

## THE EXECUTIVE

23 DECEMBER 2003

### REPORT FROM THE DIRECTOR OF FINANCE

COUNCIL TAX BASE	FOR INFORMATION	
<p><i>This report concerns the financial position of the Council</i></p> <p><b><u>Summary</u></b></p> <p>This report advises the Executive of the treatment of single person discounts and the impact on the collection fund and Council Tax base.</p> <p><b><u>Recommendation</u></b></p> <p>The Executive is asked to note the report.</p> <p><b><u>Reason</u></b></p> <p>To advise the Executive of the financial position regarding the treatment of single person discounts.</p>		
<b>Contact Officer:</b> Julie Parker	Director of Finance	Tel: 0208 227 2252 E-mail: <a href="mailto:Julie.parker@lbbd.gov.uk">Julie.parker@lbbd.gov.uk</a>

#### 1. **Background**

- 1.1 It came to light in April 2003 that the Council had not been using benefits claim information to assess entitlement to Council Tax discounts, in particular the 25% discount for single persons but had instead preferred to rely on the completion of a separate application form.
- 1.2 This position has been adjusted for during 2003/04 effective from 1/4/03, with 5080 25% single person discounts being created as a result of matching the Council Tax and benefits databases.

#### 2. **Financial Impact**

- 2.1 Each year the Council is required to submit a return to the office of the Deputy Prime Minister each November in advance of the relevant year setting out its taxbase at a date in November. Once this has been submitted ODPM it can not be amended and is used as the basis for allocating grants.
- 2.2 The Council also sets a council taxbase for its own collection fund, which is based on the November figure projecting changes to the end of the following financial year and losses on collection. This has to be set by January and can not be changed. This taxbase figure is used to the council tax setting calculations and used by our precepting and levying bodies

- 2.3 The collection fund is a separate account the council has to keep for all council tax transactions, it is separate from the councils own revenue account and can not be used for council expenditure.
- 2.4 By not awarding discounts the Council has overstated its taxbase and as a result has lost out on funding from Revenue Support Grant.
- 2.5 Awarding these discounts in 2003/04 will reduce the amount of receipts paid into the collection fund but the demands on the collection fund will remain unchanged.
- 2.6 The net effect of this is an anticipated deficit of approximately £1.3 million at 31 March 2004 as a result of this item. This deficit will be shared with the Greater London Authority which precepts on the collection fund as follows:

LBBD	£1.0m
<u>GLA</u>	<u>£0.3m</u>
Total	£1.3m

- 2.7 The collection fund estimates for 2004/05 will be determined in January 2004 when **all** factors affecting the collection fund are assessed.
- 2.8 While some of this deficit may be offset by other elements of the budget a significant deficit on the collection fund is expected going into 2004/05.
- 2.9 In order to prevent this impacting directly on Council Tax levels, consideration will be given to using reserves (earmarked ones which are no longer required) to offset the bottom line on the Council Tax. The reserves can be used to reduce Council expenditure and reduce this council's demand from the collection fund, which will help to offset the cost of funding a deficit on the Collection Fund. While this may not be a satisfactory position to be in it will offset the impact on the bottom line council tax for 2004/05.
- 2.10 Essentially for the Council in 2003/04 it has been underpaid RSG and would have been overpaid council tax benefit subsidy. By putting the discounts through the council tax benefit subsidy can not be claimed and a loss to the Council results.

### **3. Future Years**

- 3.1 For future years the lower tax base would normally be compensated by an increase in the revenue support grant, however due to the Council being at the ceiling for 2004/05 we will not benefit from this increase (estimated to be £1.3m).
- 3.2 The council tax benefit subsidy claim will reflect the lower amount of benefit being paid.

### **4. Previous Years**

- 4.1 Discussions have taken place with the auditors regarding the position of these discount changes on the 2002/03 accounts as they have concerns about the impact on the council tax benefit subsidy claim.

- 4.2 The Council's officers are of the opinion that it only affects 2003/04 and future years and there is no need to go back to 2002/03.
- 4.3 Legal opinion on the matter has been obtained and at present the auditors are still considering the matter.
- 4.4 Once the auditors have expressed a view the matter will still be subject to review by the Department of Works and Pensions when they assess the relevant grant claim for 2002/03.

**5. Impact on Individuals**

- 5.1 The impact on individuals will be largely neutral as the majority of people are in receipt of full council tax benefit and therefore would have received a bill for NIL payable. Individuals will in future see instead a discount award and a (lower amount of benefit), but crucially a NIL bill as before.