

MEETING:	CABINET
MEETING DATE:	13 NOVEMBER 2014
TITLE OF REPORT:	LOCAL COUNCIL TAX SUPPORT SCHEME – 2015/16 EFFECT ON PARISH PRECEPTS
REPORT BY:	CHIEF FINANCIAL OFFICER

Classification

Open

Key Decision

This is a key decision because it is likely to be significant in terms of its effect on communities living or working in an area comprising one or more wards in the county.

Notice has been served in accordance with Part 3, Section 9 (Publicity in connection with key decisions) of The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards Affected

County-wide

Purpose

This report explains the recommended approach to the funding changes as a result of the abolition of the council tax benefit scheme and the introduction of the council tax reduction scheme and the recommended funding allocation to parish councils.

Recommendation(s)

THAT:

- (a) **The leader recommends to Council that estimated council tax reduction support scheme grant funding of £289k is passed onto parishes in 2015/16 (as it was in 2014/15).**

Alternative Options

- 1 Alternatively the £289k central government funding could be retained by the council as a contribution to its savings targets meaning parishes would either have to reduce

their budgets or increase their precept by an average of 10% (see appendix 1).

- 2 Some authorities have taken this course of action but it is being challenged by parishes so may be overturned. Changing the approach would cause problems for parishes at a time when the council wants them to take on more services.
- 3 Reduce the funding by an equivalent level to central grant reductions. Currently the revenue support grant that the council tax reduction scheme forms part of is being reduced by between 5% and 7% per annum.
- 4 Reducing the grant by an amount to reflect this reduction, say 10% makes very little difference (£29k).

Reasons for Recommendations

- 5 It is recommended that the governments Council Tax Support Scheme grant is allocated to parish and town councils as intended by the funding allocation.

Key Considerations

- 6 The government's council tax benefit scheme was abolished from 1 April 2013 and replaced by the locally controlled (Herefordshire) council tax reduction scheme. The result of this was a reduction in the council tax base on which Band D council tax is calculated and collected.
- 7 The reduction in the tax base has therefore caused a fall in council tax receipts. This is largely, but not entirely, funded through the Rates Retention Scheme through which councils receive central government support. The funding received is about 10% less than would have been received under the old council tax benefit system.
- 8 For 2013/14 the government estimated £289k of the additional funding included in the Rates Retention Scheme for 2013/14 related to town and parish councils. Whilst there is no legislative duty to pass on this funding, the council passed the grant to parishes. The basis of calculation to individual parishes was the number of dwellings in the parish that were previously in receipt of council tax benefit.
- 9 For 2014/15, the council will not be told how much council tax reduction grant is included in its financial settlement.
- 10 The impact on individual parish and town council's is attached as Appendix 1. This highlights: the impact on each parish of the grant, how the amount of grant varies by parish as a percentage of its total precept; from 1% in Hampton Bishop and Mathon to 19% in Kington and what effect the loss of grant would mean for each parish if it had to increase its precept to compensate for the loss. The average is 10% of the overall precept collected by parish and town councils of £2.9m PA.
- 11 In monetary terms the biggest loser if the grant was not passed on would be Hereford Town Council with the equivalent of 15,273 Band D properties, 23% of the number in the county that receives £93k PA, 13% of its precept.

Community Impact

- 12 The grant funding is intended to replace the lost receipts from the introduction of the

Further information on the subject of this report is available from
Josie Rushgrove, Head of technical finance on Tel (01432) 261867

new council tax reduction scheme. This funding therefore reduces the community impact of an increased percept if the grant funding is not allocated as recommended.

Equality and Human Rights

- 13 This government funding supports individuals affected by the council tax reduction scheme.

Financial Implications

- 14 The council currently budgets to pass on the proportion of grant that relates to the council tax reduction scheme. If it changed its policy it would retain £289k PA of funding for use on other purposes.

Legal Implications

- 15 Since 1 April 2013 local authorities in England have been responsible for administering their own Council Tax Reduction Schemes, subject to the *Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012*

The funding for council tax support schemes provided to billing authorities for 2013-14 included a sum in respect of the funding that would be lost to parish councils as a result of this decision. However, the Government did not oblige billing authorities to pass this sum on to parish and town councils.

From 2014-15, funding for council tax support schemes – and the sums intended for parish and town councils – will be rolled into the general local authority grant. It is therefore not now possible to identify a specific amount which is intended for use for council tax support schemes.

Risk Management

- 16 There is minimum risk identified; the funding is a set pass through from central government to parishes.

Consultees

- 17 All parishes have been consulted with and advised of the funding approach recommended. The leader has consulted with other group leaders.

Appendices

Appendix 1 - Parish precepts for 2014/15

Background Papers

- None identified.