

## **Report to Cabinet**

**Report Reference: C-053-2012/13**  
**Date of meeting: 10 January 2013**



**Portfolio: Finance and Technology**

**Subject: Allocation of Local Council Tax Support Grant**

**Responsible Officer: Bob Palmer (01992 564279)**

**Democratic Services: Gary Woodhall (01992 564470)**

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### **Recommendations/Decisions Required:**

- (1) To allocate Local Council Tax Support Grant to each Town and Parish Council based on the amount of the reduction in their tax base multiplied by their band D charge for 2012/13; and**
- (2) To review the calculation and allocations in one year as part of the budget process for 2014/15.**

### **Executive Summary:**

The replacement of Council Tax Benefit by Local Council Tax Support (LCTS) has been the subject of several reports to Cabinet and Council. The scheme to be implemented was approved by Council on 18 December. However, as the grant figures were still to be released it was not possible to agree how the grant would be allocated at that time.

The grant figures were released on 20 December and stated specific amounts for local councils and billing authorities. As the Government does not have an existing power to pay grants directly to local councils, they have stated that they expect billing authorities to agree a payment mechanism and pass the grant on to local councils.

The amount of grant relating to local councils in the district is £312,812, which is £7,460 less than the amount of £320,272 they are likely to lose through the introduction of LCTS. The amount of grant relating to this Council is £806,814, which is £37,934 more than the amount of £761,420 the Council is likely to lose through the introduction of LCTS. It is therefore proposed to use £7,460 to leave the local councils no worse off and this Council £30,474 better off.

It must be made clear at this point that whilst these estimates have been properly prepared and checked, we are entering new schemes of both Council Tax Support and Council Tax Technical Changes. These are very significant changes and people may not behave as we have anticipated and collection rates may be different to our expectations. Given this level of uncertainty it is sensible to keep the calculations and allocations under review and consider any necessary changes as part of the budget setting process for 2014/15.

### **Reasons for Proposed Decisions:**

To agree the basis for allocating LCTS Grant and the amounts due to each Town and Parish Council.

## Other Options for Action:

Members could decide to allocate only the amount of £312,812 and spread the shortfall pro-rata amongst the local councils. Alternatively, Members could decide to allocate more than the proposed £320,272 although this is not recommended as any funds allocated above £312,812 would represent a reduction in the safety margin for this Council.

## Report:

1. This report does not re-visit the numerous previous reports and consultations, instead it focuses on where we are now and what needs to be done to allow the local councils to set their budgets. The Government has decided that the tax bases of local councils will be effected and so the only concern now is how the LCTS Grant should be allocated. The Government does not have the power to pay grant directly to local councils and so billing authorities are required to agree a payment mechanism and allocate grant to local councils.

2. To determine the effect on each local council it was necessary to calculate tax bases before and after LCTS had been applied. Having calculated the reduction in tax base this amount can be multiplied by the 2012/13 Band D charges to get a grant amount that should leave each local council no better or worse off. This is shown for each local council in Appendix 1.

3. The principal behind the grant is that it should compensate for the reduction in tax base. Therefore if the grant is deducted from the previous year's precept and the adjusted precept is then divided by the adjusted tax base the new Band D charge produced should be similar to the 2012/13 Band D charge. This is shown for each local council in Appendix 2. It has to be remembered here that the tax base will have been effected by properties being built and demolished, appeals against bandings and of course the technical changes. It is worth commenting on some of the figures shown in the final two columns of Appendix 2 to provide assurance.

4. Firstly, it is worth stating that to get back to exactly the same Band D result would require no change in tax base during the year and for the reasons stated above the tax base will have changed in the year in most areas. However, the success of the allocation system is shown by the fact that out of the 24 local councils there are only 4 where the change in the Band D charge is greater than 75p or in percentage terms there are only 5 where the change is more than 2% of the 2012/13 Band D figure. If we look at some of the outlying figures, the two largest increases are Matching (0.62p or 1.98%) and Theydon Mount (0.59p or 4.41%). Both of these councils have suffered a reduction in their Band D equivalents regardless of LCTS. Matching had a tax base of 446.4 in 2012/13 and Appendix 1 shows this had reduced to 438.3 in 2013/14 before the LCTS reduction. Similarly, Theydon Mount had a tax base of 112.0 in 2012/13 and Appendix 1 shows this had reduced to 107.3 in 2013/14 before the LCTS reduction.

5. If we now consider the apparent greatest gainers it can be seen that they are in the opposite position and have benefited from an increase in their tax base before the LCTS adjustment. As this covers 4 local councils a table is used below for ease of illustration:

Local Council	Band D Reduction £	Band D Reduction %	2012/13 Tax Base	2013/14 Unadjusted Tax Base
Stanford Rivers	1.10	3.38	359.0	370.6
Stapleford Tawney	0.50	2.53	74.6	76.5
Theydon Garnon	2.54	17.13	67.4	80.9
Waltham Abbey	1.71	1.82	8,140.0	8,268.5

6. Even though the amount of LCTS Grant specified for local councils (£312,812) is less than the amount shown in Appendix 1 (£320,272), the amount for this Council (£806,814)

exceeds the amount likely to fall due on this Council (£761,420) by more. Therefore it is proposed to allocate funding in line with Appendix 1 with the shortfall of £7,460 being made up from this Council's allocation, which will still leave this Council with a theoretical surplus of £30,474. The surplus is referred to as theoretical as it is based on financial modelling and there is a lot of uncertainty about how people will respond to LCTS and the technical changes.

7. It is intended to pay the grant in the same way that precepts are currently paid to local councils. This means that those receiving less than £100,000 in total will receive payment in full at the end of April, whilst those receiving more than £100,000 will be paid in two equal instalments at the end of April and September.

**Resource Implications:**

The proposed allocations are intended to leave the local councils no better or worse off for the implementation of LCTS.

If the proposal is adopted this Council has a theoretical surplus of £30,474. This needs to be seen in the context of both the significant uncertainty and the total predicted revenue loss under LCTS of £7,683,391. Thus it is clear that the £30,474 does not provide very much comfort or a margin for error.

**Legal and Governance Implications:**

The Government has not prescribed a formula or mechanism for allocating the grant but has said it is for each billing authority to determine this.

**Safer, Cleaner, Greener Implications:**

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the District.

**Consultation Undertaken:**

None.

**Background Papers:**

Previous reports on LCTS.

**Impact Assessments:**

Risk Management

There is a significant financial risk that the combined effects of LCTS and the technical changes will be more detrimental than has been anticipated. Officers have tried to mitigate this risk by making prudent assumptions in the financial modelling.

Equality and Diversity

*Did the initial assessment of the proposals contained in this report for relevance to the Council's general equality duties, reveal any potentially adverse equality implications?* No

*Where equality implications were identified through the initial assessment process, has a formal Equality Impact Assessment been undertaken?* N/A

*What equality implications were identified through the Equality Impact Assessment process?*

N/A

*How have the equality implications identified through the Equality Impact Assessment been addressed in this report in order to avoid discrimination against any particular group?*

N/A