

Appendix D – Breakdown of Options Considered

We have considered a number of options for the overall scheme. Some of these were proposed by respondents to the consultation for the 2013/14 scheme. These options are listed below with a short summary indicating why it is felt they are not appropriate.

Increase the overall % level of Council Tax Support

The Council recognises that this option would reduce the financial burden for those in receipt of Council Tax Support. However, if we increased the % of support (so customers pay less) this would need to be funded by the Council and there is already a projected shortfall in the Council's budget for 2015/16 of approximately £14m.

We modelled financial data looking at a level of 85% support (by way of an increase from the current 80.2% support). This would result in an additional cost of £ 1.0m to the Council.

Increasing or removing the percentage of support would result in monies having to be found from other sources namely

- 1) Cutting services
- 2) Using reserves
- 3) Increasing Council Tax

These options were not considered viable for the reasons set out below.

First, cutting services would have a negative impact on residents who could potentially suffer from reduced services as a result. As highlighted above, the Council is already projecting a budget gap of £14m for 2015/16 .

Second, whilst the total estimated level of reserves at end of March 2015 (as per annual statement 14-15) is £109m, 77% of these are restricted or earmarked with only £25m (23%) estimated for the general reserve. This general reserve is held to cover unexpected liabilities and risks not to support on-going revenue shortfalls.

There are already a number of considerable risks going into 2015/16, many of which are outside of the Council's control. Funding additional support by way of utilising reserves is not considered a viable option and is not in line with the demands of financial prudence.

Third, the Council can only increase Council Tax up to 2% without triggering a referendum which would be costly both in terms of time and financial resources. Also, by freezing Council Tax the Council also remains eligible for the Council Tax freeze grant.

Decrease the overall % level of Council Tax Support

If we decreased the % of support (so customers pay more) we could increase the amount potentially collected by the Council by way of Council Tax, having a positive impact on the Council's budget. However this could have a significantly detrimental impact on customers who would have to pay a higher amount towards their Council Tax and for this reason this option is not recommended.

Options to protect specific groups

Please note that due to differences in property sizes, the average amount of Council Tax Liability shown below, differs according to different groups of people. We explain below the impact of this on customers and Council Finances. Also, people may fall into more than one group listed below, so the figures for all options shown below are not shown as a cumulative figure.

Excluding those already protected, claimants in receipt of CTR currently have an average weekly Council tax Liability of £21.68 per week. 19.8% of this leaves an average of £4.29 per week to be paid by affected claimants towards their Council Tax – equating to £223.83 per year.

If we protected all families with children, the average liability is £22.82, leaving £4.52 to pay (£235.60 annually). There are 7,822 currently affected families recorded as eligible for CTR, so this could cost up to £1,842,864.

If we protected all families with children under 1, the average liability is £21.96, leaving £4.35 to pay (£226.72 annually). There are 1,307 currently affected families recorded as eligible for CTR, so this could cost up to £296,324.

If we protected all families with children under 5, the average liability is £22.14, leaving £4.38 to pay (£228.58 annually). There are 3,685 currently affected families recorded as eligible for CTR, so this could cost up to £842,316.

If we protected all families with more than 3 children, the average liability is £26.94, leaving £5.33 to pay (£278.14 annually). There are 829 currently affected families recorded as eligible for CTR, so this could cost up to £230,574.

If we protected all Lone parents, the average liability is £21.15, leaving £4.19 to pay (£218.36 annually). There are 5,074 currently affected lone parents recorded as eligible for CTR, so this could cost up to £1,107,951.

If we protected all customers in properties which are in the lower valued range (Bands A-C), the average liability is £19.53, leaving £3.87 to pay (£201.63 annually). There are 9,841 currently affected Band A-C customers recorded as eligible for CTR, so this could cost up to £1,984,273.

If we protected all customers declaring an Earned Income, the average liability is £22.95, leaving £4.54 to pay (£236.94 annually). There are 5,138 currently affected earners recorded as eligible for CTR, so this could cost up to £ 1,217,409

If we protected all customers receiving a Single Person Discount, the average liability is £17.69, leaving £3.50 to pay (£182.64 annually). There are 6,943 currently affected people getting a single person discount recorded as eligible for CTR, so this could cost up to £ 1,268,046

The above options are all not recommended, as providing additional support for some groups will need to be funded by cutting services, using reserves or increasing Council Tax.

First, cutting services would have a negative impact on residents who could potentially suffer from reduced services as a result. As highlighted above, the Council is already projecting a budget gap of £14m for 2015/16 .

Second, whilst the total estimated level of reserves at end of March 2015 (as per annual statement 14-15) is £109m, 77% of these are restricted or earmarked with only £25m (23%) estimated for the general reserve. This general reserve is held to cover unexpected liabilities and risks not to support on-going revenue shortfalls.

There are already a number of considerable risks going into 2015/16, many of which are outside of the Council's control. Funding additional support by way of utilising reserves is not considered a viable option and is not in line with the demands of financial prudence.

Third, the Council can only increase Council Tax up to 2% without triggering a referendum which would be costly both in terms of time and financial resources. Also, by freezing Council Tax the Council also remains eligible for the Council Tax freeze grant. However, the impact of increasing Council Tax by 2% has been modelled and would only net circa £0.5m, which is not enough to cover the shortfall. Additionally, if the Council increased its Council Tax by 2% it would have the 3rd highest Council Tax in London.