



Local Government Finance Bill 2012-13

Bill No 4, 2012-13

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The *Local Government Finance Bill* would introduce local retention of non-domestic rates, subject to various checks and balances, and would allow for the introduction of Tax Increment Financing by introducing possible new income streams against which councils would be able to borrow. The same provisions could also be applied to Enterprise Zones.

The Bill would provide a framework for the establishment of local systems of support for council tax payers, to replace Council Tax Benefit, from April 2013. There are also measures to amend council tax legislation, including removing exemptions for certain types of empty property.

The Bill has been carried over from the 2010-12 session. Proceedings in Committee of the Whole House were completed on 31 January 2012 and the Bill was reintroduced, in accordance with the carry-over motion, on 10 May 2012, as Bill 4 of 2012-13. The remaining Stages of the Bill will be taken on 20 May 2012.

This paper summarises the proceedings on the Bill during the 2010-12 session, namely Second Reading and Committee Stage. During the Committee Stage a few Government amendments were agreed. No Opposition amendments were accepted.

Library Research Paper 12/01, produced for Second Reading on 10 January 2012, is relevant.

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Research Paper 12/24

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Summary

This paper summarises the Second Reading and Committee of the Whole House stages of the *Local Government Finance Bill 2010-12*, which has been carried over into the 2012-13 session. Library Research Paper 12/01, [Local Government Finance Bill 2010-12](#), published for Second Reading on 10 January 2012 in the 2010-12 session, is relevant.

The Bill was introduced on 19 December and given its Second Reading on 10 January 2012. It was committed to a Committee of the Whole House over three days, 18, 24 and 31 January 2012. It was subject to a carry-over motion, passed on 10 January 2012, and remaining stages will now take place on 21 May 2012.

The Bill would make a number of changes to local government finance. These include:

- Introducing a scheme to allow for local retention of business rates
- Allowing for the introduction of tax increment financing
- Introducing a council tax reduction scheme to replace council tax benefit
- Making technical changes to council tax including introducing an empty homes levy

A number of Government amendments were made to the Bill during Committee. No other amendments were agreed.

More information about the Bill is available on the Bill pages on the Parliamentary website, <http://services.parliament.uk/bills/2010-12/localgovernmentfinance/documents.html>.

[Explanatory notes](#) are available and DCLG has also published a [brief guide](#) to the Bill.

1 Introduction

The *Local Government Finance Bill 2010-12* was introduced on 19 December 2011 as Bill 265, 2010-12, and given its Second Reading on 10 January 2012. The Bill was committed to a Committee of the Whole House, which was completed over three days: 18, 24 and 31 January 2012. The Bill was subject to a carry-over motion, passed on 10 January 2012.

The *Local Government Finance Bill 2012-13* reflects the Bill as reported by the Committee of the Whole House. It has been carried over from the 2010-12 session in accordance with Standard Order 80A. It was reintroduced on 10 May 2012 as Bill 4 of 2012-13. Remaining Stages of the Bill - Report Stage and Third Reading - will be taken on 21 May 2012. The Bill has been reprinted for the 2012-13 session as Bill 4, 2012-13.

The Bill would introduce local retention of business rates, which has generally been welcomed, although there has been criticism that the proposals continue to give the Secretary of State considerable powers in terms of setting the share to go to local authorities and other elements of the system. 2013/14 would be year 1 of the Business Rates retention Scheme (BRRS). The Government is also committed to introducing Tax Increment Financing (TIF) and reviving Enterprise Zones (EZ), which previously existed in the 1980's. The Bill would give powers to the Secretary of State to designate areas to which TIF or EZ would apply.

The *Welfare Reform Act 2012* provides for the abolition of Council Tax Benefit. It is the Government's intention that future support with council tax payments for working-age taxpayers should be offered in the form of reductions to council tax, according to criteria set by local authorities. The Bill provides a framework for the localisation of support for council tax. These proposals have proved controversial; there has been criticism from a number of sources.

The Government has also introduced a number of policies designed to bring more empty homes back into use. As part of this policy commitment, the Bill would amend council tax legislation to allow local authorities to offer a discount of between 0 and 100% of the council tax bill for certain empty properties. The Bill would also introduce a discretionary 'empty homes levy' where local authorities could charge up to 150% of the council tax bill for properties that are empty for more than two years. This power would replace the automatic exemption periods for certain types of empty property.

A number of Government amendments were made to the Bill during Committee (amendments 1-17, 85 and 86). No other amendments were agreed. Some of the amendments were technical; others related to:

- Debits from the main rating account/Central rating lists and network property (Government amendments 1 and 2)
- To ensure that payments from the authority or from the Secretary of State as a result of that recalculation can be made, to make the system work fairly (Government amendments 3 and 4)
- To ensure that payments from the authority or from the Secretary of State as a result of that recalculation can be made, to make the system work fairly (Government amendments 7 and 8)
- To remove a paragraph relating to information on relevant social security benefit which is held by the Secretary of State (Government amendment 86)

A list of all the amendments considered is given in the Appendix.

2 Second Reading debate: 10 January 2012

The Second Reading debate took place on 10 January 2012. Because of the number of statements before the debate began, it did not start until 6.40pm. Opening the debate, Secretary of State for Communities and Local Government, Eric Pickles, said that the Bill delivered on promises made in the coalition agreement that committed the Government to supporting sustainable growth and enterprise, balanced across the country, and pledged the radical devolution of power and greater financial autonomy to local government.¹

He continued:

The [current] system creates a perverse regime of incentives. Councils that work hardest to boost local businesses do not see their efforts reflected in the state of their finances. In fact, local economies that become more successful can effectively see their central Government grant cut. The regime actively encouraged councils to talk down their area, to mask their success and to amplify their deprivation; it breeds a begging-bowl mentality and a race to the bottom. Surely, now more than ever, we should welcome growth and reward incentives.²

On other aspects of the Bill, he said:

- The Bill also sets out a replacement for council tax benefit, which is essential in supporting those who, through no fault of their own, struggle to pay their council tax bills. However, rather than having a national, one-size-fits-all scheme, designed and directed by Whitehall, we propose that councils themselves should set up council tax support at the local level. We will give them the flexibility to design schemes that reflect local priorities. Tailor-made approaches will also be essential to making the 10% saving, which is an important component of the plan for reducing the deficit inherited from Labour.³
- [Tax Increment Financing] was recommended in the 2006 Barker report and promised in the 2009 pre-Budget report but never delivered by Labour. For the first time, councils will have the ability to borrow safely and sustainably against the anticipated increase in business rates. That will give them a new means by which to fund infrastructure, attract investors and secure jobs for local people.⁴
- We propose that councils should have the option of charging a higher rate of council tax when homes have been empty for more than two years. That will provide a stronger incentive for the owners to bring such homes back into use and end empty property blight.⁵
- ... we have consulted on other proposed changes to council tax—changes that do not require primary legislation. They include reforms to council tax on second homes. Currently, councils are obliged to charge a reduced rate on second homes, of between 10% to 50%. We propose to allow authorities to remove this special tax break completely, treating everyone equally and fairly.

Responding, Shadow Secretary of State **Hilary Benn** said:

¹ HC Deb 10 January 2012 c79

² *Ibid*

³ *Ibid* c84

⁴ *Ibid* c83

⁵ *Ibid* c85-6

I accept that the current system is complex, but the truth is that any system will have a degree of complexity if it is to take account of the differing needs and circumstances of different communities. That is why we have complexity in the system. The alternative would be to leave councils and communities to sink or swim...I do not support that.

Many of us, however, are in favour of as much localisation as possible, and, in principle, of allowing councils genuinely to benefit from business rate growth. However, those who put forward these proposals have an obligation to come up with a system that meets a number of tests. Those tests must determine whether the proposals will actually put more power into the hands of the councils, whether they will provide the right incentives, and whether resources will be distributed fairly. They must also determine whether councils will be reasonably certain about the money that they will get, and whether they will get the right help to enable them to meet local need and changing circumstances...

There is no guarantee that any council will not be worse off, except in the first year. It is unclear exactly how much incentive will be offered ... the Bill will replace one complicated system with another that is, in the words of London Councils, "fiendishly complex". One might think that that body would be arguing strongly in favour of these measures, given its position on business rates. Lastly, the Bill will give the Government a huge amount of control over how the money is distributed and the how the system works, even though they claim that they want to devolve power.⁶

Amongst the other points he raised were:

- He [the Secretary of State] will decide which areas are to be enterprise zones, and issue regulations to designate TIF areas. And in case all that is not enough, in clause 14(2) he gives himself a Henry VIII power that will allow him to amend, repeal or revoke any legislation he wants. That does not sound like localisation to me.⁷
- Because the Bill will rightly give continuing protection to pensioners, it is inevitable that, unless councils try to reduce benefit for those who are out of work, people who work but are on low incomes will be hit the hardest. Indeed, that is what the Government's own impact assessment says.⁸
- The Secretary of State claims to be the great champion of localism, but he has presented the House with a Bill that gives him all the power to determine what happens, including the power to take and keep a top slice of business rates.⁹
- Neither the Act that created the poll tax nor the one that replaced it with the council tax—the two Acts that this Bill, in the main, amends—had their Committee stages on the Floor of the House; they went into Committee. This Bill should also go into Committee. That is why we will vote against the programme motion.¹⁰

Other points raised during the debate included:

⁶ *Ibid* c87-8

⁷ *Ibid* c88-9

⁸ *Ibid* c93

⁹ *Ibid* c94

¹⁰ *Ibid* c87

Business rates retention

- It is right to have a system whereby central Government can redistribute in order to support less economically buoyant areas around the country, but it is also right that we localise a large proportion of business rates and thereby allow local authorities to be much more responsive and to encourage economic growth. **(Henry Smith)**¹¹
- When they are introduced in 2013-14 local government finance will, essentially, come from only council tax and business rates; the Government grant element will go completely. The Government therefore face a problem. They propose that the council tax will be left as it currently stands, so they have two objectives for business rates. On the one hand, they want local authorities to retain them so they can provide an incentive for development in their areas and have more control over their own financial futures. On the other hand, the Government want business rates to be used as a mechanism for redistribution—for taking from areas with higher resources and giving to areas with greatest needs. **(Clive Betts)**¹²
- The Government intend that those authorities where the economy is booming in excess of expectation will benefit financially through the increased collection of business rates. As a result, residents in those areas may find their streets a little cleaner, the flowerbeds in the parks better stocked and their libraries open longer; but underneath those plans the cost of the better services in the booming areas will be met by areas where economic growth has faltered. In these areas, where deprivation and unemployment are increasing, councils will not benefit from the additional funding, no matter how desperately it is needed. **(Jonathan Reynolds)**¹³
- For too long, councils have not had sufficient incentive to drive business growth in their boroughs and districts. The proposals will mean that councils that have been unwelcoming to the private sector and job creation, or even those that treat the private sector with antipathy, will be found out. They will be answerable for their actions or for their inaction, and will risk punishment at the ballot box, where they will rightly be held accountable by their electorates. **(Andrew Bridgen)**¹⁴
- The problem for the future is that the opportunities to grow the business rate are unevenly spread across the country, as is the business base. Kensington and Chelsea has a smaller population than Barnsley or Rotherham, yet it raises more than three and a half times the business rates of Rotherham and more than five times the rates that we raise in Barnsley. **(John Healey)**¹⁵
- Opposition Members may think that Milton Keynes is a very affluent place, part of the golden south-east, but there is fairly significant deprivation and very often we lose out in our share of the funding formula, be it for local authorities or for the health service. What we want is our fair share. I quite accept the principle of fiscal sharing of revenues across a country; any western country has that. The more affluent areas will contribute more to help those that are less so. I am not saying that we should move away from that principle, but the history of Milton Keynes shows that we have not had our fair share over

¹¹ *Ibid* c95

¹² *Ibid* c96

¹³ *Ibid* c99

¹⁴ *Ibid* c100

¹⁵ *Ibid* c104

the years, and I very much welcome the proposals that will give us that fair share. (**Iain Stewart**)¹⁶

- An increase in business rate income may have very little to do with the actions of the local authority and that, although economic growth might be encouraged by a council, unless a range of other positive factors coalesce, businesses may not grow and start-ups may not emerge. (**Heidi Alexander**)¹⁷
- When Wembley stadium was demolished and taken out of the business rate pool, £1 million a year was effectively taken out of the income from business rates. That could have a disproportionate effect. Had the new system been operating at the time, the local authority would have lost the money for five years—some £5 million of income. Therefore, if an employer goes out of business there must be some means of compensating the local authority to address any fall in income. (**Bob Blackman**)¹⁸
- ... there is a risk that the retention of business rates could become an additional incentive to grant planning permissions for developments that are not necessarily in the most appropriate locations. (**Mark Pawsey**)¹⁹

Tax increment financing/Enterprise zones

- Given the lack of central funds at the moment to promote more regeneration, the pooling of business rates, of ideas, of enterprise zones and of TIFs across a whole local area creates a genuine way forward. (**George Hollingbery**)²⁰
- Why are we not encouraging university campuses to have their own enterprise zones? I know that that would cause problems with Treasury mandarins and their calculations, but we seem to have missed a trick, because we are talking about something that could be the very basis for creating and developing new businesses, albeit not on such a large scale. (**Eric Ollerenshaw**)²¹
- If we are to encourage local authorities to use tax increment financing and borrowing against their future returns, they need to be clear about just how much they will get from the expansion. (**Jackie Doyle-Price**)²²

Council tax benefit

- There are large numbers of these people [ie council tax benefit claimants] —almost 6 million — and, on average, they are getting about £15 a week, or £800 a year. A very large number of vulnerable people depend on this revenue, some of whom will have all of it taken away and some of whom will have some of it taken away. We do not know what the consequences will be, because the Government have not yet set out the detailed rules. (**Nick Raynsford**)²³
- I welcome the Government's reform of council tax benefit. Councils must feel the heat under their feet that will be caused by the fact that if they do not get local economies going,

¹⁶ *Ibid* c108

¹⁷ *Ibid* c113

¹⁸ *Ibid* c124

¹⁹ *Ibid* c127-8

²⁰ *Ibid* c106

²¹ *Ibid* c118

²² *Ibid* c122

²³ *Ibid* c102

they will have to bear the consequences of dealing with the result, which is joblessness. It is important that they do everything in their power to ensure that companies can prosper and employ, creating jobs and growth. (**Ben Gummer**)²⁴

- Is there any reason why we should not have an official pooling of council tax benefit schemes across my area in Hampshire, for example? Why cannot all district councils in an area get together to create some sort of agreed pool? (**George Hollingbery**)²⁵
- In Plymouth, about 25,000 people are currently in receipt of council tax benefit. Of those, a significant number will have a child dependant, will be single people in low-paid work or will be disabled, but there is no mention in the Bill of protection for people with disabilities. (**Alison Seabeck**)²⁶

Council tax/empty properties

- With 300,000 homes being vacant for more than six months, I am excited by the Bill's proposal to go further than just giving more discretion to local authorities, and to introduce an empty home premium after a property has been empty for two years. One of my own local authorities is not very keen on this, arguing that an empty home cannot be defined. I am astonished by this response to the consultation - I thought we had gone beyond the days when we said what was furnished and what was not, and so on...some 7.29% of homes in part of Purbeck, which I represent, are second homes. This issue is important, and I would like to examine the case for a second home premium, similar to the empty homes premium. (**Annette Brooke**)²⁷
- I should have liked to spend more time on the empty homes proposal but unfortunately time does not allow that. I will simply say that although sticks are welcome, the clauses on this issue are poorly drafted and will leave opportunities for smart operators to find their way around the additional charge. For example, the allowance that the property must be substantially unfurnished could leave considerable room for argument. (**Alison Seabeck**)²⁸
- I welcome the Government's move to allow councils to charge additional council tax where a property has been vacant for more than two years. That, together with the incentive to get existing properties back into use through the new homes bonus, will have a hugely positive effect on getting our properties back into use. (**Marcus Jones**)²⁹

Summing-up the debate on behalf of the Opposition, **Helen Jones** said:

The big black hole in the Government's Bill is any recognition of their own responsibility to promote growth and help weaker economies to grow. It is not surprising then that they have even failed to address where business rates are a proper measure of economic growth at all. Commercial and retail premises generate far more business rate than manufacturing and small businesses. Small business start-ups, internet businesses and sectors such as tourism are vital to our economy but generate little in business rate. Nationally, we need those businesses. We need the skills they bring, the innovation they develop and the exports they gain. It is typical of the Government's

²⁴ *Ibid* c104

²⁵ *Ibid* c106

²⁶ *Ibid* c107

²⁷ *Ibid* c98

²⁸ *Ibid* c107

²⁹ *Ibid* c111-2

muddled thinking that they claim to support manufacturing and small businesses but then design a scheme with a built-in incentive for retail.³⁰

Robert Neill, Parliamentary Under-Secretary of State for Communities and Local Government, said:

Not only will there be a baseline to ensure that no local authority loses out at the start, but the system of tariffs and top-ups will be uprated according to the retail prices index so that the vast bulk of local authorities' income will be protected, and at the same time, local authorities that are incentivised to encourage growth will always see some benefit coming through. Similarly, the hon. Lady referred to infrastructure, but she poured scorn upon the introduction of tax increment financing, which is exactly the means of unlocking some of that infrastructure—a model called for by all dispassionate observers, and for many years by Members of all parties, and but consistently ignored by the Opposition.

... it is worth noting that very many of the independent responses to the consultation favoured this reform. It is worth bearing in mind the fact that in 2008-09 the Communities and Local Government Committee said that relocalisation would give local government an additional tool to pursue local recession-proofing policies, and it is worth recognising that the new local government network, not normally associated with the coalition side of the House, said that it recognised the potential that the growth incentive presents to create new private sector jobs and prosperity.³¹

The first two days of the Committee of the Whole House were given over to the business rates retention scheme. Some amendments were made to the Bill on each day. Day three of the Committee of the Whole House was given over to the remaining aspects of the Bill. No amendments were carried against the Government's will.

3 Committee of the Whole House first day: 18 January 2012

3.1 Local retention of business rates

Clause 1: local retention of non-domestic rates

The first day of the Committee of the Whole House took place on 18 January 2012.

Helen Jones moved amendments 20-25, all of which would have the effect of postponing the introduction of the new system of local retention of business rates by one year – ie to April 2014. She commented that the amendments had been laid because the Opposition were concerned about the 'break-neck' pace at which the Bill was being taken through the House.³² She also noted that local councils were concerned at the speed of implementation and expressed concern that a complex system was being introduced without the necessary preparation time, and that councils were expected to prepare for changes 'without knowing exactly what they are preparing for.'³³

John Healey expressed his view that the Committee stage should have been taken in front of the Public Bill Committee, in order to allow organisations interested in the Bill to comment on the Bill; to which **Robert Syms** responded that there were a number of former councillors amongst MPs who formed a body of experts. **Mr Healey** subsequently raised the matter as a point of order, in which he asked whether any written evidence submitted to this Committee

³⁰ *Ibid* c129

³¹ *Ibid* cc132-3

³² HC Deb 18 January 2012 c767

³³ *Ibid* c770

of the whole House will be circulated to all Members. The Temporary Chair (**David Amess**) said that the Standing Order on written evidence does not apply to Committees of the whole House.³⁴

John McDonnell asked whether the Bill could be paused to allow Members to undertake further consideration and consultation with interested parties.³⁵ **Andrew Gwynne** was concerned that using the 2012-13 formula grant model to determine the baseline would lock in the “funding losses arising from the damping exercise and the disproportionate reduction in funding from the 2011-12 and 2012-13 settlements?”³⁶

David Ward said “The truth is that nobody knows what the outcome of this will be, because it is dependent on the growth in business rates, while the strategy of re-balancing the economy will have implications for different parts of the national economy”.³⁷ **George Hollingbery** said that his local council, Havant Borough Council, had been enthusiastic about the changes.³⁸

Nick Raynsford asked the Minister, “what would happen to a local authority if a local business closes? What will happen if there is a serious rise in unemployment in the district, and as a consequence a large number of additional claims for council tax benefit are received? The authority will have no safety net.”³⁹

Responding, **Robert Neill** said,

The reality is that the Government are bringing forward a serious and important reform, which the Opposition are seeking to delay. That is not in the interests of local government, who suffer under the thoroughly unsatisfactory, opaque and unfair system Labour bequeathed, which denied local authorities the opportunity to have a portion of the business rates localised for their benefit. The Opposition want to delay the introduction of a valuable growth incentive for local government, which would also encourage national growth, so be in the interests of the national economy.⁴⁰

The House divided and the amendment was defeated by 246 to 316. In the stand part debate, **Robert Neill** confirmed that the Government’s intention was to press ahead with the changes from April 2013. Clause 1 was ordered to stand part of the Bill.

3.2 Schedule 1: Local retention of non-domestic rates

John Healey moved amendment 46, which was taken with amendments 19, 44, 45, 37, 38, 39 and 26. The amendment was a probing amendment that dealt with the difference between the total payments from local businesses via local authorities in respect of the central share, and the central allocation of these funds for local government use, and his concern that the difference between the two would be taken by the Treasury. He also expressed concern that business rates were being used as a “cash cow” to help to cover the cost of failures in economic policy when revenue streams from other sources fall off. He expressed unease that central Government would make decisions without local authorities, the people affected, or the House being properly consulted or given an opportunity to make their views known as

³⁴ *Ibid* c781

³⁵ *Ibid* c772

³⁶ *Ibid* c779

³⁷ *Ibid* c780

³⁸ *Ibid* c786

³⁹ *Ibid* c790

⁴⁰ *Ibid* c792

part of the process; and that many of the most important decisions in the operation of the new system would be made by central rather than local government.⁴¹

Mr Healey was also concerned that the local government finance system would no longer take account of need:

It will not take into account the fact that Bexley and Barnsley have a similar population, but that Bexley raises £37 million more in council tax each year. It will take no account of the fact that Brent has a similar population to Rotherham, but raises £22 million more each year in council tax.⁴²

Mike Freer commented, “I must tell him that Bexley has to raise so much more money than Barnsley because when he was a Minister, he fiddled with the equalisation formula to force affluent southern councils to raise council tax to subsidise northern councils. That is why there is such inequality.”⁴³

Mr Healey raised concerns that opportunities to grow the business rate base were uneven, quoting ONS statistics that showed there was more than 3% difference between London and Lincolnshire, Cornwall or Merseyside in 2011-12.⁴⁴ **Mark Field** however commented that the current system had a great deal of disincentives built into it, and that it was “too easy to make comparisons between relatively affluent central London authorities and those in relatively long-term impoverished areas of the north of England, but the scheme that is being put in place is intended to challenge those disincentives.”⁴⁵

Graham Jones asked,

When authorities suffer a significant loss in business rate revenue, there will surely be a downward pressure on what the Prime Minister would describe as the big society, in which rate relief is given to charities, sports clubs and all sorts of other organisations that do social good. In the poorer, more deprived areas that will lose out under the new system, will not those organisations lose out as well?⁴⁶

Helen Jones summarised some of the other amendments in this group:

- Amendments 37 and 38 would require the Secretary of State not only to announce central and local shares for each authority for a year, but to give indicative totals for the following year after consultation with local government.⁴⁷
- Amendment 36 is merely a probing amendment. It is designed to tease out an explanation for the wording in the Bill. The Government intend to determine the baseline for non-domestic rate income in an authority by using the total that would be payable if it had “acted diligently”. We would like clarification from the Minister of what is meant by that.⁴⁸
- If I move on to amendment 39 ... We believe that it is vital that the Secretary of State not only makes an assessment of need before setting the central and local

⁴¹ *Ibid* c802-3

⁴² *Ibid* c804

⁴³ *Ibid* c805

⁴⁴ *Ibid* c807

⁴⁵ *Ibid* c808

⁴⁶ *Ibid* c813

⁴⁷ *Ibid* c822

⁴⁸ *Ibid* c823

shares for each authority, but publishes that assessment and lays it before the House. That would bring transparency and openness to the system.⁴⁹

- We tabled amendment 26 to ensure that the level of service provision is taken into account when any amending finance report is placed before the House.⁵⁰

Clive Betts spoke to amendments 44 and 45. He said:

- Amendment 44 ... is an attempt to make the point that something must be wrong when a Government say that they are going to take the set-aside away—irrespective of the real needs of local authorities, which they are clearly unable to meet in the current financial situation.⁵¹
- In amendment 45, I have tried at least to raise the possibility of not allowing the set-aside to become an ongoing, potentially increasing amount of money that is decided by Ministers forever and a day.⁵²

Robert Neill confirmed that he would ask the Committee to reject the amendments if they were not withdrawn, because:

First, the system already recognises a balancing of need and resources: that happens now and will continue to happen. Secondly, if we are to move away from a system of excessive dependency by local government on central Government grant in order to reduce reliance on central Government grant and create incentives for growth at a local and national level, we have to move away from the current, highly centralised system.⁵³

Amongst the other points he made were:

- If the system is reset too frequently, that undermines the incentive that we wish to achieve, and in particular it severely diminishes the value of the important introduction in the Bill of tax increment financing.⁵⁴
- I do not think that 10 years is too long. We think that it gives a sensible balance. But it is a good reason not to put such matters in primary legislation and to say instead that they should be developed through regulations, which, as we know, will be subject to scrutiny by the House
- The central and local shares will have to be set out in the annual local government finance report. We will consult local government on the draft report, as we currently do, which will then be laid before the House and subject to the rigour of parliamentary scrutiny. A statutory consultation, as proposed in amendment 38, is unnecessary, as that will happen as a matter of course ... The Government's intention is that the money that comes into the central share will be returned in its entirety to local government, as currently required by the Finance Act 1988. We will do so by funding local government by grant that is outside what is currently formula grant and will now be in the rates retention scheme.⁵⁵

He also discussed Government amendments 1 and 2:

⁴⁹ *Ibid*

⁵⁰ *Ibid* c824

⁵¹ *Ibid* c831

⁵² *Ibid* c833

⁵³ *Ibid* c839

⁵⁴ *Ibid* c840

⁵⁵ *Ibid* c842

First, they increase the amount that can be debited from the main rating account to include payments received in respect of central list contributions and payments that are made as contributions in aid. Those payments are made directly to the Secretary of State. The central list relates essentially to occupiers of network property. That is entered not on any individual local authority's rating list, but on the central rating list. Contributions in aid relate to certain property that is exempt from rating and is occupied by central Government, such as that for visiting forces, international headquarters and so on. We want to ensure that that is not counted in a way that is to the detriment of local government in determining the appropriate shares. By allowing those sums to be included, the amendments will reduce the central share and allow local government to keep more of the local rates that they raise. They are technical amendments, but they work to the advantage of the local authority sector as a whole.

Secondly, the amendments will ensure that central Government cannot debit any sums that need to be repaid in respect of an earlier year. It sometimes happens that in the course of a year, authorities are expected to pay their central share contribution on the basis of an estimate made at the start of the year. That happens to some degree now in the calculation of business rate payments and there is a reconciliation at the end of the year. The amendments will simply ensure that reconciliation works in a way that allows payments to be made back to local authorities. Again, that will ensure that local authorities keep a bigger share of the local rates that they collect. These are both benign amendments that, in a modest way, strengthen the position of local authorities even further. I accept that this is a marginal part of the system, but it is none the less important to get it right.⁵⁶

Amendments 1 and 2 were agreed. Following divisions, amendment 19 was negated by 318-232, and amendment 39 by 228 to 318.

4 Committee of the Whole House second day: 24 January 2012

4.1 Schedule 1: Local retention of business rates (continued)

Robert Neill moved Government amendments 3 to 16.

The amendments would make changes to paragraphs 12 and 15 of the schedule and some consequential changes to schedule 3.

it is conceivable that a local authority could be on the cusp, marginally in either the top-up or the tariff category, and a recalculation pushed it to the other side of the line. We are inserting the amendments as a precautionary measure to tidy up and make the position crystal clear.

That is what amendments 3, 4, 7 and 8 do, so that local authorities need not be in any doubt. They ensure that payments from the authority or from the Secretary of State as a result of that recalculation can be made, to make the system work fairly. To do that, they introduce the sub-paragraphs 6(A) and 8(A) into paragraph 12, and 4(A) and (6A) into paragraph 14. Amendments 5 and 6 make consequential amendments to schedule 1. When we get to them, amendments 9 to 17 make consequential amendments thereafter, so that everything is tidied up.⁵⁷

Helen Jones responded that the Opposition did not object to the amendments, but the Government were "are as careless in their drafting as they are with the effects of their legislation on local communities. These amendments, straightforward as they seem,

⁵⁶ *Ibid* c843

⁵⁷ HC Deb 24 January 2012 c189

epitomise the Government's attitude to the whole Bill: sloppy, rushed and badly considered."⁵⁸

The amendments were agreed.

Ms Jones moved amendment 27, which was taken with amendments 40, 28 and 29.

Amendment 27 is a probing amendment designed to test the Government's intentions with regard to the implementation of the scheme. The Bill states that the "Secretary of State may"—the phrase is repeated throughout the schedule—by regulations determine whether a local authority is required to make a levy payment and, if so, the amount of that payment. What we want to know from the Minister is why the Bill uses "may" in this case rather than "must".⁵⁹

Amendment 40 would:

add new sub-paragraph (1A) to paragraph 20 of the schedule and require the Secretary of State to specify in regulations exactly what he defines as "disproportionate growth" or—the term that is often used—"disproportionate benefit".⁶⁰

She asked in relation to this point

What about a town that redevelops its centre? The council would see a fall in business rates but when the redevelopment was complete, it would see an increase. Would that be treated as a disproportionate gain, given that the council might use the increase to fund the development in the first place?⁶¹

Amendments 28 and 29 simply seek to bring the procedure for requiring a levy payment from an authority more into line with that used for the local government finance report. As we have said, the Bill is remarkable for giving no indication of how the Secretary of State intends to exercise many of his powers. As has been said, we have seen no drafts of the regulations.⁶²

Responding, **Robert Neill** said that amendment 27 would create a duty to have regulations, rather than a permission, and that he could not conceive of the Secretary of State proceeding other than by way of laying regulations. He assured the Committee that the Government intended to consult interested parties in a timely fashion.⁶³ He considered that amendment 40 would narrow the options available to the Secretary of State in drafting regulations about the levy payments.⁶⁴

The amendments were withdrawn.

Chris Williamson moved amendment 30, which was taken with amendment 48, 31 and 32 and New Clause 2. He explained that amendments 31 and 32 dealt with a similar issue to previous amendments, namely that the word 'may' should be substituted with 'must' in relation to regulations. Amendment 48 would ensure that fire authorities are enabled to fulfil their integrated management plans by protecting, through safety-net payments, authorities

⁵⁸ *Ibid* c190

⁵⁹ *Ibid* c192

⁶⁰ *Ibid* c192-3

⁶¹ *Ibid* c193

⁶² *Ibid* c194

⁶³ *Ibid* c202

⁶⁴ *Ibid* c203

that might otherwise receive less funding than was required for them to fulfil their duties.⁶⁵ He noted that New Clause 2 would enable local authorities to make an application in advance for a safety-net payment to be made to them for the duration of a TIF scheme.⁶⁶

Robert Neill replied that amendment 48 misunderstood the nature of integrated risk management plans as they were not a tool for the distribution of resources nationally. On new clause 2, he said:

I take on board the concerns that he and others have raised about the impact that might occur when there is a major redevelopment and, for a period, a consequential loss of business rates income. None of us would wish to create a perverse disincentive to such major redevelopment. It is fair to say that, if it were to cause a significant loss of income, it would qualify for the safety net, which would be capable of picking things up. I have already said that we will consult on the calculation of the safety net.⁶⁷

Mr Neill continued,

I accept that when we draw up the regulations we should not reach a situation in which genuinely desirable and major redevelopment schemes end up perversely penalising a local authority, so I take that point. As I said on our first day in Committee, however, we have set up an official-level working group—with officials from my Department, representatives of local authority associations, treasurers, the valuation industry and so on—that is due to start meeting this month, so it will meet during the passage of the Bill, and I have specifically asked the group to look at the issues that such major redevelopments raise.⁶⁸

The amendment was withdrawn.

Helen Jones moved amendment 33, which was discussed with amendments 34 and 35. The amendments would ensure that any local government finance scheme would take account of the varying level of need in local communities.⁶⁹ She commented that there was a “blind refusal to address need embedded in the Bill”⁷⁰ and said that using the 2012-13 funding settlement as the baseline meant that, because of the level of cuts for that year, it might not reflect the actual funding needed by those councils after April 2013. She noted that amendment 35 dealt with how the remaining balance in the levy account would be distributed, and amendments 34 and 35 would set out what the Secretary of State should take into account when making this decision.⁷¹

Robert Neill rejected the amendments. He said:

- provision is made in the Bill for some or all of the remaining balance in the levy account to be returned to local authorities. It provides flexibility over the amount to be distributed and the basis of distribution, and we believe that it is wise and sensible to keep it that way. It will enable the distribution of the remaining balance to be carried out as is appropriate at a particular time. For example, it might be appropriate to distribute it to authorities on the basis of need, or if we assess that there is no such need, we might wish to return it to some of the levy authorities to

⁶⁵ *Ibid* c209

⁶⁶ *Ibid* c210

⁶⁷ *Ibid* c219

⁶⁸ *Ibid* c219

⁶⁹ *Ibid* c220

⁷⁰ *Ibid* c221

⁷¹ *Ibid* c224

make up for the taking of levy moneys that were not needed for disbursement. It would be wrong to preclude that possibility, which is provided for in the Bill.

- paragraph 18 tightly defines the debits that may be made from the levy account. The effect of that paragraph, taken together with the rest of the schedule, is that any money in the levy account can be used only to make safety net payments or to be returned to local authorities as part of the distribution of the remaining balance for the year. The idea that the Treasury can somehow snaffle it and keep it back from local government is simply not correct.
- There are technical issues to consider about the timing of the report and Treasury consent, so I say to the hon. Lady that I am willing to consider whether anything more can be done to provide greater clarity on Report. I assure her that we do not intend to hang on to the money, but if there is a way in which we can make the provision work better technically, we can return to the matter on Report if she does not press the amendment now.⁷²

The House divided on amendment 33, which was negatived by 290 to 220.

4.2 Schedule 2: amendment of provisions about revenue support grant

Helen Jones moved amendment 65, which would “provide that the Government, when deciding whether to pay a grant, must ensure that the resources available to a local authority are sufficient to meet its needs and that there has been no significant change in circumstances that has led to a significant increase in demand for services or reductions in the amount of council tax collected.”⁷³ The amendment would also:

tackle the kind of problem that occurs, for example, when a major employer closes down—we discussed that earlier. What happens then is that unemployment leads to more demand for services from councils and a loss in revenue, because more people qualify for council tax benefit at the same time as the council has lost business rate income. How is a local council to cope with that under the system the Government propose? The council will lose rate revenue and council tax, and even if it is successful in attracting new businesses, they will not come in immediately. If, as is often the case, those new businesses are small and medium-sized, they will not generate the same level of business rate. Safety net payments will not kick in until the following year and we do not know whether they will be sufficient to replace the loss of income. We do not know, because the Government will not tell us the basis for their calculation.⁷⁴

Andrew Stunell responded to the debate. He said he could not accept the amendment

because it would place a requirement on the Secretary of State to undertake an unnecessary assessment of need, which could risk undermining our objectives to create long-term certainty for a strong growth incentive and to reduce local authorities’ dependence on central Government grants. Need is already incorporated as an important part of the system, and the different circumstances of authorities will be taken into account as the scheme is set up.⁷⁵

The amendment was negative on division by 214 to 288. Schedule 2 was agreed, and clauses 3 to 5 ordered to stand part of the Bill.

⁷² *Ibid* cc229-30

⁷³ *Ibid* c236

⁷⁴ *Ibid* c236-7

⁷⁵ *Ibid* c241

A number of technical amendments were made, namely amendments 9 to 16; schedule 3 as amended was agreed to. Clauses 6 and 7 were ordered to stand part of the Bill.

The Committee divided on new clause 2, which was negated by 219 to 284.

4.3 Resets

Helen Jones moved new clause 5, relating to resets of the system, which was discussed with new clause 7, relating to resets of the non-domestic rates retention system. She said that the “new clauses attempt to tackle the difficult problem of how often the system should be reset by requiring a reset every three years and establishing a mechanism to allow local authorities to make representation on each.”⁷⁶

She argued that the 10-year reset period was too long and had been opposed by the majority of respondents to the consultation exercise; and that local authorities were more used to working in three year cycles.⁷⁷ **Annette Brooke** argued that although she felt the 10 year period was too long, there needed to be a period of stability in order to make other measures work. She requested that the Government put considerable work into making sure the regulations relating to this area were suitable.⁷⁸

Robert Neill replied:

I can tell my hon. Friend the Member for Mid Dorset and North Poole (Annette Brooke) that of course we shall consult fully before we finally set, through regulations, the figure for the reset. It is important to bear in mind that a key point of the legislation is to give a proper incentive for growth, and the longer the period between resets, the greater the incentive for growth for local authorities. The shorter the period between resets, the more the growth incentive is minimised...

New clause 5 would implement a system that triggered an annual reset. That would destroy any incentive in the process whatever, and negate the whole growth incentive. The Opposition say we should listen to the interests of local government. In the consultation responses that the hon. Member for Warrington North (Helen Jones) cited, 78% of respondents favoured fixed resets, so their amendment ignores that 78%. It is a pity they did not do their homework properly on that one.⁷⁹

The Committee divided on new clause 7, which was negative by 218 to 297.

5 Committee of the Whole House third day: 31 January 2012

5.1 Clause 8: council tax reduction schemes

Nick Raynsford moved amendment 79, which was taken with amendments 85, 80, 78 and new Clause 11. The amendment would put the council tax reduction schemes on the same basis as the local retention of business rates scheme, particularly by setting the baseline as the 2012-13 year. This would have the effect of ensuring that no local authority would lose revenue when introducing the new scheme. Amendments 7, 80 and 85 would have a similar effect. New Clause 11, tabled by **Helen Jones**, would protect local authorities from any additional costs that might fall on them during the course of the year.⁸⁰

A number of points were raised by Members during the ensuing debate:

⁷⁶ *Ibid* c258

⁷⁷ *Ibid* c260

⁷⁸ *Ibid* c262

⁷⁹ *Ibid* c265

⁸⁰ HC Deb 31 January 2012 c716-7

- People in rural areas earn on average less than people in urban areas, pay £100 a head more in council tax and see urban areas getting 50% more in central Government grant than rural areas. There is also a higher average age of population in rural areas, so the impact on the rural poor of further skewing could be particularly profound. (**Graham Stuart**).⁸¹
- In some areas, the cut will be far worse than £6 [LGA average figures] a week because the number of pensioners and others who are protected will be greater. In some local authority areas in my constituency, people could lose upwards of £10 a week. (**Mike Hancock**)⁸²
- Councils will find themselves bearing all the risks of the scheme, because there is to be a move from annually managed expenditure, whereby local authorities were reimbursed for correctly processed claims, to a grant—a grant, moreover, that has to come within the Government's expenditure totals. Any rise in benefit claims—any unforeseen problems such as the closure of a major employer—will mean local councils bearing potentially large costs, with no guarantee of reimbursement from the Government. (**Helen Jones**)⁸³
- At the moment, certainly in my constituency of Meon Valley, several parish councils take in council tax—or rather in precept—pretty much the same as the district council. As far as I can see from the Bill and the consultation on the Bill, there is no provision to pay any of the grant for reducing council tax to parish councils. There is mention of district councils, first-tier councils and precepting authorities such as fire authorities and the police, but as far as I can see there are no arrangements to compensate councils at parish council level for moneys they might forgo because people require council tax benefit. It seems to me that this issue needs to be dealt with. (**George Hollingbery**)⁸⁴
- Members have noted that if pensioners are protected, the burden will have to be picked up by others, who may be on low incomes. That is not necessarily the case, because we do not know what the new freedoms will generate, and they may generate sufficient funds to make up the gap. As a result of the proposals, Bradford faces a £4 million loss in council tax. The figure for the funding that will be generated from the new-found freedoms, if they are extended to new areas, is actually very substantial, and it is not far off that £4 million figure. (**David Ward**)

Andrew Stunell responded, stating that:

The amendments have one fundamental problem: they make it impossible to secure a reduction in Government expenditure on council tax support. Even the Opposition have conceded that those savings must be made in order to tackle the deficit. Spending on council tax benefit has risen from £2 billion in 1997 to £4 billion, and it is essential to bring that back under control. The savings from localisation are a vital contribution to deficit reduction, and it is essential that we have a credible deficit reduction plan. I understand the points of view expressed. It would be much easier to have this scheme without deficit reduction, but it is an unavoidable part of the scheme.⁸⁵

He noted that:

⁸¹ *Ibid* c722

⁸² *Ibid* c722

⁸³ *Ibid* c730

⁸⁴ *Ibid* c735

⁸⁵ *Ibid* c744

Amendment 85 would require the Government to carry out a new burdens assessment on their allocation of grant, but the Government have already committed to consult on their proposals for distributing the grant. We must be clear that local authorities have to make choices, but they will be able to choose whether to pass on the reduction to council tax payers, to use the flexibility over council tax, which my hon. Friend the Member for Bradford East mentioned, or to manage the reductions within their budgets.

To the best of my reckoning, 12 local authorities come within the constituencies of Members who have spoken in this debate, and 10 of those local authorities are in a position whereby if they were to take advantage of the new flexibilities over second homes and empty homes, they would achieve an income increase exceeding the 10% reduction in their council tax benefit grant.⁸⁶

The Committee divided on amendment 79, which was negatived by 233 to 291.

Helen Jones moved amendment 66, which was taken with amendments 49, 59, 60, 67, 56, 68, 54, 57, 58, 70, and 71. This series of amendments would have required local authorities to carry out consultation exercises and to take account of various factors, such as the impact of recipients of council tax benefits, when devising their schemes. She explained:

This group of amendments deals with the impact of the proposed changes in council tax benefit on some of the poorest people in the country. One of the keys to this issue is something that we started to debate when discussing the previous group of amendments—the fact that people in the same circumstances will no longer receive the same type of benefit. Entitlement will depend on where a person lives and on the population of that area. That is a major change to the way that we treat people in this country. The circumstances of someone who lives in Birmingham could be exactly the same as those of someone living in Bradford, but their benefit could now be different. Someone who lives in Chichester could be treated differently from someone who lives in Carlisle.

The basic unfairness is staggering, especially when combined with a 10% cut in the funding available to local authorities. As we heard in respect of the previous group of amendments, there has been a switch from annually managed expenditure, whereby local councils were reimbursed for correctly processed claims, to grants that will have to come within the departmental expenditure limits. The impact is clear: far from achieving the Government's stated grand aim in the consultation—to "give councils increased financial autonomy and a greater stake in the economic future of their area"—the measure simply transfers the financial risks to local councils and hits the poorest people hardest, especially the working poor. What is frequently forgotten in this debate, not least by the Government, is that many people receiving council tax benefit are in work.⁸⁷

A number of Members raised similar concerns:

- Does my hon. Friend agree that, contrary to the impression given by the Minister in his winding-up speech on the previous group of amendments—that use of the flexibility on second homes, and growing the economy, could make up the difference—the only option available to most councils is to raise council tax and that councils with a high proportion of

⁸⁶ *Ibid* c745

⁸⁷ *Ibid* c753

band A properties will be at a severe disadvantage when it comes to the amount of money they will be able to raise? (**Kevan Jones**)⁸⁸

- The Institute for Fiscal Studies predicts that as a result of the changes in council tax benefit, individual councils could reduce the benefits to such an extent that it would encourage low-income people to move out of the area. The think-tank also points out that the changes would create a complex, two-tier benefit system, with both local and central Government setting policy. (**Alex Cunningham**)⁸⁹
- If people who find that they are not in receipt of council tax benefit after the measure is introduced feel that their local authority has discriminated against them, that will doubtless lead to court cases. Again, the costs will fall on local authorities. (**Kevan Jones**)⁹⁰

Annette Brooke suggested there was no need for the amendments:

The Child Poverty Act 2010 imposes a duty on local authorities to have regard to and address child poverty and, with their partners, to reduce and mitigate the effects of child poverty in their local area. The Disabled Persons (Services, Consultation and Representation) Act 1986 and the Chronically Sick and Disabled Persons Act 1970 include a range of duties relating to the welfare needs of disabled people. The Housing Act 1996 places on local authorities a duty to prevent homelessness, with special regard to vulnerable groups.

Given that local authorities have those duties on them, is there any need to propose the amendments? These issues are important for the very reasons that have been identified—the 10% cut, the different numbers and proportions of pensioners in different authorities and the different balances that mean that some authorities could get more money through the changes to discounts for second homes and empty homes. Some authorities will have great difficulty in protecting vulnerable people. The number could be quite small, but that possibility is there because of the different demographics of different areas.⁹¹

David Ward rejected the Opposition's arguments:

I anticipate that any local authority worth its salt would have regard to all the things proposed in the amendments. In fact, that will differentiate good local authorities from bad ones, but it is not for the Secretary of State to specify those things, or indeed for us to do so through legislation, which frankly would be patronising and very centralist. As we said many times in relation to the Localism Bill, people have a right to judge at the ballot box whether their authorities are doing what they should be doing—it is not for this House to tell them.⁹²

Responding to the debate, **Andrew Stunell** said:-

... there is to be a reduction in the funding of council tax benefit support. That is not in dispute. My point—and the point the Government are making—is that local authorities have additional income streams open to them in later parts of the Bill. They also have the opportunity to tailor their schemes to suit their local circumstances, and if they

⁸⁸ *Ibid* c754

⁸⁹ *Ibid* c762

⁹⁰ *Ibid* c769

⁹¹ *Ibid* c761

⁹² *Ibid* c764

choose to draw resources from other parts of their income streams, it is open to them to do that.⁹³

He noted that there were already ways of achieving the aims of the amendments; for example, in relation to amendment 67, he commented,

Amendment 67 would require authorities to publish, as part of the scheme, the steps that they would take to ensure that people were informed of their entitlement and what assistance they would be offered. That is a sensible requirement, but paragraphs 2(1) and 2(5) of new schedule 1A to the Local Government Finance Act 1992, inserted by schedule 4 to the Bill, already require the authority to set out the classes of persons who are entitled to a reduction, and the procedure for making an application. The provision that the amendment seeks to introduce is therefore already part of the legislation.⁹⁴

Responding to complaints that there was insufficient time to properly test the IT systems that would need to be in place, he said:

IT suppliers are considering possible changes to existing software and they are working with local authorities. I recognise, of course, that local authorities and suppliers need as much information as possible as soon as possible. For that reason, we intend to publish draft regulations while the Bill is still before the House. We shall shortly make available a design tool to make it easier for local authorities to model their case load and the impacts of any changes to the framework, which should also clarify the extent of any IT changes that the design of their scheme might require.⁹⁵

On amendment 71, he noted,

...the Government have already made clear their intention to use the guidance to set out the importance of supporting work incentives through the design of local schemes and will consider how to ensure that local authorities are aware of their duties in respect of vulnerable groups. It is unclear whether amendment 71 would add to the Government's commitment in this regard.

There are things that councils can begin to do now to help in their preparation—in understanding the circumstances of those in their area who currently claim support, in ensuring that elected members are aware of the decisions they need to take and in engaging with precepting authorities such as police and fire authorities. The Government have been clear that local authorities must ensure that they are on the front foot in preparing for this reform.⁹⁶

The Committee divided on amendment 66, which was negatived by 233 to 294.

George Hollingbery moved amendment 72, which would allow local authorities to pool council tax reduction schemes. This was taken with amendments 52, 74, 55, 75, 53, 76 and 77, and Government amendments 86 and 87. He explained that the amendment would “avoid the strange situations where streets are split in such a way that there is one expectation of the scheme on one side of the street and a different expectation on the other.”⁹⁷ The Minister did not have time to respond.

⁹³ *Ibid* c774

⁹⁴ *Ibid* c775

⁹⁵ *Ibid* c777

⁹⁶ *Ibid*

⁹⁷ *Ibid* c783

The Committee divided on the stand part motion on clause 8, which was agreed by 305 to 227. Government amendment 86, relating to information about social security benefits held by the Secretary of State and consequential Government amendment 87, were made to schedule 4. The Schedule was agreed as amended and clause 9 was ordered to stand part of the Bill. A technical amendment (number 17) was made to clause 10, which was ordered to stand part as amended. Clauses 11 to 16 were also ordered to stand part of the Bill.

The Committee divided on new clause 11, which would require the Secretary of State to pay an additional grant to a local authority if, at the end of any financial year, the total expenditure incurred by the authority under any scheme approved pursuant to Schedule 4 of this Act is greater than the amount of grant received from the Secretary of State to fund the scheme.⁹⁸ The new clause was negatived by 309 to 225.

The Bill as amended was reported.

6 Related publications

There have been a number of publications from other organisations which might be of interest, as follows:

- The Local Government Association has published a [Second Reading briefing](#) and three [Committee stage briefings](#);
- London Councils has published [briefing notes](#) for second reading and committee stage, including summaries of the discussions;
- Local Government Yorkshire and Humber has produced a [briefing for MPs](#) on Second Reading;
- The Council of Mortgage Lenders has published a [Briefing for Committee Stage](#);
- The Centre for Cities published [Urban Outliers: Will the Local Government Finance Bill incentivise growth in all England's cities?](#) on 28 February 2012;
- British Council of Shopping Centres published a [Second reading briefing](#);
- The Local Government Information Unit has published a number of documents on their [blog page](#) relating to the resource review and the Bill.

⁹⁸ *Ibid* c788

Appendix: Fate of amendments and new clauses considered in debate

(Note: Amendments follow the order of the Bill as introduced into the House on 19 December 2011 (Bill 265, 2010-12); those agreed to are shown in bold)

Clause, schedules and amendments	Debate and subject	Outcome
<i>Clause 1</i>	<i>HC Deb 18 January 2012 c767 – 801</i>	
<i>Local retention of non-domestic rates</i>		
Amdt 20	To change the implementation date from 2013 to 2014.	Negated on division, 246 to 316
<i>Schedule 1</i>	<i>HC Deb 18 January 2012 c801 – 852</i>	
<i>Local retention of non-domestic rates</i>		
Amdt 46	Probing amendment relating to the difference between the total payments from local businesses via local authorities in respect of the central share, and the central allocation of these funds for local government use.	Negated without division
Govt amdts 1 and 2	Relating to: <ul style="list-style-type: none"> • Debits from the main rating account • Central rating lists and network property 	Agreed to
Amdt 44	Requirement to meet needs of local government	Not called
Amdt 45	Relating to credits and debits	Not called
Amdt 19	Requirement for Secretary of State (SoS) to determine level of need, capacity for business rate growth and council tax base of an authority	Negated on division, 232 to 318
Amdt 37 and 38	Announcement of central and local shares for each authority for a year	Not called
Amdt 36	Probing amendment to determine definition of a local authority 'acting diligently'	Not called
Amdt 39	Needs assessment report	Negated on division, 228 to 318
<i>Schedule 1</i>	<i>HC Deb 24 January 2012 c186 - 234</i>	

<i>Local retention of non-domestic rates</i>		
Govt amdts 3 and 4	To ensure that payments from the authority or from the SoS as a result of that recalculation can be made, to make the system work fairly	Agreed to
Govt amdts 5 and 6	Technical amendments to Schedule 1 consequential to Govt Amdts 3,4,7,8	Agreed to
Amdt 26	Level of service provision to be taken into account in any amending report	Not called
Govt amdt 7 and 8	To ensure that payments from the authority or from the SoS as a result of that recalculation can be made, to make the system work fairly	Agreed to
Amdt 27	Change from 'may;' to 'must' in relation to provision for SoS to make regulations	Amdt withdrawn
Amdt 40	Definition of disproportionate gain	Not called
Amdt 28	Amount of levy payment	Not called
Amdt 29	To introduce provisions for a final determination	Not called
Amdt 30	Change from 'may;' to 'must' in relation to provision for SoS to make regulations.	Amdt withdrawn
Amdt 48	Safety net payments	Not called
Amdt 31	Change from 'may;' to 'must' in relation to provision for SoS to make regulations	Not called
Amdt 32	Change from 'may;' to 'must' in relation to provision for SoS to make regulations	Not called
Amdt 33	Assessment of level of need of local authority when determining distribution of remaining balance	Negatived on division, 220-290
Amdt 34	Assessment of level of need of local authority when determining distribution of remaining balance	Not called
Amdt 35	Timetable for distribution of remaining balance	Not called
<i>Clause 2</i>	<i>HC Deb 18 January 2012 c767-801</i>	
<i>Revenue support grant</i>		
Amdt 21	Change of implementation date to 2014	Not called
<i>Schedule 2</i>	<i>HC Deb 24 January 2012 c234-252</i>	
<i>Amendment of provisions about</i>		

<i>revenue support grant</i>		
Amdt 65	SoS must assess whether resources available to a local authority are sufficient to meet their needs, including assessing whether there has been a significant change in the LA's circumstances.	Negated on division, 214 to 288
<i>Clauses 3 – 5</i>	<i>HC Deb 24 January 2012 c</i>	
<i>Additional grant, general GLA grant and local retention of business rates: further amendments</i>		
Amdt 22 - 24	Change of implementation date to 2014	Not called
<i>Schedule 3</i>	<i>HC Deb 24 January 2012 c252</i>	
<i>Local retention of business rates: further amendments</i>		
Govt amdts 9-16	Technical amendments consequential to Govt Amdts 3-8	Agreed to
Amdt 25	Change of implementation date to 2014	Not called
New clause 2	Major redevelopment schemes: non-domestic rate income <i>HC Deb 24 January 2012 c265</i>	Negated on division, 219 to 284
New clause 5	Re-set of the system	Negated without division
New clause 7	Resets of the non-domestic rates retention system	Negated on division, 218 to 297
<i>Clause 8</i>	<i>HC Deb 31 January 2012 c716 to 787</i>	
<i>Council tax reduction schemes</i>		
Amdt 79	To ensure the finances available for the reduction scheme would equal the amount available for council tax benefit	Negated on division, 233 to 291
Amdt 66	The local authority must have regard to those in or actively seeking employment, and the levels of	Negated on division, 233 to

	poverty, including child poverty	294
Amdt 49	Assessment of the new scheme on living standards	Not called
Amdt 85	Grants payable for 2013 shall not be less than those payable for 2012	Not called
Amdt 72	Pooling of schemes	Not called
Amdt 59	To delay implementation to 2014	Not called
Amdt 60	To delay implementation to 2014	Not called
Amdt 80	No reduction in subsidies to local authorities	Not called
<i>Schedule 4</i>	<i>HC Deb 31 January 2012 c787</i>	
<i>Amendments relating to council tax reduction schemes</i>		
Amdt 67	Local authorities must make people aware of entitlements	Not called
Amdt 52	Local authorities must make an assessment of the estimated to be eligible to make an application	Not called
Amdt 74	SoS must consult local authorities before making regulations	Not called
Amdt 56	Assessment of the impact of the scheme on local people	Not called
Amdt 68	Assessment of impact of scheme on local charities etc	Not called
Amdt 55	Local authorities to notify all persons receiving council tax benefit of implications of draft scheme	Not called
Amdt 75	Removal of sub-paragraphs relating to regulations about procedure for preparing a scheme	Not called
Amdt 53	Removal of provisions allowing charges for copies of documents relating to the scheme	Not called
Amdt 54	Estimates of impact on living standards of those previously receiving council tax benefit	Not called
Amdt 57	To delay implementation to 2014	Not called
Amdt 58	To delay implementation to 2014	Not called
Amdt 70	Local authority to have regard to impact of scheme on certain groups	Not called

Amdt 76	Removal of provisions relating to timetable of revision or replacement of scheme	Not called
Amdt 77	To remove paragraphs relating to arrangements to deal with shortfall in council tax receipts	Not called
Amdt 78	In circumstances where a deficit arises in the billing authority's collection fund the authority shall be able to make an application to the SoS for a payment to cover that deficit.'	Not called
Amdt 71	Local authority to have regard to impact of scheme on certain groups	Not called
Govt Amdt 86	To remove paragraph 6(2) relating to information on any relevant social security benefit which is held by the Secretary of State, etc.	Agreed to
Govt Amdt 87	Technical amendment consequential to Govt Amdt 86	Agreed to
<i>Clause 10</i>	<i>HC Deb 31 January 2012 c787-8</i>	
<i>Power to set higher amount for long-term empty dwellings</i>		
Govt Amdt 17	Technical amendment consequential to Govt Amdts 3-8	Agreed to
New clause 11	To protect local authorities from any additional costs that might fall on them during the course of the year	Negatived on division, 225 to 309

A full list of all the amendments put down at Committee Stage is available on the Bill's pages on the Parliamentary website, <http://services.parliament.uk/bills/2010-12/localgovernmentfinance/documents.html>.