

STRATEGY COMMITTEE – 22 NOVEMBER 2012

Supplementary Paper on Local Council Tax Support Scheme and reductions to Discounts

1. Purpose of Report

To clarify and update the recommendations in Paper M117.

2. Revised Recommendations

- 2.1 That the Local Council Tax Support Scheme for 2013/14 is based on the proposals summarised in sections 8.23 to 8.25 of the report and, for Babergh District Council's scheme, an 8.5% reduction in entitlement to Council Tax support for working age recipients.
- 2.2 That these proposals are subject to the final funding announcements by the Government in mid-December and the funding gap that will have to be covered, which Members note could be higher than the indication given in Appendix 5 (revised).
- 2.3 That, in order to minimise the impact on working age recipients of Council Tax support, discounts for second/empty homes and other discounts be reduced from the 1 April 2013 as also set out in section 8.23 of the report.
- 2.4 That, in the event of the funding gap being higher when the final funding announcements are made, Members endorse reducing the empty homes discount further and/or increasing the 'taper' relating to Council Tax support, as indicated in notes 2 and 3 to the table in Appendix 5 (revised).
- 2.5 That, assuming the funding announcements are received in time for the Council meeting on the 18 December, further consideration be given to any other changes that may be required to adequately cover the funding gap at that meeting. Alternatively and in the event of final funding decisions not being known at that time, that final decisions on any additional changes in the proposals, including exemptions/discounts are delegated to the Head of Corporate Resources, in consultation with the Chairman of Strategy Committee.
- 2.6 That the change to both Councils' Scheme of Delegation as set out in section 8.9 of the report be approved.

The Committee is asked to make the above recommendations to Full Council.

3. Key Information

- 3.1 Officers have continued to review and model alternative scenarios since Paper M117 was produced, depending on what is an unknown funding gap.

- 3.2 As a result, officers are proposing that, based on current working assumptions and subject to the final funding announcement, the reduction in Council Tax support for working age recipients can be limited to 8.5%. (This is a lower reduction than the 10% suggested in August).
- 3.3 It is also proposed, based on the further modelling and reflecting the transitional grant, that the introduction of a 25% taper will not be necessary as suggested in Paper M117.
- 3.4 A revised Appendix 5 is attached which reflects this change, a minor change on some of the income forecasts and also indicates other changes that may be required to meet the funding gap should this be higher than is being currently assumed.
- 3.5 It is a continuing concern that important decisions are having to be considered without the full information that is needed. In addition, the taxbase for next year has to be set by the Section 151 Officer and this is dependent on what is agreed on the Council Tax Support Scheme and exemptions/discounts. Town and Parish Councils are being advised accordingly as this affects their budget and precept setting.
- 3.6 So, although Councils have until the 31 January 2013 to approve the Local Council Tax Support Scheme, it is important for taxbase purposes and our own budget setting purposes that decisions are made either at the Council meeting on the 18 December or as soon as possible thereafter.

4. **Appendices**

Title	Location
5. Savings and potential additional income (revised)	Attached

Authorship:

Name: Evelyn Crossland

Tel. 01473 433782

Job Title: Head of SRP

Email: Evelyn.crossland@ipswich.gov.uk

Name: Barry Hunter

Tel. 01473 825919

Job Title: Corporate Manager - Finance

Email: barry.hunter@babergh.gov.uk

Savings and potential additional income (shaded areas are changes from the original paper)**Babergh**

Note	Proposal	Number affected	Saving/Additional Income £	Further income - if higher funding gap £
1	Reduce entitlement by 8.5% and <u>no increase in taper</u>	2801	178,603	
2	Increase in taper from 20% to 25%	2801	-	+65,077
	Complete withdrawal of second adult rebate	43	21,376	
	Potential income from working age claims		199,979	
	2 nd home remove 10% discount	766	99,345	
3	Class C - 4 weeks 100% reduction then no reduction		375,094	+87,348
4	Class A - 30% reduction day 1	259	91,183	+23,208
	Class L no exemption	76	32,670	
5	Potential income from exemptions / second homes		598,292	
	Govt. Transition Grant (one-off)		127,986	
	Total towards estimated funding gap		926,257	+175,633
	Estimated Funding Gap		858,000	
	Other potential income			
6	Empty home premium	259	118,540	

Notes

1. Latest recommendation is to reduce working age support by 8.5% (lower than the 10% in the paper to Members in August) but not to increase the taper from 20% to 25%, which results in a lower saving (of around £65,000) than the £243,680 indicated in the original paper.
2. Further income, if required and depending on the funding gap - this is regarded as undesirable and should only be applied (in part or full) after any additional income from empty homes.
3. The £375,094 is a slight amendment on the figure of £364,707 included in the original paper. Further income, if required and depending on the funding gap, is based on a 50% reduction for the first 4 weeks instead of 100%.
4. The £91,183 is a slight amendment on the figure of £80,794 included in the original paper. Further income, if required and depending on the funding gap, is based on a 10% reduction instead of a 30% reduction. This is an option but that would be a lower discount than the 25% single persons discount, which could lead to avoidance and the additional income is minimal.
5. Based on a 4% increase in the benefit bill/caseload in 2013/14 (which will be met by the council) and a 10% reduction in funding on the 2012/13 council tax benefit bill of £5.4m – overall, equivalent to a 14% funding reduction/cost.
6. This is based on charging 150% Council Tax on properties that are empty for more than 2 years but the income indicated is very uncertain and should be treated as a 'windfall'.