

**ALLOCATION OF COUNCIL TAX SUBSIDY GRANT
(Report by the Head of Financial Services)**

1. PURPOSE

- 1.1 To allow the Cabinet to consider a basis for allocating grants to Parish and Town Councils (Local Councils) to offset the Government's changes to Council Tax Benefits that will result in a reduction in their Taxbase.

2. BACKGROUND – THE POSITION IN 2012/13

2.1 Tax Base

Each year, in December, the Council calculates the Tax base for the whole District and each Local Council for the following financial year. The Tax base is the amount of money that each £1 of Council Tax will raise. It is expressed as a "Band D equivalent" with smaller and larger properties being converted to a Band D (e.g. a Band A is 6/9ths of a Band D and a Band H is twice a Band D).

- 2.2 The Major Preceptors (County, Fire, Police and Huntingdonshire) need the Tax base to formally set their Council Tax level (per Band D property) by dividing the funding they need by the Tax base for their area (e.g. this year the County divided £240m by the Tax base for the whole County to get a Council Tax of £1,078.65).

- 2.3 The Local Councils are not required to determine a Council Tax level but simply the cash sum (the precept) that they require (e.g. Huntingdon Town Council was £822k). Although this Council (as billing authority) is required to pay them that cash sum irrespective of the actual amounts collected it is obvious that the Local Council will want to consider the Council Tax level that its precept will convert into when it sets its precept as the percentage increase in Council Tax will be shown on the Council Tax bill.

- 2.4 Their percentage change is affected by any change in the cash sum of their precept **and** any change in the Taxbase. For example: If in year 1 they require £10,000 and their Taxbase is 1,000 this will be expressed as £10 per Band D property on the Bill. If they require the same cash sum in year 2 they might expect to be commended for keeping the tax down but, if the Taxbase had fallen to 950, the Tax would be shown as rising to £10.53, a 5.3% increase. Conversely a rise in Tax Base would have shown a fall in Tax level.

2.5 Once the Tax is set for each authority the District Council will send out the bill for all the authorities relating to a particular property, the County, Fire, Police, District and Town or Parish. The bill will also vary depending on the Council Tax Band of the property and whether a single-person discount is relevant. For example, if the total Band D bill were £1,530, a single person in a Band A property would only pay £765 whilst a family in a Band H would pay £3,060.

2.6 Collection Fund

This is a statutory account from which all the sums requested (precepts) are paid out, the Local Councils on the basis of their requested cash sum and the Major Preceptors on the basis of their required level of Council Tax. Into the Fund goes all the income received from Council Tax Payers and all the sums they are due for Council Tax Benefit, which are reimbursed by the Government. At the end of each year any surplus or shortfall is shared out between the Major Preceptors pro rata to their Council Tax levels. In other words, the Major Preceptors protect the Local Councils, the smaller authorities, from any variations.

2.7 The Calculation of the Taxbase

A simplified table showing the items included in the current calculation of the Taxbase is given below:

TAXBASE CALCULATION 2012/13
Number of Band D properties as at October 2011
Add
Impact on the coming year of estimated growth in properties between November 2011 and March 2013
Band D equivalent of sums paid by the Government in lieu of Council Tax for dwellings e.g. RAF Wyton, RAF Brampton
Less
All known and anticipated exemptions and discounts e.g. Single person discounts
Estimate of losses on empty properties (e.g. no Tax payable for first 6 months)
Other adjustments (e.g.
Less
Provision for sums that will not be collectable due to bankruptcy or any other reason (historically around 0.6%)

3. WHAT IS CHANGING FOR 2013/14

3.1 The Government is localising Council Tax Benefits which will in future be called Council Tax Support. Their aim is to encourage more people into working or into increasing their part time hours in order to reduce the cost to the public purse.

- 3.2 They are doing this by ceasing to reimburse the cost of these Benefits and instead give each Major Preceptor a Council Tax Subsidy Grant **which is less than the current proportionate cost of Council Tax Benefits** and encouraging District Councils (who are responsible for the scheme) to create their own local scheme but this must not reduce the level of benefits to Pensioners or those in some other specified categories. Because of this, the impact of the reduced funding bears disproportionately on the working age claimants and this Council, like most others, is intending to offset this by taking advantage of the Governments offer to allow it to remove some of the allowances that reduce Council Tax income e.g. reducing the period of Council Tax holiday for an empty property from the current 6 months.
- 3.3 The Council's intention is to balance the books by attempting to make:

<p style="text-align: center;">Cost of Council Tax Support LESS Reduction in Council tax allowances EQUAL TO Government Council Tax Subsidy Grants</p>

- 3.4 When the Government consulted on the scheme it proposed that the District Council would get the Subsidy Grant for the Local Councils element but in return would be required to fully protect them from the impact. Local Councils would thus have had the benefit of the increased Tax base due to reducing Council Tax allowances plus this protection and so would have seen an **increase** in their Taxbase, funded by the District Council.
- 3.5 However, following consultation, the Government has reconsidered this approach. It is now **encouraging, not requiring**, District Councils to pass on the Local Councils' element of the Subsidy Grant (£366k consultation figure) in an appropriate way.

- 3.6 The calculation of the Taxbase will therefore change for 2013/14 and will contain three more elements. It will now be as follows:

TAXBASE CALCULATION 2013/14
Number of Band D properties as at October 2012
Add
Impact on 2013/14 of estimated growth in properties between November 2012 and March 2014
Band D equivalent of sums paid by the Government in lieu of Council Tax for dwellings e.g. RAF Wyton, RAF Brampton
Reductions in allowances introduced to help fund Council Tax Support (e.g. reducing empty property exemption to 1 month)
Less
All known and anticipated exemptions and discounts e.g. Single person discounts
Estimate of losses on empty properties (e.g. no Tax payable for first 6 months)
Other adjustments (e.g.
Cost of Council Tax Support
Less
Provision for sums that will not be collectable due to bankruptcy or any other reason (historically around 0.6%)
Additional (higher) provision for sums that will not be collectable in the highlighted areas above

- 3.8 The impact of the changes will be a net reduction in Taxbase that could be compensated for by each Local Council being given a share of the grant that will be given to the District Council.

For example:

2012/13

Precept required £10,000

Tax base 1,000

Council Tax £10 per Band D property

2013/14

Precept required £9,500 (£10,000 less £500 Council Tax Subsidy Grant)

Taxbase 950

Council Tax £10 per Band D property

4. ALLOCATING THE LOCAL COUNCILS' ELEMENT OF THE COUNCIL TAX SUBSIDY GRANT

4.1 There are three obvious options to allocate the Government Grant. The Council could:

1. Retain the whole of the grant to reflect the fact that
 - it will be faced with additional costs compared with the existing scheme,
 - that it has savings to achieve that will impact on services to the public,
 - that its Council Tax rise is expected to be limited to £5 and that there are no proposals to limit the Council Tax rises of Local Councils for 2013/14.
2. Retain that part of the grant necessary to meet the additional costs it will face as a direct result of the new scheme (circa £195k) and distribute the remainder to Local Councils.
3. Distribute the grant to fully compensate the Local Councils for the net impact of the change to the Taxbase due to the three highlighted elements in the table in paragraph 3.7 above.

5. CONCLUSION

5.1 Because many Local Councils meet infrequently there was a need to inform them quickly of the Council's intention regarding any grants so that they could set their precepts in time for the formal Council Tax decisions in February. The options were therefore discussed informally with Cabinet members.

5.2 The consensus was that, whilst this Council does face financial challenges, option 3 would be the fairest approach. Local Councils were therefore informed in December that, subject to formal approval, the Council was minded to support this option.

5.3 The Annex therefore shows the impact for each Town or Parish of the net change in tax base (on the assumption that the Councils do not increase their precepts in 2013/14) and the proposed level of grant to match this.

6. RECOMMENDATION

6.1 It is recommended that the Cabinet approve the grant allocations to Town and Parish Councils shown in the attached Annex.

ACCESS TO INFORMATION ACT 1985

Source Documents:

Working papers in Customer Services and Financial Services

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TOWN/PARISH	IMPACT ON INCOME £	GRANT £	TOWN/PARISH	IMPACT ON INCOME £	GRANT £
Huntingdon	-83,265	83,265	Wistow	-352	352
St Neots	-81,639	81,639	Catworth	-344	344
St Ives	-45,734	45,734	Woodwalton	-334	334
Yaxley	-23,055	23,055	Ellington	-333	333
Ramsey	-18,067	18,067	Abbots Ripton	-307	307
Godmanchester	-10,803	10,803	Alconbury Weston	-307	307
Brampton	-10,039	10,039	Leighton Bromswold	-301	301
Sawtry	-9,356	9,356	Oldhurst	-298	298
Somersham	-7,988	7,988	Spaldwick	-284	284
Farcet	-7,258	7,258	Conington	-279	279
Warboys	-6,589	6,589	Alwalton	-276	276
Bluntisham	-4,286	4,286	Abbotsley	-259	259
Hemingford Grey	-4,251	4,251	Hail Weston	-244	244
Buckden	-3,620	3,620	Graham	-225	225
Fenstanton	-3,538	3,538	Sibson-cum-Stibbington	-220	220
Little Paxton	-3,331	3,331	Upton and Coppingford	-185	185
Holywell-cum-Needingworth	-3,313	3,313	Diddington	-179	179
Alconbury	-3,097	3,097	Old Weston	-154	154
Stilton	-2,812	2,812	Woodhurst	-126	126
Earith	-1,991	1,991	Kings Ripton	-104	104
Offord Cluny & Offord D'Arcy	-1,873	1,873	Brington & Molesworth	-101	101
Bury	-1,643	1,643	Broughton	-96	96
The Stukeleys	-1,449	1,449	Stow Longa	-89	89
Kimbolton	-1,400	1,400	Tilbrook	-65	65
Houghton & Wyton	-1,324	1,324	Yelling	-58	58
Upwood and the Raveleys	-1,121	1,121	Chesterton	-58	58
Wyton-on-the-Hill	-1,015	1,015	Bythorn & Keyston	-46	46
Southoe & Midloe	-940	940	Covington	-42	42
Great & Little Gidding	-906	906	Waresley-cum-Tetworth	-36	36
Colne	-809	809	Hamerton & Steeple Gidding	-31	31
Elton	-650	650	Glatton	-31	31
Holme	-574	574	Barham & Woolley	0	0
Hilton	-533	533	Buckworth	0	0
Great Paxton	-524	524	Winwick	0	0
Great Gransden	-522	522	Toseland	0	0
Folksworth & Washingley	-484	484	Denton & Caldecote	0	0
Perry	-478	478	Haddon	0	0
Great Staughton	-471	471	Morborne	0	0
Pidley-cum-Fenton	-359	359	Water Newton	0	0
Hemingford Abbots	-352	352	Easton	11	0
			TOTAL	-357,212	357,223