

12th December Executive

General Fund Base Budget Report 2013-14

Supplementary Paper

1. Summary

1.1 This report informs Members on the final proposals for setting the 2013-14 Council Tax Base for each local Town and Parish Council, and a proposed methodology for devolving the associated funding to compensate for this.

1.2 The paper also proposes arrangements for the delegation of the agreement of the Estimated Business Rate income return (NNDR1).

2. Recommendations

2.1 The Council passes the full amount of the Grant received in respect of it's local Preceptors to the Town and Parish Councils. Members note that at this point in time the actual amount is only a provisional figure (£107,000). The final amount being announced alongside the Revenue Support Grant later this month (para 3.7).

2.2 As the Council's agreed Council Tax Support scheme for 2013-14 is largely unchanged from that previously in place, the indicative residual burden of some £3,800 falling on the Parishes also be paid to them on a non-recurrent basis from the additional monies received for 2013-14 only (para 3.8).

2.3 Authority be delegated to the S151 Officer in conjunction with the Finance Portfolio Holder to approve the final settlements to parish/town councils in respect of the reduced tax base (para 3.9).

2.4 Authority be delegated to the S151 Officer in conjunction with the Finance Portfolio Holder to approve the form NNDR1 (para 3.12).

3. Reasons for recommendations

The Impact of the Council Tax Support Scheme on Local Preceptors

3.1 Members will already be aware and have already received reports on the Council Tax Reforms (Executive August 2012) and Council Tax Support Scheme (Executive July and November 2012). These details are not replicated this within the supplementary paper.

3.2 The taxbase in future will be adjusted to reflect the value of localised support awarded for council tax that it is estimated will be provided in the subsequent financial year. This is be shown as a net reduction in band D equivalent properties

and calculated through the introduction of a new item Z within the council tax base calculation, with Z representing the estimated value of localised support provided within each council tax band.

3.3 At the end of November, the Government published its response to the consultation paper on Council Tax Reforms in 2 documents- "Localising support for council tax" and "Council tax base and funding for local precepting authorities".

3.4 Billing Authorities and Major Preceptors are to receive 90% Grant Funding (based on cost of the current council tax benefit cost) to compensate them for their reduced Tax Bases, with the Government intending the residual 10% of the costs is saved by Council's reducing the council tax support awarded under their new schemes. This grant funding to Billing Authorities and Major Preceptors is designed to mitigate the effect on them of the reduced council tax base.

3.5 In addition, as a billing authority, Warwick District Council is due to receive an additional grant (provisionally £107,000) in respect of the cost of council tax support falling on parish/town councils. However, there was no obligation for Billing Authorities to directly compensate its Local Preceptors for the reduced tax base. Consequently, so as to provide financial protection to local preceptors, the consultation had set out an alternative proposal for allowing the council tax base for local precepting areas to be calculated excluding localised council tax support reductions, i.e. before deducting Item Z from the Tax Base.

3.6 The government has now decided that there will be no specific protection for local preceptors and that the billing authority should not apply an unadjusted council tax base to the local precepting authority. The government also advises that the funding attributable to the parish precept will be provided to the billing authority and it expects it to work with local parish and town councils to provide certainty over their funding and how this is passed on to the local preceptors.

3.7 Officers have considered various options for distributing this grant to the Parish and Town councils in a fair manner which reflects the reduction in their Tax Base arising from the introduction of Item Z. The Appendix to this paper shows the preferred methodology for Member approval. The net change to the Tax Base brought about by the Item Z reduction, changes to the other exemptions (A and C) and the introduction of the 50% Premium Charge on Long Term Empty Properties have been costed at each Town and Parish Council's 2012-13 Band D Charge. The provisional grant figure of £107,000 made available to this Council to provide the certainty the Government intend has then been apportioned against this. As Members will see there is a residual shortfall of some £3,800. This residual shortfall is largely as a result of the Council's council tax support scheme not being in line with the 10% reduction in Government funding.

3.8 This Council will receive a non-recurrent grant of £22,000 for 2013-14. This is because the Council have not amended the scheme to severely impact upon the vulnerable or others who would otherwise now become liable for paying some Council Tax. It is proposed that £3,800 of this money be added to the £107,000

allocation to compensate the Parish and Town Councils in full for the net reduction in their Tax Base brought about by the changes.

3.9 At the same time as this Executive meeting, a separate meeting is also underway in the Town Hall. The Warwickshire Association of Local Councils are being consulted on the impact on them and the recommendations to Members. In light of this and due to the fact that at this point in time the grant figures are provisional, it is recommended that the Authority be delegated to the S151 Officer in conjunction with the Finance Portfolio Holder to approve the final settlements.

3.10 In summary, the council tax base is going down. This will generate less council tax income for parish/town councils. The Government is expecting us to compensate parish/town councils for this, and are providing some finance for this, although this grant will not fully meet the shortfall. There is no obligation on us to pass on this funding, although there is the expectation we will work with parish/town councils to agree how the impact on them can be minimised.

Non-Domestic Rates

3.11 As part of the reform of Local Government finance a proportion of Non-Domestic Rates will in future be retained locally, rather than paid in to the central pool. This has been the subject to reports to the Executive on Business Rates Retention and Pooling (July and October 2012 reports). This will greatly increase the importance of the "NNDR1 form". This form sets out the anticipated amount of Non-Domestic Rates that will be collected in the coming year.

3.12 Until now the NNDR1 has been the basis of the on-account payments to the central NNDR pool. The completion of the NNDR1 form now becomes a key part of the budget process similar to the decision for setting the Council Tax base. An initial submission of the NNDR1 form will be required by mid December and a final version "signed-off by the Council" must be returned by 30 January 2013. Given the tight timescales and to ensure that an appropriate process is in place to avoid any delays in approval and to prevent the need for additional meetings to be called later in the budget process, it is recommended that authority be delegated to the S151 Officer in conjunction with the Finance Portfolio Holder to approve the form NNDR1.

3.13 Whilst the NNDR1 has to be formally agreed, it is the NNDR3 which will remain more important. This form sets out the actual business rates received in the previous year, and will form the basis of business rates to be retained locally, and the sums to be shared with central government. In completing the NNDR3 the Council has no discretion as this is based on actual income figures. In future business rates income will be more important to the Council as it will retain a proportion of any increase. This will need to be monitored throughout the year, and will be included within the Council's Budget Review process and reporting.