

## Report No.2(a).

### Report to Town Council 29<sup>th</sup> October 2013

#### Background to Council Tax Support

##### 1. Purpose of the report

- 1.1 Wiltshire Council has produced a briefing note explaining the impact that changes to Council Tax Support will have on Town and Parish Council budgets. A copy of the briefing note is attached to this report.
- 1.2 In addition, a questionnaire has been circulated to all Town and Parish Councils requesting the views of those councils on the approach to be taken. The views are to be considered by the Cabinet before any final decision is made about any distribution of grant.
- 1.3 Malmesbury Town Council is invited to agree a response to the several questions raised in the attached questionnaire.

##### 2. Background

- 2.1 Early in 2013 the Department of Communities and Local Government introduced a number of changes to the Council Tax system for 2013/14 and beyond. The main change being the way in which the number of Band D properties ('the Tax Base') is calculated.
- 2.2 Council Tax Benefit, which used to be paid directly to recipients, would be given through a reduction in the Council Tax Payable (Discounts and Allowances). From April 2013 the value of the Tax Base was reduced by the value of Discounts and Allowances given in each parish/unitary authority.
- 2.3 In the case of Malmesbury the Tax Base was due to rise from 2,041.74 to 2,056.54 for the year 2013/14 but following the change was reduced to 1,841.44.
- 2.4 The impact would have been a substantial reduction of approximately £33, 873.00 income received if Wiltshire Council had not passed the grant to the town, topping up with some of their own funding to equal the assumed loss.

##### 3. Latest situation

- 3.1 The legislation does not require collection authorities to pass any of the grant to town or parish councils, there is merely an expectation that this will happen.
- 3.2 Wiltshire Council has received notice that their Rate Support Grant for next year will be reduced by at least 18.2% and are considering what action to take in respect of Council Tax Support.
- 3.3 The revised tax base figures are due shortly and Wiltshire Council has indicated that the responses to the questionnaire will be considered before any final decision is made about the grant for 2014/15

#### 4. Financial implications

- 4.1 The early indications are that the grant, if any, will be substantially reduced for 2014/15 and thereafter any future payment is uncertain.
- 4.2 In 2014/2015 the Government has indicated that further consideration will be given to introducing a cap on increases to Town and Parish precepts.
- 4.3 On the basis that the tax base remains unchanged a 20% reduction in the grant would equate to a £3.70 rise in tax for a band D property, a 30% reduction would be £5.50 and for a full withdrawal of the grant the increase would be £18.95.

#### 5 Recommendation

- 5.1 The Town Council is requested to consider the information presented within the briefing note when determining the response to be made to Wiltshire Council.

Jeff Penfold  
Town Clerk  
15.10.2013

### **Setting Your Council's Precept – Council Tax 2014/15 – a briefing for local council clerks and councillors, updated in September 2013.**

This briefing is designed to inform parish and town councils of the way in which their Council Tax precept is set and the changes which were introduced to the process in 2013 and which will continue to apply in 2014. There were a number of changes made in 2012/13 which impacted upon the way in which parish and town councils set their precept in 2013 and therefore council tax for the 2013/14 financial year.

Councils should consider if it would be better to delay setting their precept until January 2014, once all of the decisions which impact upon it have been made.

#### **What does all this mean?**

**PRECEPT** – This is an amount of money the local council adds to the council tax requirement via a request to the Billing Authority.

**COUNCIL TAX BASE** – the number of properties against which council tax is charged in the parish, usually expressed as 'Band D' equivalents. (If new houses are built in your parish then the COUNCIL TAX BASE will increase).

**COUNCIL TAX CHARGE** – the amount of council tax charged to each property; that is the PRECEPT divided by the COUNCIL TAX BASE.

**Example:** Anywhere Parish Council has a COUNCIL TAX BASE of 1000 and sets a PRECEPT of £40,000 which results in a COUNCIL TAX CHARGE of £40.00 per 'Band D' equivalent property.

### **What changed from 2013 onwards?**

The discounts applied to empty homes and second homes have been reduced, the effect of this was to increase the COUNCIL TAX BASE.

The way Council Tax Benefit is paid changed; it is no longer a payment from the Dept. of Work & Pensions (DWP) to Wiltshire Council to cover the Council Tax for those households; it is now a discount applied to the COUNCIL TAX BASE (In a similar way to single person house discount). This reduces the COUNCIL TAX BASE.

The overall effect of these is to **reduce the COUNCIL TAX BASE** for all but a handful of small parishes, in some cases by over 15%.

A lower COUNCIL TAX BASE results in a higher COUNCIL TAX CHARGE for the same PRECEPT.

**Example:** Anywhere Parish Council has a reduced COUNCIL TAX BASE of 930 and sets a PRECEPT of £40,000 which results in a COUNCIL TAX CHARGE of £43.01 per 'Band D' equivalent property. The residents would see this as a 7.5% increase on their Council Tax Bill.

To account for this reduction in the COUNCIL TAX BASE due to the *Localisation of Council Tax Support* the government gave Wiltshire Council an additional grant. Wiltshire Council agreed to pass this on to the parish and town councils in 2013, and also made up the difference with some of their own funds. In 2014 Wiltshire Council will be given some additional Formula Grant, this is not ring fenced and is not separately identified by the government as grant to support parish and town councils, but the government expects the billing authorities to work with their local councils to support them.

**PARISH NET BUDGET REQUIREMENT (PNBR)** – In past years this has been the same as the PRECEPT, but in 2013 this was higher than the precept.

**GRANT FROM WILTSHIRE COUNCIL** – The difference between the PNBR and the precept to cover the changes to Council Tax Benefit.

Parish and Town Councils could therefore set a lower PRECEPT, (reduced by the value of the grant from Wiltshire Council), if they want the COUNCIL TAX CHARGE to their residents to stay the same.

**Example; If the Parish Council keeps the precept at the same level and treats the grant as a little bit of extra income:** Anywhere Parish Council has a reduced COUNCIL TAX BASE of 930 and sets a PRECEPT of £40,000 which results in a COUNCIL TAX CHARGE of £43.01 per 'Band D' equivalent property. It also receives a grant from Borset Council of £2,800 giving a total PNBR of £42,800 for the parish. The residents would see this as a 7.5% increase on their Council Tax Bill.

**Example; If the Parish Council wants to make sure the residents are not charged any more:** Anywhere Parish Council has a reduced COUNCIL TAX BASE of 930 and sets a PRECEPT of £37,200 which results in a COUNCIL TAX CHARGE of £40.00 per 'Band D' equivalent property. It also receives a grant from Borset Council of £2,800 to make up the difference to the PNBR of £40,000 for the parish. The residents would see this as a 0.0% increase on their Council Tax Bill.

**Example; If the Parish Council wants to spend more to cover inflation:** Anywhere Parish Council has a reduced COUNCIL TAX BASE of 930 and sets a PRECEPT of £38,000 which results in a COUNCIL TAX CHARGE of £40.86 per 'Band D' equivalent property. It also receives a grant from Borset Council of £2,800 to make up the PNBR of £40,800 for the parish. The residents would see this as a 2.15% increase on their Council Tax Bill.