DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT

Local Government Finance

The Parliamentary Under Secretary of State for Communities and Local Government (Brandon Lewis): 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.

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 £2.0 billion to £4.3 billion from 1997-98 by 2010-11.

Localisation will give local authorities the flexibility to design council tax support schemes for working age claimants in their area. We have been clear that councils have the scope to help manage the impact of the reduction in council tax support funding through securing sensible savings. To help the transition to these changes, my Department has already provided £30 million of funding to help councils draw up local support schemes.

There is a real incentive for councils to make savings in the new localised system from cutting fraud and error, where an estimated £200 million was paid out unnecessarily in 2011-12. However, we appreciate that these savings may not be delivered immediately in the first year.

Consequently, to further assist the transition process, my Department is today announcing an additional £100 million of funding for councils to help support them in developing well-designed council tax support schemes and maintain positive incentives to work. This is new and additional funding for local government.

As councils draw up their local schemes, it is clear that many are delivering savings using their local flexibilities and discretion, without unfairly increasing the burden on those who are currently on benefits. Equally, there are some councils which are asking for very large additional contributions from those on benefits.

The new £100 million transition grant will seek to encourage best practice. The voluntary grant will be available to councils (billing and major precepting authorities) who choose to design their local schemes so that:

- Those who would be on 100% support under current council tax benefit arrangements pay between zero and no more than 8.5% of their council tax liability;
- The taper rate does not increase above 25%; and
- There is no sharp reduction in support for those entering work - for claimants currently entitled to less than 100% support, the taper will be applied to an amount at least equal to their maximum eligible award.

In allowing flexibility over aspects of the scheme, we would not expect local authorities to impose large additional increases in non-dependant deductions. Councils will rightly want to avoid collecting small payments, and it may consequently be better value for money for councils to avoid designing schemes which seek to do so.

The amount of funding for which councils will be eligible to apply and the timescales and process for making an application will be published shortly. We anticipate that councils will make applications after 31 January 2013, and that funding will be paid in March 2013. The grant will be a simple one, easy to apply for and swiftly paid out, to help those councils who choose to do the right thing.

The Government has a clear goal in tackling the deficit, and reducing spending on benefits. This measured, transitional approach will help deliver an important programme of welfare reform, whilst still protecting taxpayers' broader interests.