

Council Tax Support (formally Council Tax Benefit)

Impact on Town and Parish Councils

Summary of Questions raised at the recent briefings with a worked example.

National

Q: We are concerned about is the loss of our independence. This change will make us dependant on a grant from Central Government. Can you comment?

A: Wiltshire Council agrees that this is unacceptable but regrettably the 'unintended financial consequences' (Letter from Eric Pickles Department of Communities and Local Government dated 17th January 2013) of the Government decision has caused this dependence. We are committed to working with you to make this a partnership not a dependency.

Q: What sort of Councils are being hit the hardest across the Country?

A: Councils in deprived area will be hardest hit as they have the highest percentage of residents on benefits. This is also true in Wiltshire where some communities a have higher percentage of residents on benefits than others.

Q: We have a larger number of pensioners in our Parish many of whom are on housing benefit, will this result in out Parish being penalised?

A: Pensioners will not lose any benefit, but if these pensioners were entitled to council tax benefit, now known as council tax reduction, then this will impact upon your tax base as they are excluded from the base calculation. (Note – this answer differs from the one given at the meeting which was given in error)

Q: Has Wiltshire Council lobbied Government?

A: Yes. We wrote to Eric Pickles late last year and worked with the Local Government Association to press the case for a change to the scheme and received a non committal answer on 17th January this year. Both letters can be found as attachments to this email.

Q: Should we lobby our MP's as I understand this is the result of a Government decision?

A: Yes. Wiltshire Council has briefed local MP's and copied them on the recent briefing note. They will also be copied on the Cabinet report for 21st November that will put forward recommendations based on your responses to the questionnaire.

Q: How have others like the Police, Fire and Rescue and the NHS been treated?

A: The only organisations affected are precepting bodies which levy local taxes. Wiltshire Council collects the precept for Towns and Parishes, the Police and Fire and Rescue Service. The NHS is funded directly from Government so is not affected. The Police and Fire and Rescue Service were fully compensated for the effect of this 'unintended financial consequence' in 2012/13.

Why aren't you covering the funding problem?

Q: The money isn't ringfenced. Why is the loss of funds being passed on to Town and Parish councils?

A: If the grant from Government had been ringfenced the whole grant would have been passed to Towns and Parishes for as long as the Government paid the grant at the level allocated. It could only be used for that purpose if ringfenced. In that event the £300k shortfall would not have been made up by Wiltshire Council as it was only provided late in 2012 when it was discovered that the grant was insufficient and some precepts had been set.

The fact that it is not ringfenced means that its value deteriorates by the reduction in the Settlement Funding Assessment (SFA) that Wiltshire Council receives. We are told that this will be 18.2% in 2014/15 and 26.8% in 2015/16.

Wiltshire Council had to find £2.3m in 2012/13 and onwards to cover its reduced income due to the benefit change. This is over and above the reduced SFA.

Q: Isn't central government going to say it's Wiltshire Council's fault i.e. 'we gave a grant to councils and they haven't passed it on?'

A: Probably. However unlike some other authorities we have passed on the Government grant in 2012/13 and topped up the £300k shortfall. In future years it is not possible to keep paying the full Town and Parish deficit due to the expected stark reduction in the SFA of £14m in 2014/15 and an additional £17m in 2015/16.

Q: Is Wiltshire Council going to raise council tax next year to cover the shortfall?

A: No

Capping

Q: What are the implications of a cap, when do you think this might come in?

A: The implication is that Town and Parishes might have to run a referendum if they wish to increase their precept by more than a Government set percentage. Wiltshire Council and other County and District Councils are capped at 2%.

Given that the funding from Wiltshire Council will have to reduce and if the cap was introduced the only alternative would be a referendum. If that failed costs would have to be reduced in the relevant Town or Parish Council.

We do not know if a cap will be introduced, if it is we do not know the percentage, but we do know that there has been public comment and talk about a 'de minimus' level being considered for local councils where Councils with small precepts might be excluded.

We can only reflect on what has happened to Wiltshire Council and the messages emanating from Whitehall.

Q: We are concerned about the prospect of a cap for Town and Parish councils. We want to take on more responsibility; if we can't put the precept up (with these additional responsibilities) we will have a big problem.

A: We understand this concern.

Reserves

Q: You mentioned reserves. We like to operate under the principle never to use these on 'running costs' as they can't cover a year's costs. These are saved to be utilised for a particular project and we are very concerned that we will be forced to use them.

A: We understand this concern. Running through reserves or borrowing to support revenue only leads to disaster, as we have seen with many National economies over the last few years. It inevitably leads to a longer term reckoning.

Q: Our council has been frugal and has healthy reserves. Can you assure us that we will not be penalised for having healthy accounts?

A: Wiltshire Council has no influence over Towns and Parish reserves. However, the Town and Parish Auditors always question why reserves exist and there is a body of opinion in Government that no Council should have reserves, except a modest general reserve. The only exception is when they are allocated to specific projects. It should be noted that the Auditors are appointed by the Audit Commission.

Effect of new housing

Q: We currently have a large housing development underway. We set the precept at the start of the year, but by the end of that year there may be lots more properties that will have been eligible for council tax.

A: We regularly speak with developers to estimate the build and sale estimates. We are aware of large developments and look to take them into account where we can. In the following year Council Tax will be collected and the base adjusted for the future year. Any additional monies are offset against any shortfall in bad debt provision

Q: You talked about houses being built – we have a large development locally that is out of our boundary. It would help to deal with our loss (of grant) if the boundary was moved. Who is responsible for changing boundaries?

A: Requests for boundary changes can be made to Wiltshire Council.

Technical

Q: You mentioned sending out the base figures earlier, when will this be?

A: We hope to have base figures out to you by 21st October. We reiterate these will be provisional but will help you to assess the impact of any changes.

Q: Who decides on the Council Tax banding?

A: The valuation band of a property is determined by the Valuation Office (an agency of the Inland Revenue).

Q: Who carries the bad debt if a Council Tax payer defaults on payments?

A: Wiltshire Council, the Police and Fire & Rescue.

Q: Do you know what the reduction in grant will be? If so, we can be more pragmatic about the resolution i.e. increase the precept all in one go.

A: We will not know until we have the results of the consultation and the decision is made by Cabinet on 21st November. Increasing the precept to cover the future shortfall is an option that Councils may wish to implement as it reduces the future risk particularly if Government introduced capping.

Q: Will the solution be the same for all Town and Parish councils? What would be the action/decision if some councils said we could do without the grant whilst others needed more?

A: We will not know until we have the results of the consultation and the decision is made by Cabinet on 21st November

Communication

Q: Can you help us with communicating this to our Parish?

A: Yes. Once Cabinet has made the decision on 21st November we get our Communications department to work on this.

Q: If we did go for a large precept increase all in one year, will there be something in the council tax leaflet to explain these changes?

A: There will be no Council tax leaflet next year, only the Council Tax demand with a link to the Council website. It may be possible to explain the options that Councils have decided on. It will certainly be possible to help within the text that could be inserted into Parish magazines.

Q: We hope that Wiltshire Council realises that the Town and Parish councils are the best asset they have. We are concerned about how we explain these changes on our own doorstep – we need a ‘one-liner’ to explain that with these changes we may not have enough money (will have to put precept up) or we will lose services.

A: We do realise the role and value of Town and Parish Councils, most Wiltshire Councillors are on Town or Parish Councils. We are also working proactively with our local councils on the campus programme, as well as transfer of assets and services. Once Cabinet has made the decision on 21st November we will get our Communications department to work in this.

General

Q: In a perfect world we would spread grants to respond to the best in need. Do you want us to respond selfishly or jointly to try to reduce the funding deficit?

A: An interesting question. The decision rests with your Council.

Q Shouldn't you just pass this problem on to people with big houses?

A: This is not possible as the valuation band of a property is determined by the Valuation Office (an agency of the Inland Revenue).

Q: I would like to support what you are saying. This is about empowering us to go back to communities and make decisions. We represent the community. We have the power to raise the precept for a project, complete and then reduce it again. This empowers us to go back, look at what is required and sort out for ourselves.

A: Thank you for your comment.

Dick Tonge

Cabinet Member for Finance

Worked Example

			2013/14 less 35%	2013/14 less 100%
	2012/13	2013/14	2014/15	2014/15
Council Tax Base**	1000	990	990	990
Precept	£10	£10	£10	£10
Income	£10000	£9900	£9900	£9900
Monies allocated by Wiltshire Council	0	£100	£65	0
Total income	£10000	£10000	£9,965	£9,900

** Council Tax base reduced due to, say, 5 houses subject to full Council Tax Benefit and 10 subject to 50% Council Tax Benefit.

35% shows the effect of the £300k not being allocated by Wiltshire Council and a 18% reduction due to the reduced Government Settlement Funding Assessment to Wiltshire Council in 2014/15.

100% shows the effect of no monies being passed to Town and Parish Councils.