

Customer & Financial Services

Head of Service: Glynne Miles

**To the Clerks of all the Town & Parish
Councils in the District**My Ref: GM/R
Your Ref:

By Email June 2012

CHANGES TO THE FINANCING OF LOCAL COUNCILS

I am writing to give you early notification about some important national changes to council tax benefit that will affect town and parishes councils, effective from next financial year 2013/14.

As you are probably aware, New Forest District Council currently administers the Council Tax Benefit scheme, which provides financial help for those on low income with their council tax bills.

From April 2013, the Government is abolishing this national scheme, reducing the amount of money available and asking local authorities to run their own schemes.

The District is currently undertaking a review, which will lead to a draft Local Council Tax Support scheme being designed and consulted on this year. During this consultation, we hope that Local Councils will engage with the District Council in developing the New Forest's new local scheme.

These government changes will have implications for every local council, as it will affect all council taxbases in the District. As you know, the District Council calculates the taxbase for each local council in our area between 1 December and 31 January, for the following financial year. The taxbase is the estimated number of (band D equivalent) properties in each area and takes into account the estimated number of council tax discounts and exemptions e.g. due to single persons, empty properties etc.

From next year, the taxbase will need to take into account as a further discount the Council Tax Support scheme. Early indications suggest that the total taxbase of our District will reduce by approximately 10% because of these changes. As you know, the District calculates the basic rate of council tax for each local council area by dividing the annual precept by the relevant estimated taxbase. If the taxbase reduces by about 10%, the basic rates of tax will need to increase by a slightly higher percentage to raise the necessary precept.

For example, a local council which precepts on the District for £20,000 and has a taxbase of 1,000 band D properties would have a basic rate of tax of £20 per band D dwelling. If the taxbase reduces by 10% resulting in 900 band D properties because of the benefit changes, the basic rate of tax would increase to £22.23 to raise £20,000 i.e. an 11.15% increase.

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The Government has stated that it will in future pay some grant towards the cost of the new local council tax support scheme, but indications are that this will be at least 10% less than it currently funds. The Government is also proposing that any grant they make available will only be payable to billing and major precepting authorities, not to local councils.

We will fully consult with the Town & Parish Councils in our District about the practical implications of these changes well before you need to consider setting your next precept.

In the meantime, if you have any queries or require any further information, please do not hesitate to get in touch with glynne.miles@nfdc.gov.uk or bob.jackson@nfdc.gov.uk.

From Councillor Colin Wise, Portfolio Holder for Finance & Efficiency

Copy to all District Councillors