

Report to Local Council's Liaison Committee

Date of meeting: 7 November 2013

Subject: Local Support for Council Tax

Officer contact for further information: Bob Palmer (01992) 564279

Committee Secretary: Mark Jenkins



Recommendations/Decisions Required:

To note the potential reductions in support grant for 2014/15 and 2015/16.

Report:

Background

1. To understand what is happening here you first need to be sure you understand what is meant by "Council Tax Base" and how it is calculated. For the purposes of Council Tax, properties are placed in one of eight bands from A to H depending on their value, with band H being the most expensive properties. Calculations for Council Tax are done on the basis of 9ths, with Band D being the standard charge at 9/9, Band A being the lowest at 6/9 and Band H being charged twice the value of a Band D at 18/9.
2. The Council Tax Base for an area is the total number of properties in that area adjusted for their bandings. For example if a parish had 10 properties that were all Band D the tax base would be 10. If another parish had 10 properties and 5 of these were Band D and 5 Band H the tax base would be 15 or if all 10 were Band H the tax base would be 20.
3. The total income from Council Tax for an area is the Band D charge multiplied by the tax base, using the example of Theydon Garnon $\text{£}12.29 \times 78.9 = \text{£}970$. This equation can be worked round depending on which outcome you want, using the example of Abbess, Berners and Beauchamp Roding where it appears that the decision was made to have a precept of $\text{£}4,700$ so dividing this by the tax base of 202.1 gives the Band D charge of $\text{£}23.26$. Alternatively some parishes chose to keep the Band D charge constant, for example Epping Upland maintained a charge of $\text{£}28.54$ which was multiplied by their tax base of 390.0 to give income of $\text{£}11,132$.
4. At the start of this financial year Council Tax Benefit was replaced by Local Support for Council Tax. Under the old system, the council tax base was unaffected by changes in council tax benefit granted. However, under the new local council tax reduction scheme, the council tax base is affected by whether persons living in a dwelling are in receipt of a council tax reduction awarded under the scheme. As the billing authority will be foregoing council tax income from those dwellings.
5. For the 2013/14 financial year the Members of Epping Forest District Council (EFDC) decided to pay town and parish councils an amount of support grant that compensated them for the reduction in their tax bases. This meant that, subject to other changes affecting the tax base, the introduction of local support should have had a neutral financial impact. In total the value of the grants paid out was $\text{£}320,272$, which was $\text{£}7,460$ more than the Department for Communities and Local Government (DCLG) stated as being the allocation for local councils.

Council Tax Setting for 2013/14

6. It was not possible to confirm the amount of support grant until the DCLG provided the final settlement figures for the year. Unfortunately this delayed the budget setting process for many authorities. However, liaison between EFDC staff and colleagues at local councils was effective and all precepts were determined in time for EFDC to go on and set the district wide charges in time. Out of the 24 local councils in the district only 5 increased their Band D charge by more than 3.4%, see Annex 1. This demonstrates that most authorities understood the support grant and took it into account in setting their charges.

Draft Settlements for 2014/15 and 2015/16

7. As part of a consultation exercise DCLG have published draft settlement figures for the next two financial years. The amount of overall Local Council Tax Support Grant has not been provided as a separate figure. At this time the only number given is for the total "Funding Assessment", which shows reductions of 13.6% for 2014/15 and 14.1% for 2015/16. These likely reductions were considered by the Finance and Performance Management Cabinet Committee on 19 September and Members felt the amount given to local councils in support grant should reduce by the same % as the Council's overall funding reduces.

8. Given the potential size of these reductions it was felt important to inform town and parish councils of the potential reductions to inform the consideration of their budgets. I wrote to the Vice Chairman of this Committee on 24 September and asked that the information on potential reductions was shared with colleagues at town and parish councils.

9. It would be possible to achieve the total reductions required in a number of ways and colleague's views are invited on the extent of any additional protection or weighting that should be considered. The figures provided for each authority on Annex 2 reduce all authorities support grant by 13.6% for 2014/15 and a further 14.1% for 2015/16.

Next Steps

10. The final settlement figures are unlikely to be available until late December or possibly even January. As soon as the figures are confirmed the information will be shared. For the moment it would be prudent to budget based on a reduction in support grant of at least 13.6% in 2014/15.

11. DCLG have not yet imposed the requirement to conduct a referendum on increases in Council Tax on town and parish councils, although this remains a possibility. The limit on major preceptors for 2014/15 is 2%, with a positive referendum outcome being needed before an increase greater than 2% can be made.