

Report to Local Councils Liaison Committee



**Epping Forest
District Council**

Date of meeting: 5 July 2012

Subject: Localising Support for Council Tax

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Committee Secretary: Adrian Hendry

Recommendations/Decisions Required:

To note the changes to the system of support for Council Tax payments.

Report:

Requirement for preparing a scheme

1. In December 2011 the Department for Communities and Local Government published a consultation on proposals for the localisation of council tax support in England. This sets out how the Government intends to implement the Spending Review commitment to localise support for council tax from 2013-14, reducing expenditure by 10%.
2. The Government intends that in future support for council tax will be offered as reductions within the council tax system. However, allowances and awards for claimants of state pension credit age will not experience a reduction in support i.e. they will be protected.
3. The Welfare Reform Act 2012 contains provisions for the abolition of council tax benefit, paving the way for new localised schemes. Within the Local Government Finance Bill (December 2011) is a provision for localisation of council tax support in England by imposing a duty on billing authorities (Epping Forest) to make a localised council tax reduction scheme by 31 January 2013. If a billing authority does not make a scheme by 31 January 2013, then the Government will prescribe a default scheme on that authority.
4. Local authorities are reimbursed currently at a rate of 100% for correctly awarded council tax benefit through submitting audited subsidy claims to the Department for Work and Pensions. Under the new scheme the Government will make funding available to Councils based on 90% of the forecast council tax benefit expenditure for 2013-14.
5. The Local Government Finance Bill requires billing authorities to consult on the draft scheme with major precepting authorities and to other persons it considers are likely to have an interest.

Transitional arrangement

6. To minimise the administrative burden on both claimants and local authorities, and help meet the principle of tell us once, billing authorities can use existing council tax benefit applications and information to calculate reductions for council tax bills for 2013-14.
7. It will be for each billing authority to determine how they wish to design the application forms required for their local schemes, and to consider any requirements on how these should be completed (including, for example, whether an application can be filled in on-line).
8. A billing authority will be required each financial year to consider whether it wants to revise or replace its scheme.

Council Tax Base

9. The council tax base is the aggregate of the relevant amounts calculated for each valuation band multiplied by the authority's estimated collection rate for the year. The Government intends to amend the council tax base regulations to ensure that the calculation of the tax base by billing authorities takes into account the new council tax reductions under local schemes. It is recognised that this will have an effect of reducing the council tax base.

10. The number of dwellings to which council tax is chargeable is represented by the estimated number of dwellings in each band to which council tax will be charged, after allowing for discounts (for example, single persons discount).

11. The current legislation will require the discount and reductions to be taken into account as percentage reductions to the council tax base. For example, if there are four dwellings each occupied by a single person in receipt of 25% single person discount, they would be represented as 1 dwelling removed from the council tax base (4×0.25 (single person discount) = 1). The billing authority will, in effect, receive the equivalent of full council tax liability from 3 of the 4 dwellings.

12. Under the existing council tax benefit system, the council tax base is unaffected by changes in council tax benefit granted. The billing authority receives payment of the liability eligible to be covered by council tax benefit.

13. However, under the new local council tax reduction scheme, the council tax base will be 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.

Effect on Council Tax Charged

14. The new council tax reductions will normally reduce the tax base on which the local precepting authority's council tax is raised. Assuming that the council tax requirement remains unchanged, then this reduced tax base would lead to a higher precepting authority Band D council tax level.

15. The Government expects billing and local precepting authorities to work together to manage the potential impact on the local precepting authority Band D council tax level.

16. This could be achieved by billing authorities passing down an element of the funding to local precepting authorities, so the funding is taken into account when calculating the local precepting authorities council tax requirement. The portion of the funding that could be passed down will depend on the local scheme being developed and its impacts in each local precepting authority. This approach will allow local authorities to take a proportionate approach to managing the impact on local precepting authority Band D levels, appropriate to their circumstances.

SIMPLE EXAMPLE

Current

Dibley Parish Council has 100 dwellings all band D. The estimated collection rate is 98%. Therefore, the tax base is:

$$100 \times 98\% = 98$$

Their annual precept is £10,000. Therefore, the council tax charge would be:

$$£10,000 / 98 = £102.04$$

From 2013-14

The 100 dwellings include 5 in receipt of full council tax support and 10 in receipt of 40% support. As bills will now be issued to people on limited means the estimated collection rate reduces to 96%. Therefore, the tax base would be:

$$100 - (5 \times 100\%) - (10 \times 40\%) \times 96\%$$

$$91 \times 96\% = 87.36$$

If the annual precept remains at £10,000 and the share of Central Government grant allocated to the parish is £1,000. The council tax charge would then be:

$$£10,000 - £1,000 = £9,000$$

$$£9,000 / 87.36 = £103.02$$

Next Steps

17. The Council is currently working with other districts within Essex and major precepting authorities to design a scheme that gives the 10% savings. Following the completion of this exercise and a draft scheme being developed, consultation on the scheme will be undertaken with interested parties and it is proposed that the final scheme will go to Cabinet on 22 October and then onto Council on 18 December.

18. It is currently not possible to detail the effect for each Parish / Town Council on their tax base until the scheme has been agreed. Also it is not possible to confirm what grant will be allocated to each parish until final figures are made available as part of Local Government Finance Settlement in December.