



Department for
Communities and
Local Government

Localising Support For Council Tax

Council tax base and funding for local precepting authorities:
Government response to the outcome of consultation

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Chapter 1

Introduction

- 1.1 The 2010 Spending Review announced the localisation of council tax support. The Department for Communities and Local Government is leading on the implementation of local council tax support schemes in England, with the legal framework provided through the Local Government Finance Act 2012.
- 1.2 From 2013, council tax support will take the form of reductions within the council tax system, replacing national council tax benefit. The Government's response to the outcome of localising council tax support consultation¹ sets out more detail on how it is intended that local council tax support schemes will work.
- 1.3 Making reductions part of the council tax system will have the effect of reducing a billing authority's council tax base. As set out in the 'Localising Support for Council Tax – Funding Arrangements consultation'² (the 'funding consultation'), billing and major precepting authorities will receive funding which will reduce their council tax requirement and, depending on the design of the local council tax scheme, could help offset the council tax revenue foregone through reductions.
- 1.4 The funding consultation set out that the funding that will be provided to billing authorities will include funding attributable in respect of parish and town council areas. It proposed allowing billing and local precepting authorities to come to agreement on arrangements for passing down the funding attributable to the local precepting authority.
- 1.5 Following further work with sector representatives, the Department published the 'Localising Support for Council Tax – Council tax base and funding for local precepting authorities' consultation ('the council tax base consultation') on 28 August 2012³.
- 1.6 This consultation set out an alternative proposal for allowing the council tax base for local precepting areas to be calculated excluding localised council tax support reductions. The consultation also sought views on whether those proposals should also apply to the calculation of other special items and whether the Secretary of State should direct billing

¹https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8467/2053712.pdf

²https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8358/2146648.pdf

³https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/8337/2206075.pdf

authorities to transfer the costs attributable to the parish element of the council tax reductions to the collection fund.

- 1.7 This document summarises the views received on the consultation and provides the Government's response.

Contents and next steps

- **Chapter two** Government's response and next steps
- **Chapter three** Response to consultation questions
- **Annex A** Table of responses
- **Annex B** Guidance for billing and local precepting authorities

Chapter 2

Government's response

- 2.1 In establishing its final policy the Government has considered carefully the responses to both the funding consultation and the council tax base consultation and has continued to work with the local government sector to understand the implications of both proposals.
- 2.2 It is clear from the responses to the council tax base consultation that, whilst the proposal set out in the consultation could provide parish councils with greater certainty of funding, there is concern that it could, over time, increase the financial pressures on billing authorities. In particular that excluding localised council tax support reductions from the council tax base for all special items could impact on the calculation the 'relevant basic amount of tax' as only some special items are included in that calculation.
- 2.3 The Government also considers that taking action centrally on the basis of an assumption that billing authorities will not pass down funding that is properly attributable to parish councils is contrary to the spirit of localism.
- 2.4 Given the views of the respondents and to ensure consistency with the spirit of the localism agenda, the Government considers that greater weight should be given to the potential for the proposal set out in the council tax base consultation to increase the financial burden on billing authorities.
- 2.5 The Government will not, therefore, apply an unadjusted council tax base to the local precepting authority or to other special items. Accordingly, the council tax base regulations will apply reductions to the calculation of the council tax base for local precepting authorities and other special items, as well as billing and major precepting authorities.
- 2.6 The Government is clear that the funding attributable to the parish precept has been provided to the billing authority and expects them to work with local parish and town councils to provide certainty over their funding.
- 2.7 The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012⁴ which will give effect to the Government's position will come into force by 30 November 2012 to ensure the council tax base setting process is not affected.

⁴ The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (SI 2012:2914) is available at <http://www.legislation.gov.uk/ukxi>.

Chapter 3

Responses to consultation questions

Question 1

Do you agree that the council tax base for local precepting authorities should be calculated excluding council tax support reductions in order to provide certainty for local taxpayers and for the funding of local precepting authorities?

- 3.1 Of the 181 responses from parish and town councils, ninety seven percent agreed with the proposal. Of the 61 responses from billing authorities seventy seven percent agreed to the proposal. Arguments in favour included the view that the proposal provided administrative simplicity and that it provided the certainty of funding parish and town councils.
- 3.2 16 respondents disagreed with the proposals with billing authorities making up the majority of those disagreeing. The general view was that the proposals would unfairly protect parish councils from the impact of localising council tax support and would put a financial pressure on the billing authority. Some billing authorities suggested this potential financial pressure would be higher where the parish has a precept larger than that of the district council.
- 3.3 A small number of authorities also highlighted the need to be mindful of the effects changes to discounts and exemptions under the Local Government Act 2012 could have on the council tax base in parish areas. Authorities using these powers, for example, to reduce class C exemption from 100% for 6 months to 3 months with 100% discount could partially mitigate the cost of council tax reductions in parish areas.
- 3.4 In its response the Local Government Association highlighted the concerns they have received from both billing and local precepting authorities. They recognised the advantages of the proposals for parish councils but also highlighted the concerns of billing authorities.

Question 2

Do you agree that the Secretary of State should also direct billing authorities to transfer an amount they estimate to be necessary to offset the cost of reductions attributable to local precepting authorities from their general fund to the collection fund?

- 3.5 To prevent the calculation of the billing authority's council tax requirement and the level of council tax being affected by the proposals, it was proposed that the Secretary of State should use powers under section 98 of the Local Government Finance Act 1988 to direct billing authorities to transfer the cost of reductions attributable to local precepting authorities to the billing authority's collection fund.
- 3.6 Seventy two per cent of those who responded to this proposal agreed the transfer should be made. The majority of the responses in favour of the transfer were from parish councils who would be unaffected by this aspect of the proposal. Sixty two per cent of the billing authorities that responded were not in favour of a transfer as they felt it would place an unfair financial burden on the billing authority.
- 3.7 Another reason given by respondents for not agreeing to this proposal included the view that in the spirit of localism, billing authorities should be able to consult with the local precepting authority and use its discretion regarding funding distribution.
- 3.8 The Local Government Association recognised that for billing authorities, the transfer of the cost of localised council tax reductions attributable to the local precepting authority could place a financial cost solely on the billing authority but also recognised the need for a transfer if the proposal under question 1 is adopted.

Question 3

Should legislation permit the council tax base (TP) for each of the items A – E listed above for billing authorities and F and G for major precepting authorities to be calculated *including* or *excluding* localised council tax support reductions (new item Z in the draft regulations)?

- 3.9 The majority of respondents did not comment. This could be explained by the fact that the majority of respondents to the consultation were from parish councils and billing authorities without special items, who would be unaffected by this issue.
- 3.10 Of the respondents that did comment, the majority were in favour of using a council tax base *excluding* localised council tax support for reasons of consistency and simplicity.
- 3.11 There were a small number of respondents in favour of using a council tax base *including* localised council tax support, with a slight increase in the number of respondents in favour of *including* localised council tax support for levies. These responses came from billing authorities and the District Councils' Network.
- 3.12 The reason given was that because a levy forms part of that billing authority's core budget requirement, it should be calculated in the same way as the billing authority's Band D council tax i.e. including localised council tax support.
- 3.13 An additional reason was that given the size of the levying bodies, it would be inappropriate to "protect" them in the same way as proposed for parishes.
- 3.14 One billing authority also highlighted a concern that excluding localised council tax support reductions from the calculation of the council tax base for all special items could impact on the calculation of an authority's 'relevant basic amount of tax' for purposes of excessiveness principles, because some of the special items are included in that calculation and some are not.
- 3.15 The Local Government Association response recognised the advantages of the proposal in providing simplicity and consistency of treatment of special items however they also highlighted that in some areas levies do not cover the whole of the authority area so there could be issues over the equity of the proposals.

Annex A

Consultation responses

| | Question 1 | | Question 2 | |
|---------------------------------------|--|----|---|----|
| | Do you agree that the council tax base for local precepting authorities should be calculated excluding council tax support reductions in order to provide certainty for local taxpayers and for the funding of local precepting authorities? | | Do you agree that the Secretary of State should also direct billing authorities to transfer an amount they estimate to be necessary to offset the cost of reductions attributable to local precepting authorities from their general fund to the collection fund? | |
| Type of respondent | Yes | No | Yes | No |
| Local Precepting Authorities | 176 | - | 117 | 20 |
| Billing Authorities | 47 | 13 | 23 | 37 |
| Town and Parish representative bodies | 7 | - | 6 | - |
| Major Precepting Authorities | 4 | 2 | 5 | 1 |
| Other bodies | 5 | 1 | 3 | 3 |
| Own views | 3 | - | 2 | - |
| Totals | 242 | 16 | 156 | 61 |

Annex A

Consultation responses

| | Question 3A | | Question 3B | | Question 3C | | Question 3D | |
|---------------------------------------|-------------|-----------|-------------|-----------|-------------|-----------|-------------|-----------|
| Type of respondent | Excluding | Including | Excluding | Including | Excluding | Including | Excluding | Including |
| Local Precepting Authorities | 46 | 2 | 46 | 2 | 46 | 2 | 46 | 2 |
| Billing Authorities | 20 | 12 | 24 | 6 | 23 | 6 | 25 | 7 |
| Town and Parish representative bodies | 5 | - | 5 | - | 5 | - | 5 | - |
| Major Precepting Authorities | - | 2 | - | 2 | - | 2 | - | 2 |
| Other bodies | 1 | 2 | 3 | - | 3 | - | 2 | - |
| Own views | 1 | - | 1 | - | 1 | - | 1 | - |
| Totals | 73 | 18 | 79 | 10 | 78 | 10 | 79 | 11 |

Annex A

Consultation responses

| | Question 3E | | Question 3F | | Question 3G | |
|---------------------------------------|-------------|-----------|-------------|-----------|-------------|-----------|
| Type of respondent | Excluding | Including | Excluding | Including | Excluding | Including |
| Local Precepting Authorities | 46 | 2 | 46 | 1 | 46 | 1 |
| Billing Authorities | 19 | 12 | 15 | 11 | 16 | 10 |
| Town and Parish representative bodies | 5 | - | 5 | - | 5 | - |
| Major Precepting Authorities | - | 2 | 1 | 1 | 1 | 1 |
| Other bodies | 1 | 2 | 1 | 2 | 1 | 2 |
| Own views | 1 | - | 1 | - | 1 | - |
| Totals | 72 | 18 | 69 | 15 | 70 | 14 |

Annex B

Guidance for authorities

- B1. From 2013-14 local council tax support schemes will replace council tax benefit in England. Under these local schemes reductions will be part of the council tax system rather than a welfare benefit. Therefore, the council tax base will be reduced where a dwelling is in receipt of a council tax support in a similar manner to other council tax discounts.
- B2. This reduction in the tax base will need to be reflected in the calculation of the band D council tax for the billing or major precepting authority area. Failure to reduce the tax base to reflect the level of reductions the local authority expects to grant would result in the authority not being able to collect the correct amount of council tax to meet its council tax requirement, and a deficit will be created on the collection fund.
- B3. The Local Authorities (Calculation of Council Tax Base) Regulations 2012^a will ensure that the council tax reductions to be provided under new local council tax support schemes can be fully reflected in the council tax base for all authorities.

Certainty of Funding for Billing and Major Precepting Authorities

- B4. The Government will be providing to billing and major precepting authorities funding through the business rates retention system, except for local policing bodies which will receive funding through a separate grant.
- B5. This funding, which is based on 90% of forecast subsidised council tax benefit expenditure for 2013-14 will reduce the council tax requirement of billing and major precepting authorities. Depending on the design of the local council tax scheme this could help offset the council tax revenue foregone through reductions.
- B6. The Government has also 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.
- B7. The Government is also 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.

^a ^a The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 (SI 2012:2914) is available at <http://www.legislation.gov.uk/ukxi>.

Annex B

Guidance for authorities

Certainty of Funding for Parish and Town Councils

- B8. As there is not a mechanism for providing funding through the business rates retention system directly to parish and town councils the Government is providing the funding attributable to them to the billing authority. To enable this funding to reduce the local precepting authority's council tax requirement, and so potentially offset some or all of the costs of offering support, the billing authority will need to pass funding down to the local precepting authority.
- B9. To support considerations over funding, the Government has published provisional funding allocations, setting out how much funding might be attributable to the local precepting authorities, based on its share of council tax in the billing authority area.
- B10. This figure is intended as a starting point: Precisely how much funding should be passed down will depend on a number of factors, including the design of the scheme and the number of claimants in the local precepting authority area.
- B11. In line with the localism agenda there will not be a legislative duty to pass down funding. Billing and local precepting authorities should be able to come to agreement on arrangements for passing down the funding attributable to the local precepting authority, reflecting the factors outlined above, and other relevant local circumstances. The total amount of funding allocated to local authorities is 90% of forecast subsidised council tax benefit expenditure for 2013-14.

Questions and Answers

Parish / Town Council

I am a Parish or Town Councillor – how do I access the funding that is attributable to my parish/town council?

You need to engage with the billing authority for your area as they will receive, through the business rates retention system from 2013/14, funding corresponding to the parish / town council share of the overall funding allocated to local authorities.

When should I receive the funding attributable to my parish / town council?

Funding for local council tax support for billing authorities, including that attributable to the parish and town council, will be provided through the local retention of rates system. Therefore you will need to engage with your billing authority over the timing of any payments.

Annex B

Guidance for authorities

How much funding should be made available to my parish / town council?

You will need to engage with your billing authority on this issue. The Government issued an indicative amount attributable to the cumulative number of parish and town councils in each billing authority area at Annex A of the Funding Arrangements consultation available at:
<http://www.communities.gov.uk/documents/localgovernment/pdf/2146648.pdf>

This amount is based on local precepting authority shares of the billing authority area Band D council tax bill and should only be seen as an indicative figure that acts as a starting point for discussions with billing authorities.

The indicative total level of funding attributable to all parish / town councils in each billing authority area will be updated and published alongside the provisional Local Government Finance settlement in December.

Precisely how much funding should be passed down will depend on a number of factors, including the design of the scheme and the number of claimants in the local precepting authority area, both of which could change from year to year. The total amount of funding allocated to local authorities is 90% of forecast subsidised council tax benefit expenditure for 2013-14.

Billing Authority

As a billing authority we are proposing to access the transitional grant - what does this mean for me?

The transitional grant amounts include an amount attributable to the parish and town council and should be treated in the same manner as the main support funding.

As a billing authority we are proposing to implement the default scheme, what does this mean for me?

The default scheme retains the current council tax benefit system, with some small adjustments. As funding will be 90% of what Government expected to spend on council tax benefit in 2013-14, local authorities will need to find some of the costs of providing support under the default scheme from other budgets.

In deciding the level of funding to be passed down to local precepting authorities, billing and local precepting authorities will need to come to an agreement on the degree to which the local precepting authority should make its contribution towards meeting the costs of a scheme which exceeds the level of funding provided by Government.

Annex B

Guidance for authorities

As a billing authority, why should we pass down this funding?

Just as it is intended that funding allocated to billing and major precepting authorities could help to offset the reductions in the tax base, Government intends that the funding attributable to parish and town councils should also help to hold down their council tax requirements and so help manage the impacts of changes to their tax base.

However, as the Government does not have a mechanism to provide funding through the business rates retention system to parish and town councils the funding attributable to parish and town councils is intended to be used to provide them with similar support that is being provided to billing and major precepting authorities.

Local precept payers are local tax payers within the billing authority area and should not be treated differently to those outside of parish areas, or face avoidable increases in the local precepting authority council tax bill just because there is not a mechanism for the direct funding of parish and town councils.

In allocating the local precepting authority funding to billing authorities it is Government's clear expectation that billing authorities will work with parish and town councils to pass down funding so that their precepts can be reduced reflecting, to a greater or lesser extent depending on local factors, reductions in their council tax base. That may not be the full amount as the funding being provided relates to 90% of the estimated cost of subsidised council tax benefit in 2013/14.