

LOCAL GOVERNMENT FINANCE ACT 2012

EXPLANATORY NOTES

OVERVIEW OF THE STRUCTURE

Non-domestic rates

8. Existing provision in Schedule 8 to the Local Government Finance Act 1988 ("the LGFA 1988") in respect of England will be replaced and provision made for the treatment of non-domestic rates collected by billing authorities. The treatment of non-domestic rates will include the localisation of a percentage share of non-domestic rates to which a rates retention scheme will apply.
9. Key protections are built into the scheme; a stable starting point will ensure no local authority is worse off as a result of its business rates base at the outset of the scheme. This is achieved through a system of tariffs and top-ups, the basis for which will be set out in the local government finance report. Further protections are built in to ensure that councils can meet local needs, including a safety net for places in need of additional support, funded by a levy recovering a share of disproportionate gain.
10. The Secretary of State will be required to prepare a local government finance report each year, which sets out the central and local share percentages of non-domestic rates. It will also set out which payments are required to be made by billing authorities and major precepting authorities ("relevant authorities") to the Secretary of State, into the main non-domestic rating account, and which payments are required to be made by the Secretary of State to relevant authorities, from the main non-domestic rating account.
11. The Secretary of State will also be required to establish a levy account and make regulations as to whether payments are required from any relevant authority. Payments may be made from the levy account for the safety net to authorities in accordance with regulations to be made by the Secretary of State. The Secretary of State may also make regulations as to transitional protection payments for authorities, to take account of transitional relief. Billing authorities will also be required to make payments to major precepting authorities, under regulations to be made by the Secretary of State.
12. A number of relevant authorities may also be designated as a pool of authorities, which will then be treated for most purposes of the new provisions as a single authority. The Secretary of State may designate certain areas of England and provide through regulations that a proportion of the rates are to be retained by billing authorities in those areas. Similarly, the Secretary of State may also designate certain classes of hereditament and provide that rates are to be retained by billing authorities whose area includes hereditaments within the designated class.

Council tax

Council tax reduction schemes

13. At Spending Review 2010 the Government announced that it would localise support for council tax from 2013-14, reducing expenditure by 10%. The Welfare Reform Act 2012, which received Royal Assent on 8 March 2012, contains provisions for the

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(c.17) which received Royal Assent on 31 October 2012*

abolition of council tax benefit. Council tax benefit is currently a social security benefit, administered by local authorities on behalf of the Department for Work and Pensions. The Government intends that in future support should be offered in the form of council tax reductions, according to criteria set by local authorities (in relation to working age taxpayers).

14. The Government is committed to ensuring that local authorities continue to provide support for council tax for the most vulnerable in society, including pensioners. The localisation of support for council tax is taking place within a wider programme of welfare reform which is intended to help move people back into work. However, there are certain low-income groups, in particular pensioners, whom the Government does not expect to work to increase their income.
15. Following consultation, the Government has concluded that support for vulnerable pensioners should be delivered through a national framework of criteria and allowances. This is to ensure that pensioner council tax support is not reduced as a result of the introduction of this reform. The Act includes powers for the Secretary of State to make requirements about the schemes which local authorities must make, and for those requirements to include provisions equivalent to those contained in or made under particular sections of the Social Security Contributions and Benefits Act 1992 and the Social Security Administration Act 1992. The Government intends to use these powers to ensure that reductions are provided for pensioners, mirroring as far as possible current arrangements in relation to council tax benefit.
16. Each billing authority in England must make a council tax reduction scheme by 31 January 2013 and those schemes must relate to the financial year beginning on 1 April 2013 ("2013-14"). This is necessary to enable the planned reduction in expenditure to be achieved in 2013-14. The Secretary of State has power to alter the commencement of these provisions.
17. A scheme must set out the classes of person who are entitled to a reduction, the reductions which are to apply to those classes and the procedure by which a person may apply for a reduction. The Secretary of State has power to prescribe classes of person which must be included in a scheme and the reductions which must apply to them, and to prescribe classes of person which must not be included in a scheme. The Secretary of State intends to use this power to ensure that reductions are provided for pensioners, and that persons from abroad of restricted immigration status are not eligible for a reduction under a local scheme.
18. A billing authority must consult before making a scheme and each financial year it must consider whether to revise or to replace its scheme. The Secretary of State has power to make provision for the procedure for preparing a scheme or a revision to a scheme, but the Government has stated that it does not intend to make regulations under this power.
19. The Welfare Reform Act 2012 provides a power for the Secretary of State to make regulations permitting the Department for Work and Pensions to supply data to local authorities for prescribed purposes relating to council tax. The Act includes similar powers for the Secretary of State to make regulations permitting Revenue and Customs officials to supply data to local authorities for prescribed purposes relating to council tax. These powers are to ensure that the Department for Work and Pensions and HMRC may share data they hold with local authorities, to reduce the need for local authorities to require the same data from claimants applying for a council tax reduction, and to use data on claimants' benefits in the calculation of council tax reductions.
20. Similar powers are provided in relation to the supply of data by Revenue and Customs officials to local authorities in Scotland and Wales for prescribed purposes relating to council tax. Provision is also made to enable Revenue and Customs officials to supply information to the Department of Finance and Personnel in Northern Ireland and the Northern Ireland Housing Executive for prescribed purposes relating to rates.

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21. The Act also provides powers for the Secretary of State to make regulations about powers to require information, offences and penalties. This includes the power to make regulations containing provisions equivalent to some of those set out in Part 6 of the Social Security Administration Act 1992 (with modifications) which deal with the investigation and prosecution of fraudulent claims for social security benefits.
22. The Welsh Assembly Government has consulted on its proposals for changes to the provision of council tax support in Wales. The Act provides Welsh Ministers with powers to require an authority to make a council tax reduction scheme, and make requirements in relation to matters including the reductions to be offered by those schemes and the procedure for making schemes.

Technical reforms for council tax

23. A billing authority will have a new power to set discounts on dwellings of a kind set out in regulations. Billing authorities will also be able to charge an 'empty homes premium' in respect of dwellings which have been empty for two years or more.
24. Provision is also made for mortgagees in possession of the owner's interest in a dwelling to be included in the hierarchy of council tax liability set out in section 6 of the Local Government Finance Act 1992 ("the LGFA 1992").