13, these arrangements applied only to billing and major precepting authorities. However, Government has indicated that it will monitor increases in the local precepting sector and does not rule out setting principles which apply to higher-spending parish and town councils in 2013-14<sup>9</sup>. It will therefore be particularly important that billing and local precepting authorities work together to avoid significant increases in local precepting authority Band D levels as a result of the introduction of local schemes.

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<sup>9</sup> <http://www.communities.gov.uk/documents/localgovernment/pdf/2077403.pdf>

# Chapter 3

## Addressing budget pressures

### Approaches to managing funding pressures

- 3.1 Funding for council tax support in 2013-14 will be 90 per cent of forecast subsidised expenditure, and local authorities will need to decide how to manage the impact of the reduction in funding. They will have choices about whether – through the design of their scheme – to reduce some awards, or to manage the reduction through other ways, for example reconfiguring the resources they allocate to other services.
- 3.2 This reform is intended to strengthen the incentives for local authorities to grow their local economies, increasing employment opportunities and so reducing poverty and demand for support.
- 3.3 However, in areas where expenditure on council tax benefit forms a relatively high proportion of overall revenue expenditure, the reduction in funding in the first year may lead to a relatively larger revenue budget pressure compared to the majority of authorities which will be more challenging to manage in the short term. While the Government does not wish to reduce the incentives for local authorities to manage down demand for support in the long term, it does want to ensure that local authorities have a fair starting point.
- 3.4 To achieve this, the Government proposes minor adjustments to the way funding is distributed to ensure that, in the first year of the scheme, no local authority faces a revenue budget pressure greater than a specified percentage as a result of the reduction in funding. To enable this ‘ceiling’ to be created, a ‘floor’ would also be created, setting a minimum budget pressure which a local authority will face. The Government intends the floor and ceiling to be set in such a way as to ensure there are no outlying authorities facing significant pressures, whilst maintaining a clear and straightforward approach to distribution that avoids any change to the majority of local authorities’ allocations.
- 3.5 An approach which did not set a floor, but which met the cost of distributing additional funding to those above the ceiling by reducing funding for all remaining authorities would affect a far larger number of authorities, creating greater uncertainty over the final allocation and would be unnecessarily complex.

- 3.6 Annex B sets out for **purely illustrative** purposes the impact on funding allocations of a budget pressure ceiling of 0.86 per cent and a floor of 0.18 per cent.
- 3.7 Budget pressures have been calculated using data on subsidised council tax benefit expenditure for 2010-11, revenue expenditure data for 2010-11 and council tax levels in England for 2012.<sup>10</sup> A de minimis level has been set to ensure that any authority whose council tax benefit expenditure before any reduction is less than £100,000 will not be negatively affected by the creation of floors and ceilings. A limit on the percentage of council tax benefit expenditure that can be distributed away from authorities under the ‘floor’ has also been set, so no authority can experience a reduction of more than 90% in funding for council tax support against the initial distribution.
- 3.8 For the purposes of the final distribution, it is envisaged that, where possible, expenditure data for 2011-12 would be used, which may lead to changes in the small number of authorities whose allocation is affected by either a floor or ceiling. The final figures for the floor and ceiling will need to be set in the light of that more recent data to deliver the intended outcome.
- 3.9 In assessing pressures on billing authority revenue budgets, this analysis excludes local precepting authority revenue expenditure, and the local precepting authority element of council tax benefit expenditure. Local precepting authority allocations will therefore not be directly affected by the adjustments to control revenue budget pressures. The Government expects billing and local precepting authorities to work together to manage the impact on local precepting authority Band D council tax levels.
- 3.10 Local policing bodies are excluded from the proposed arrangements for floors and ceilings as they will not be funded through the retained business rates system, and will therefore be funded separately for council tax support.

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<sup>10</sup> 2010-11 subsidised council tax benefit expenditure by local authority(table H16)

[http://statistics.dwp.gov.uk/asd/asd4/h\\_tables\\_budget\\_2012.xls](http://statistics.dwp.gov.uk/asd/asd4/h_tables_budget_2012.xls)

2010/11 revenue expenditure by local authority

<http://www.communities.gov.uk/documents/statistics/xls/21237421.xls>

2012 council tax levels by local authority

<http://www.communities.gov.uk/documents/statistics/xls/2110555.xls>

## Preferred approach

- 3.11 The Government is minded to set a floor and ceiling to protect those authorities facing the greatest pressures, while avoiding the need to adjust allocations for the majority of authorities.

**Question:**

**Do you agree that floors and ceilings should be created to ensure that no local authority faces a greater than specified revenue budget pressure?**

# Chapter 4

## Alternative approach to distribution

- 4.1 As set out in the preceding sections, the Government intends the distribution of funding to be based on shares of previous expenditure, with some adjustments for those authorities facing the greatest overall revenue budget pressure.
- 4.2 An alternative approach to funding distribution would be to adjust all allocations to reflect the proportion of the caseload comprising pensioners. Under this approach, all local authorities would face the same percentage reduction in funding for working age claimants. The Impact Assessment, published in December 2011<sup>11</sup> set out that the 10 per cent reduction in expenditure represented an average 16 per cent reduction in working age awards, assuming that local authorities passed on all of the reduction to working age claimants.
- 4.3 However, for the following reasons, the Government does not intend to pursue this approach:
- Levels of council tax benefit expenditure vary significantly from authority to authority, representing very different proportions of overall revenue expenditure – from 0.2 per cent to 12 per cent. An approach which seeks to address pressures within the council tax support budget by adjusting allocations to reflect the proportion of claimants who are pensioners fails to take into account that in some areas, while that proportion may be high, the level of council tax benefit spending overall is relatively low.
  - Local authorities will have choices about how to design their schemes and manage the reduction in funding. As well as being able to choose whether some awards should be reduced, they could manage the reduction through reconfiguring funding for other services through efficiency savings, using reserves, or using flexibility over council tax.
- 4.4 The Government therefore believes that it is more sensible to look across the wider revenue budget and consider whether adjustments to allocations for a limited number of authorities are needed.
- 4.5 The Government is clear that local authorities need early certainty about methodology for calculating the distribution of funding, and the indicative level of funding they will receive to support planning for implementation in April

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<sup>11</sup> <http://www.communities.gov.uk/publications/localgovernment/lgfblocalisingcounciltax>

2013. This document therefore sets out the intended approach to distribution and indicative funding levels based on currently available data, and seeks views on further adjustments that would further affect the level of funding in a limited number of authorities. More recent data on council tax benefit and revenue expenditure, which will become available later this year, will enable revised allocations to be calculated. The figures in this document are indicative only, but provide a reasonable basis on which local authorities can begin planning their schemes.

# Chapter 5

## Mechanism for providing funding

- 5.1 From April 2013 the Government will localise a percentage share of the business rates raised by local authorities. This will replace the current system, under which business rates are collected by local authorities, pooled centrally by Government and redistributed to local authorities (including police and fire and rescue authorities) through formula grant. Annex C sets out more detail on how it is intended the retained business rates system will operate.
- 5.2 The Government intends that the funding for local authorities (excluding local policing bodies) for local council tax support schemes will be within the business rates retention system. We will ensure this is made clear by including the agreed funding allocations for local authorities as a visible line within their baseline funding levels for the first year of the new business rates system. Local authorities will therefore know what level of funding relates to council tax support schemes, to support planning for the first year of the scheme.
- 5.3 Including funding for council tax support within the business rates retention scheme provides a strong incentive for local authorities to grow their local economy and opportunity to increase their income from increases in business rates. This will increase the funding available for local services or help reduce council tax for some or all tax payers. By strengthening the incentive to grow the local economy it will help create jobs which will reduce poverty and demand for support with council tax.
- 5.4 A safety net will offer support to authorities that see their retained business rates income drop, in any year, by more than a set percentage below their baseline funding level

## Local Policing Bodies

- 5.5 Local policing bodies will be funded from outside the business rates retention system. Funding for local policing bodies in relation to council tax support will therefore be provided as a separate grant by the Department for Communities and Local Government in 2013-14. The Government will consider the arrangements for funding for local policing bodies in subsequent years and set out its proposals in due course.

# Annex A

## Exemplification of funding distribution for all authorities<sup>12</sup>

<b>Local Authority</b>	<b>Authority allocation before ceiling/floor (£000)</b>	<b>Funding attributable to local precepting authorities (£000)</b>
Bath & North East Somerset UA	7,679	215
Bristol UA	29,140	0
South Gloucestershire UA	9,593	448
North Somerset UA	9,796	398
Luton UA	11,275	0
Bedford UA	8,888	165
Central Bedfordshire UA	11,053	801
Bracknell Forest UA	4,159	242
West Berkshire UA	6,027	264
Reading UA	9,189	0
Slough UA	7,908	44
Windsor & Maidenhead UA	4,234	76
Wokingham UA	3,748	165
Milton Keynes UA	12,133	676
Buckinghamshire	16,912	0
Aylesbury Vale	757	308
Chiltern	427	148
South Bucks	282	108
Wycombe	771	191
Peterborough UA	9,077	59
Cambridgeshire	20,604	0
Cambridge	632	0
East Cambridgeshire	369	137
Fenland	1,077	117
South Cambridgeshire	416	240
Huntingdonshire	591	360
Halton UA	8,278	11
Warrington UA	9,809	189
Cheshire East UA	15,124	375
Cheshire West and Chester UA	16,713	288
Hartlepool UA	9,738	6
Middlesborough UA	12,957	3
Redcar & Cleveland UA	11,096	100
Stockton-on-Tees UA	12,117	100
Cornwall UA	33,818	1,730
Cumbria	22,889	0
Allerdale	606	190
Barrow-in-Furness	766	18
Carlisle	790	52

<sup>12</sup> For illustrative purposes only



<b>Local Authority</b>	<b>Authority allocation before ceiling/floor (£000)</b>	<b>Funding attributable to local precepting authorities (£000)</b>
Copeland	566	65
Eden	260	33
South Lakeland	569	92
Derby City UA	13,471	0
Derbyshire	35,332	0
Amber Valley	779	188
Bolsover	605	425
Chesterfield	787	66
Derbyshire Dales	440	96
Erewash	838	32
High Peak	615	62
North East Derbyshire	725	389
South Derbyshire	465	55
Plymouth UA	15,689	0
Torbay UA	11,726	37
Devon	34,907	0
East Devon	633	184
Exeter	588	0
Mid Devon	530	98
North Devon	709	194
South Hams	480	145
Teignbridge	828	259
Torridge	433	118
West Devon	418	115
Poole UA	7,942	0
Bournemouth UA	11,929	0
Dorset	20,098	0
Christchurch	415	3
East Dorset	595	122
North Dorset	248	176
Purbeck	320	113
West Dorset	507	285
Weymouth & Portland	889	5
Darlington UA	6,382	12
County Durham UA	38,123	2,344
Brighton & Hove UA	18,889	6
East Sussex	30,092	0
Eastbourne	1,212	0
Hastings	1,498	0
Lewes	834	320
Rother	840	124
Wealden	923	423
Southend-on-Sea UA	11,102	33
Thurrock UA	8,353	0
Essex	67,831	0
Basildon	2,515	58
Braintree	931	185
Brentwood	444	19

<b>Local Authority</b>	<b>Authority allocation before ceiling/floor (£000)</b>	<b>Funding attributable to local precepting authorities (£000)</b>
Castle Point	968	35
Chelmsford	930	181
Colchester	1,174	120
Epping Forest	828	321
Harlow	1,255	0
Maldon	427	108
Rochford	612	113
Tendring	1,366	267
Uttlesford	346	160
Gloucestershire	24,534	0
Cheltenham	796	17
Cotswold	420	164
Forest of Dean	574	201
Gloucester	934	27
Stroud	743	239
Tewkesbury	263	123
Portsmouth UA	10,870	0
Southampton UA	14,009	0
Hampshire	43,163	0
Basingstoke & Deane	543	86
East Hampshire	423	186
Eastleigh	476	195
Fareham	404	0
Gosport	686	0
Hart	271	105
Havant	1,130	0
New Forest	920	385
Rushmoor	568	0
Test Valley	452	83
Winchester	469	154
Herefordshire UA	9,304	289
Worcestershire	23,831	0
Bromsgrove	544	52
Redditch	813	1
Worcester	651	14
Wychavon	474	172
Wyre Forest	993	66
Malvern Hills	379	160
Hertfordshire	49,200	0
Broxbourne	533	0
Dacorum	984	61
East Hertfordshire	660	250
Hertsmere	674	97
North Hertfordshire	965	90
St Albans	676	149
Stevenage	832	0
Three Rivers	486	118
Watford	970	0

<b>Local Authority</b>	<b>Authority allocation before ceiling/floor (£000)</b>	<b>Funding attributable to local precepting authorities (£000)</b>
Welwyn Hatfield	921	170
East Riding of Yorkshire UA	16,195	550
Kingston upon Hull UA	19,635	0
North East Lincolnshire UA	11,325	102
North Lincolnshire UA	9,680	198
Isle of Wight UA	10,156	250
The Medway Towns UA	14,185	51
Kent	69,146	0
Ashford	665	87
Canterbury	1,117	72
Dartford	640	108
Dover	918	280
Gravesham	858	32
Maidstone	1,317	108
Sevenoaks	744	274
Shepway	1,475	225
Swale	1,133	115
Thanet	1,931	158
Tonbridge & Malling	773	172
Tunbridge Wells	574	140
Blackburn with Darwen UA	11,131	40
Blackpool UA	14,374	0
Lancashire	58,932	0
Burnley	1,394	12
Chorley	676	60
Fylde	545	71
Hyndburn	1,061	2
Lancaster	1,171	76
Pendle	1,165	69
Preston	1,778	23
Ribble Valley	191	23
Rossendale	851	8
South Ribble	743	23
West Lancashire	980	71
Wyre	944	48
Leicester City UA	22,474	0
Rutland UA	1,403	38
Leicestershire	22,095	0
Blaby	375	203
Charnwood	705	278
Harborough	352	74
Hinckley & Bosworth	401	143
Melton	261	35
North West Leicestershire	615	140
Oadby & Wigston	378	0
Lincolnshire	32,313	0
Boston	477	42
East Lindsey	867	244

<b>Local Authority</b>	<b>Authority allocation before ceiling/floor (£000)</b>	<b>Funding attributable to local precepting authorities (£000)</b>
Lincoln	1,093	0
North Kesteven	480	213
South Holland	583	77
South Kesteven	608	134
West Lindsey	684	183
Norfolk	45,675	0
Breckland	355	305
Broadland	438	225
Great Yarmouth	912	59
King's Lynn & West Norfolk	825	217
North Norfolk	663	178
Norwich	1,900	0
South Norfolk	593	271
York UA	7,409	60
North Yorkshire	22,824	0
Craven	273	89
Hambleton	246	92
Richmondshire	274	39
Scarborough	1,322	112
Harrogate	1,037	48
Ryedale	346	61
Selby	433	130
Northamptonshire	26,785	0
Corby	505	12
Daventry	311	124
East Northamptonshire	354	208
Kettering	742	9
Northampton	1,938	134
South Northamptonshire	337	121
Wellingborough	420	58
Northumberland UA	19,006	653
City of Nottingham UA	24,491	0
Nottinghamshire	37,899	0
Ashfield	961	33
Bassetlaw	765	115
Broxtowe	660	89
Gedling	651	47
Mansfield	979	13
Newark & Sherwood	711	281
Rushcliffe	382	126
Oxfordshire	23,112	0
Cherwell	536	350
Oxford	1,535	24
South Oxfordshire	423	248
Vale of White Horse	381	197
West Oxfordshire	241	175
Telford and the Wrekin UA	9,641	509
Shropshire UA	13,895	648

<b>Local Authority</b>	<b>Authority allocation before ceiling/floor (£000)</b>	<b>Funding attributable to local precepting authorities (£000)</b>
Somerset	22,283	0
Mendip	640	241
Sedgemoor	667	248
Taunton Deane	580	50
South Somerset	909	398
West Somerset	263	112
Stoke-on-Trent UA	17,255	0
Staffordshire	33,466	0
Cannock Chase	924	90
East Staffordshire	804	131
Lichfield	515	134
Newcastle-under-Lyme	909	44
South Staffordshire	395	205
Stafford	573	58
Staffordshire Moorlands	511	101
Tamworth	521	0
Suffolk	32,516	0
Babergh	453	210
Forest Heath	297	172
Ipswich	2,046	0
Mid Suffolk	420	154
St Edmundsbury	662	165
Suffolk Coastal	635	206
Waveney	906	81
Surrey	38,053	0
Elmbridge	791	3
Epsom & Ewell	337	0
Guildford	573	89
Mole Valley	346	9
Reigate & Banstead	763	22
Runnymede	368	0
Spelthorne	593	0
Surrey Heath	385	26
Tandridge	470	40
Waverley	561	153
Woking	589	0
Warwickshire	25,169	0
North Warwickshire	544	113
Nuneaton & Bedworth	1,233	0
Rugby	631	66
Stratford-on-Avon	577	233
Warwick	718	107
West Sussex	36,868	0
Adur	803	39
Arun	1,155	431
Chichester	608	194
Crawley	965	0
Horsham	538	151

<b>Local Authority</b>	<b>Authority allocation before ceiling/floor (£000)</b>	<b>Funding attributable to local precepting authorities (£000)</b>
Mid Sussex	555	209
Worthing	947	0
Swindon UA	9,681	225
Wiltshire UA	18,981	1,128
Isles of Scilly	57	0
Bolton	18,232	66
Bury	10,901	0
Manchester	36,872	0
Oldham	16,989	58
Rochdale	16,081	0
Salford	20,438	0
Stockport	17,024	0
Tameside	14,252	5
Trafford	9,915	10
Wigan	19,176	12
Knowsley	14,947	335
Liverpool	46,352	0
St Helens	11,893	52
Sefton	19,961	161
Wirral	23,570	0
Barnsley	14,949	99
Doncaster	16,675	344
Rotherham	16,904	408
Sheffield	35,375	84
Gateshead	17,990	1
Newcastle upon Tyne	21,844	16
North Tyneside	14,271	0
South Tyneside	13,881	0
Sunderland	20,934	12
Birmingham	78,721	20
Coventry	23,994	1
Dudley	18,904	0
Sandwell	24,946	0
Solihull	10,944	151
Walsall	23,848	0
Wolverhampton	22,224	0
Bradford	29,324	159
Calderdale	12,432	77
Kirklees	24,716	73
Leeds	41,390	220
Wakefield	17,540	383
City of London	207	14
Camden	18,258	0
Greenwich	15,478	0
Hackney	23,301	0
Hammersmith & Fulham	10,773	0
Islington	20,256	0
Kensington & Chelsea	8,696	0

<b>Local Authority</b>	<b>Authority allocation before ceiling/floor (£000)</b>	<b>Funding attributable to local precepting authorities (£000)</b>
Lambeth	19,745	0
Lewisham	19,627	0
Southwark	18,060	0
Tower Hamlets	19,956	0
Wandsworth	5,499	0
Westminster	6,506	0
Barking & Dagenham	13,879	0
Barnet	21,396	0
Bexley	11,459	0
Brent	23,725	0
Bromley	13,028	0
Croydon	25,213	0
Ealing	22,093	0
Enfield	24,753	0
Haringey	26,107	0
Harrow	14,073	0
Havering	13,564	0
Hillingdon	15,413	0
Hounslow	15,178	0
Kingston upon Thames	8,299	0
Merton	10,158	0
Newham	20,461	0
Redbridge	15,986	0
Richmond upon Thames	9,131	0
Sutton	9,811	0
Waltham Forest	19,131	0
Greater London Authority	158,885	0
Bedfordshire Police Authority	3,723	0
Cambridgeshire Police Authority	4,738	0
Cheshire Police Authority	6,263	0
Cleveland Police Authority	6,742	0
Cumbria Police Authority	3,957	0
Derbyshire Police Authority	7,327	0
Dorset Police Authority	5,985	0
Durham Police Authority	5,381	0
Gloucestershire Police Authority	4,493	0
Humberside Police Authority	8,281	0
Kent Police Authority	10,910	0
Lancashire Police Authority	10,940	0
Leicestershire Police Authority	6,968	0
Lincolnshire Police Authority	5,651	0
Norfolk Police Authority	7,855	0
North Yorkshire Police Authority	5,765	0
Northamptonshire Police Authority	5,033	0
Nottinghamshire Police Authority	8,244	0
Staffordshire Police Authority	8,367	0
Suffolk Police Authority	4,814	0
Warwickshire Police Authority	3,943	0

<b>Local Authority</b>	<b>Authority allocation before ceiling/floor (£000)</b>	<b>Funding attributable to local precepting authorities (£000)</b>
Wiltshire Police Authority	3,782	0
Greater Manchester Police Authority	21,199	0
Merseyside Police Authority	13,877	0
South Yorkshire Police Authority	9,478	0
Northumbria Police Authority	6,826	0
West Midlands Police Authority	16,931	0
West Yorkshire Police Authority	14,354	0
Avon & Somerset Police Authority	11,104	0
Devon & Cornwall Police Authority	12,843	0
Hampshire Police Authority	10,271	0
Sussex Police Authority	10,059	0
Thames Valley Police Authority	11,818	0
West Mercia Police Authority	9,115	0
Essex Police Authority	10,926	0
Hertfordshire Police Authority	6,494	0
Surrey Police Authority	6,735	0
Avon Combined Fire Authority	2,786	0
Bedfordshire Combined Fire Authority	2,080	0
Berkshire Combined Fire Authority	1,677	0
Buckinghamshire Combined Fire Authority	1,571	0
Cambridgeshire Combined Fire Authority	1,610	0
Cheshire Combined Fire Authority	2,770	0
Cleveland Combined Fire Authority	2,306	0
Derbyshire Combined Fire Authority	3,006	0
Dorset Combined Fire Authority	2,008	0
Durham Combined Fire Authority	3,172	0
East Sussex Combined Fire Authority	3,351	0
Essex Combined Fire Authority	5,308	0
Hampshire Combined Fire Authority	3,827	0
Hereford & Worcester Combined Fire Authority	2,257	0
Humberside Combined Fire Authority	3,727	0
Kent Combined Fire Authority	5,345	0
Lancashire Combined Fire Authority	4,644	0
Leicestershire Combined Fire Authority	2,139	0
North Yorkshire Combined Fire Authority	1,750	0
Nottinghamshire Combined Fire Authority	3,453	0
Shropshire Combined Fire Authority	1,768	0
Staffordshire Combined Fire Authority	3,186	0
Wiltshire Combined Fire Authority	1,496	0
Greater Manchester Fire & CD Authority	7,733	0
Merseyside Fire & CD Authority	6,206	0
South Yorkshire Fire & CD Authority	4,309	0
Tyne and Wear Fire & CD Authority	4,956	0
West Midlands Fire & CD Authority	8,143	0
West Yorkshire Fire & CD Authority	5,765	0
Devon and Somerset Combined Fire Authority	5,534	0



# Annex B

Exemplification of possible approach to managing pressures, for illustrative purposes only

<b>Local Authority</b>	<b>Budget pressure before damping</b>	<b>Budget pressure after damping</b>	<b>Funding allocation before damping (£000)</b>	<b>Funding allocation after damping (£000)</b>	<b>Redistribution due to damping (£000)</b>
South Lakeland	1.133%	0.860%	569	584	15
Weymouth & Portland	0.939%	0.860%	889	897	8
Basildon	0.924%	0.860%	2,515	2,535	19
Ipswich	0.872%	0.860%	2,046	2,049	3
Durham Combined Fire Authority	1.154%	0.860%	3,172	3,262	90
East Sussex Combined Fire Authority	0.980%	0.860%	3,351	3,397	46
Humberside Combined Fire Authority	0.873%	0.860%	3,727	3,733	6
Kent Combined Fire Authority	0.874%	0.860%	5,345	5,355	10
Shropshire Combined Fire Authority	0.936%	0.860%	1,768	1,784	16
Merseyside Fire & CD Authority	0.996%	0.860%	6,206	6,300	94
Tyne and Wear Fire & CD Authority	0.880%	0.860%	4,956	4,968	13
<b>Local Authority</b>	<b>Budget pressure before damping</b>	<b>Budget pressure after damping</b>	<b>Funding allocation before damping (£000)</b>	<b>Funding allocation after damping (£000)</b>	<b>Redistribution due to damping (£000)</b>
City of London	0.016%	0.176%	207	23	-184
Wandsworth	0.147%	0.176%	5,499	5,378	-121
Westminster	0.172%	0.176%	6,506	6,491	-15

# Annex C

## An overview of the Business Rates Retention Scheme

- The Government set out its proposals for a business rates retention scheme in July 2011 and confirmed firm policy proposals for the scheme's operation in its response to consultation in December 2011.<sup>13</sup>
- At the start of the scheme there will need to be a stable starting point for all councils so that no council is worse off because it has a lower business rates income than other councils.
- A council's baseline funding level in year one (at the start of 2013-14) will be calculated on the basis of the 2012-13 formula grant process.
- Where councils have a larger business rates base than their baseline funding level we will take away some of this business rate income as a tariff. Where councils have a smaller business rate base than their baseline funding level, we will top up those authorities. Tariffs and top ups will be paid or received by local authorities every year. The level of tariff and top up will remain fixed but will increase in line with the Retail Price Index
- A council's spending level in year one (at the start of 2013-14) will be called their baseline funding level.
- By fixing the level of tariffs and top ups we will ensure that the growth in business rates that a council achieves will be kept by them. This means that the more an authority grows its business rates base the better off it will become. By increasing the tariff and top ups in line with inflation we will go some way to protecting the ability of top up authorities to maintain the services they deliver.
- Some councils, who have a large amount of business property in their area, may stand to gain a disproportionate increase in their spending power from business rates growth. Where this happens, we will take back a share of their growth (called a levy). We will set the levy so that for every council, the percentage increase in their business rates growth cannot result in more than the same percentage increase in their spending power.
- The money collected through this levy will be used to give financial help, a safety net, to authorities who see their income drop by a set percentage below their baseline funding level. This might happen, for example, if a major business in their area closes.
- Councils' baseline funding levels will be increased by inflation (measured through the Retail Price Index) when we decide whether a council is eligible for financial support from

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<sup>13</sup> <http://www.communities.gov.uk/publications/localgovernment/resourcereviewgovtresponse>

the safety net. This will ensure that the protection given to councils by the safety net remains the same in real terms over time.

- There may come a time when the spending needs of councils become out of balance with the resources that they receive. In this situation, we could reset the tariffs and top ups of business rates on councils. We could also choose to reassess local service needs. Our aspiration is that the system would only be reset every 10 years. However, in exceptional circumstances, a reset could be required outside of this period.
- Some areas of the country have both county council and district councils. These are called two-tier areas. To ensure that our proposals provide a strong incentive to increase growth it is right that the greatest reward, and risk, is placed on the tier of government which has the most levers over growth.
- District councils in two-tier areas are generally responsible for planning decisions and therefore have the strongest levers over growth.
- In two-tier areas, district councils will retain the greatest share, around 80%, of business rate growth on the local share in the area. This will ensure that the incentive to grow business rates is placed on the right councils. County councils in two-tier areas, who deliver key services such as children's services and adult social care, will all be top up authorities. This will go some way to protecting their ability to maintain these services.
- Councils will be able to group together voluntarily to pool their business rates and collaborate on promoting growth in their area. This could be particularly the case for areas where there are local enterprise partnerships which are joint bodies made up of councils and local businesses. These pools would share both the risks and rewards of the scheme.
- Our proposals will give councils the certainty they require to borrow money if they wish to against future business rate growth so that they can fund key infrastructure projects in their areas. This is called Tax Increment Financing.
- The Government will introduce the scheme from April 2013, subject to the passage of the Local Government Finance Bill, currently before Parliament. We will be consulting further on the technical detail of the scheme in summer 2012.