

Council



Report of Head of Finance
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To: Council
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Urgent item

Distribution of council tax reduction scheme grant

Recommendations

Leader urgent decision to recommend council to:

- (a) pay over the full council tax reduction scheme (CTRS) grant attributed to local precepting authorities, but should the total grant exceed local precepting authorities' requirements, payment will only be made up to the level of the total shortfall of each local precepting authority calculated as in Appendix 1.
- (b) approve the methodology for distributing the CTRS grant attributed to local precepting authorities as set out in paragraphs 10 to 15 and exemplified in Table 2.
- (c) direct the section 151 officer, on receipts of the actual CTRS grant attributed to local precepting authorities, to calculate the grant due to each local precepting authority based on the methodology agreed in (b) above and notify each local precepting authority of the amount they are to receive.
- (d) direct the section 151 officer to pay over the sums calculated as a consequence of (c) to local precepting authorities on 3 April 2013.

Purpose of Report

1. This report sets out the council's approach to distributing the grant attributable to local precepting authorities (i.e. town and parish councils) that it will receive from the Government to offset the impact of the new council tax reduction scheme.

Strategic Objectives

2. The method of distributing the grant will ensure it is cost neutral for the council and will help to achieve the council's strategic objective of managing its business effectively.

Background

3. The new council tax reduction scheme (CTRS) takes the form of a discount on the council tax bill and, like other discounts (e.g. the single person's 25 per cent discount), has the effect of reducing the council's council tax base. Reducing the tax base means that, if the council's budget requirement remained the same, the amount of council tax charged would increase. This applies to both billing authorities (South and Vale) and major precepting authorities (Oxfordshire County Council and the Police and Crime Commissioner), as well as local precepting authorities (town and parish councils).
4. To mitigate the impact of the reduced council tax base the Government will be distributing, via Revenue Support Grant, a grant that is not ringfenced to billing authorities and major precepting authorities. Because the Government does not have a method for passing down funding direct to town and parish councils the grant that will be given to billing authorities will include an amount "*attributable to local precepting authorities*".
5. As well as the negative impact on council tax bases of CTRS for the billing authorities, major precepting authorities and local precepting authorities that will take effect from 1 April 2013, there is a positive impact arising from the changes to council tax discounts from the same date.

Amount of grant to be received from the Government

6. The total amount of funding for distribution in England will be based on forecasted subsidised council tax benefit expenditure for 2013/14. This funding will then be distributed between billing authority areas according to shares of annual subsidised council tax benefit expenditure. Funding will then be distributed between billing and major precepting authorities within a billing authority area, according to shares of council tax in each authority.
7. However, as part of its deficit reduction programme, the Government will only make funding available based on 90 per cent of what subsidised council tax benefit expenditure would have been in 2013/14. This means that no authority (billing, major precepting, or local) will receive funding to compensate for 100 per cent of the impact of CTRS.
8. For local precepting authorities, the amount allocated to the billing authority will be based on the estimated amount of subsidised council tax benefit expenditure attributable to the local precept, less ten per cent as explained above.

9. The actual amount of grant to be received will not be known until the draft Local Government Finance Settlement is announced later this month. However, indicative figures were released by the Department for Communities and Local Government earlier this year and are set out in Table 1 below. It should be noted that the actual amount of funding received may be less than the indicative amount.

Table 1

| Billing Authority | Amount of grant for the billing authority | Amount attributable to local precepting authorities | Total grant |
|---------------------|---|---|-------------|
| South Oxfordshire | £423,000 | £248,000 | £671,000 |
| Vale of White Horse | £381,000 | £197,000 | £578,000 |

Proposed methodology for distribution of the grant

10. As explained above, there will be a negative impact on tax bases as a result of CTRS, but there will also be a positive impact from changes to council tax discounts. A decision is therefore required on whether the amount of funding to be distributed to local precepting authorities should solely relate to the impact of CTRS, or the overall net position when changes to discounts are applied.
11. Neither the new CTRS nor the changes to council tax discounts have been influenced by town and parish councils (notwithstanding any consultation responses that may have been evaluated). Nor has any decision been made by town and parish councils relating to these changes. Therefore, it is felt no town or parish council should be unduly advantaged, or disadvantaged, by these decisions.
12. It is therefore proposed that the grant be distributed relative to individual town and parish councils' 2012/13 band D council tax rate, after the impact of both CTRS and discount changes are applied.
13. Based on the indicative funding amount, this will equate to town and parish councils receiving 82.5 per cent (Vale) and 88 per cent (South) of the overall shortfall in their tax bases. An example is set out in Table 2 below.

Table 2

| Town/parish | A | B | C | D | E | F | G | H | I | J |
|-------------|-----------------------------|------------------------------------|------------------|----------------------------|---------------------------------|------------------|------------------|--------------------------------|------------------------|-------------------------------|
| | Unadjusted 2013/14 tax base | Revised tax base after all changes | Difference (A-B) | 2012/13 band D council tax | Council tax "shortfall" (C x D) | 90% of shortfall | 88% of shortfall | "cost" to parish council (E-G) | Cost at band D (H ÷ B) | % increase in band D required |
| Council A | 421.5 | 416.5 | 5.0 | £39.52 | £197.60 | £177.84 | £173.89 | £23.71 | £0.06 | 0.14% |
| Council B | 179.7 | 171.1 | 8.6 | £50.17 | £431.46 | £388.32 | £379.69 | £51.78 | £0.30 | 0.60% |

14. However, should the amount of grant received exceed the local precepting authorities' requirements, payment will only be made up to the total shortfall for each local precepting authority (column E in Table 2). Any grant left over will be placed in an earmarked reserve and may be distributed to towns and parishes in future years.

15. Another option considered was to distribute the grant relative to town and parish councils' reduction in tax base as a proportion of the total tax base reduction for the districts. This would have resulted in the grant being based on the average town and parish council tax level, rather than individual levels. However, this option was discounted on the basis that the amount of grant to be received will be based on the estimated amount of subsidised council tax benefit expenditure attributable to the local precept, so the method of distribution ought to also reflect the individual local precepts.

Financial Implications

16. Because the methodology ensures that the proposal is cost neutral to the council there are no direct financial implications arising from this report.

Legal Implications

17. Whilst CTRS grant is not ringfenced, there is an expectation that councils will use it to mitigate the effect on local precepting authorities of the reduced council tax base. An urgent Council decision is needed on the methodology for distribution of CTRS grant to enable the section 151 officer to notify local precepting authorities of their share at the earliest opportunity. This in turn will enable local precepting authorities to meet the council's deadline for receipt of precepts to avoid delays in setting the council tax and starting the billing process.

Risks

18. There is a risk that some town and parish councils may challenge the methodology if they believe that they have not received an appropriate share. However, the Government has not specified any methodology to follow and there is no legal requirement for any of the funding to be passed on.

Other Implications

19. There are no other implications arising directly from this report.

Conclusion

20. The proposed methodology is considered to be the fairest, taking all factors into account, and should be adopted by the Council.

Background Papers

Grant modelling spreadsheet

| South Oxfordshire | | | | | |
|---------------------------|--|--|--------------------------|--|--|
| Town/parish | A Unadjusted 2013/14 tax base | B Revised tax base after all changes | C Difference (A-B) | D 2012/13 band D council tax | E Council tax "shortfall" (C x D) |
| Adwell | 12.6 | 13.7 | -1.1 | £0.00 | £0.00 |
| Aston Rowant | 421.5 | 416.5 | 5.0 | £39.52 | £197.60 |
| Aston Tirrold | 179.7 | 171.1 | 8.6 | £50.17 | £431.46 |
| Aston Upthorpe | 85.3 | 80.3 | 5.0 | £58.30 | £291.50 |
| Beckley & Stowood | 287.4 | 274.6 | 12.8 | £118.77 | £1,520.26 |
| Benson | 1,773.8 | 1,706.0 | 67.8 | £68.57 | £4,649.05 |
| Berinsfield | 799.0 | 615.2 | 183.8 | £142.75 | £26,237.45 |
| Berrick Salome | 162.4 | 161.6 | 0.8 | £36.56 | £29.25 |
| Binfield Heath | 321.1 | 305.2 | 15.9 | £28.42 | £451.88 |
| Bix & Assendon | 328.7 | 320.2 | 8.5 | £21.34 | £181.39 |
| Brightwell Baldwin | 97.7 | 98.7 | -1.0 | £10.06 | £-10.06 |
| Brightwell cum Sotwell | 669.3 | 637.0 | 32.3 | £44.33 | £1,431.86 |
| Britwell Salome | 102.8 | 101.7 | 1.1 | £4.85 | £5.34 |
| Chalgrove | 1,102.2 | 1,028.5 | 73.7 | £83.74 | £6,171.64 |
| Checkendon | 240.0 | 227.3 | 12.7 | £40.43 | £513.46 |
| Chinnor | 2,390.5 | 2,267.0 | 123.5 | £109.52 | £13,525.72 |
| Cholsey | 1,439.1 | 1,337.5 | 101.6 | £61.78 | £6,276.85 |
| Clifton Hampden | 284.6 | 277.2 | 7.4 | £26.22 | £194.03 |
| Crowell | 56.8 | 57.1 | -0.3 | £0.00 | £0.00 |
| Crowmarsh | 658.1 | 617.4 | 40.7 | £55.98 | £2,278.39 |
| Cuddesdon & Denton | 172.6 | 164.2 | 8.4 | £40.89 | £343.48 |
| Culham | 178.1 | 167.0 | 11.1 | £84.74 | £940.61 |
| Cuxham with Easington | 64.0 | 57.6 | 6.4 | £0.00 | £0.00 |
| Didcot | 8,378.2 | 7,551.0 | 827.2 | £97.25 | £80,445.20 |
| Dorchester | 548.8 | 527.8 | 21.0 | £71.92 | £1,510.32 |
| Drayton St Leonard | 130.9 | 126.2 | 4.7 | £21.72 | £102.08 |
| East Hagbourne | 763.9 | 724.8 | 39.1 | £47.16 | £1,843.96 |
| Elsfield | 54.1 | 53.3 | 0.8 | £17.64 | £14.11 |
| Ewelme | 374.6 | 370.2 | 4.4 | £45.18 | £198.79 |
| Eye & Dunsden | 178.0 | 177.6 | 0.4 | £54.37 | £21.75 |
| Forest Hill with Shotover | 363.1 | 328.0 | 35.1 | £34.52 | £1,211.65 |
| Garsington | 709.0 | 665.5 | 43.5 | £29.57 | £1,286.30 |
| Goring | 1,701.9 | 1,653.0 | 48.9 | £51.70 | £2,528.13 |
| Goring Heath | 599.3 | 583.4 | 15.9 | £29.42 | £467.78 |
| Great Haseley | 255.4 | 248.9 | 6.5 | £48.38 | £314.47 |
| Great Milton | 330.1 | 304.5 | 25.6 | £43.88 | £1,123.33 |
| Harpsden | 303.7 | 303.0 | 0.7 | £16.49 | £11.54 |
| Henley on Thames | 5,861.8 | 5,493.0 | 368.8 | £83.49 | £30,791.11 |
| Highmoor | 163.3 | 160.3 | 3.0 | £30.86 | £92.58 |
| Holton | 238.5 | 231.5 | 7.0 | £58.99 | £412.93 |
| Horspath | 614.3 | 594.9 | 19.4 | £53.92 | £1,046.05 |
| Ipsden | 171.6 | 160.8 | 10.8 | £26.44 | £285.55 |
| Kidmore End | 667.8 | 662.2 | 5.6 | £53.56 | £299.94 |
| Lewknor | 310.8 | 291.9 | 18.9 | £43.38 | £819.88 |
| Little Milton | 223.7 | 211.6 | 12.1 | £46.85 | £566.89 |
| Little Wittenham | 34.3 | 34.3 | 0.0 | £0.00 | £0.00 |
| Long Wittenham | 355.2 | 340.6 | 14.6 | £45.32 | £661.67 |
| Mapledurham | 134.0 | 122.5 | 11.5 | £37.20 | £427.80 |
| Marsh Baldon | 128.7 | 124.7 | 4.0 | £31.88 | £127.52 |
| Moulsford | 250.8 | 243.9 | 6.9 | £47.30 | £326.37 |
| Nettlebed | 369.2 | 344.6 | 24.6 | £29.65 | £729.39 |
| Newington | 56.9 | 55.5 | 1.4 | £15.26 | £21.36 |
| North Moreton | 175.1 | 173.7 | 1.4 | £28.74 | £40.24 |
| Nuffield | 239.6 | 225.4 | 14.2 | £23.94 | £339.95 |
| Nuneham Courtenay | 95.3 | 87.7 | 7.6 | £50.00 | £380.00 |
| Pishill with Stonor | 190.2 | 187.5 | 2.7 | £25.44 | £68.69 |
| Pyrtton | 115.4 | 110.1 | 5.3 | £7.09 | £37.58 |
| Rotherfield Greys | 198.2 | 195.2 | 3.0 | £38.88 | £116.64 |
| Rotherfield Peppard | 891.0 | 880.6 | 10.4 | £24.84 | £258.34 |
| Sandford on Thames | 519.4 | 486.8 | 32.6 | £48.66 | £1,586.32 |
| Shiplake | 901.9 | 879.8 | 22.1 | £27.51 | £607.97 |
| Shirburn | 56.7 | 54.7 | 2.0 | £9.93 | £19.86 |
| Sonning Common | 1,643.5 | 1,535.0 | 108.5 | £40.05 | £4,345.43 |
| South Moreton | 146.2 | 135.1 | 11.1 | £44.19 | £490.51 |
| South Stoke | 231.4 | 217.9 | 13.5 | £52.40 | £707.40 |
| Stadhampton | 332.2 | 316.1 | 16.1 | £34.23 | £551.10 |
| Stanton St John | 222.9 | 215.9 | 7.0 | £43.28 | £302.96 |
| Stoke Row | 315.0 | 307.0 | 8.0 | £31.61 | £252.88 |
| Stoke Talmage | 27.4 | 28.3 | -0.9 | £0.00 | £0.00 |
| Swyncombe | 144.2 | 136.4 | 7.8 | £34.39 | £268.24 |
| Sydenham | 157.3 | 150.7 | 6.6 | £51.12 | £337.39 |
| Tetsworth | 295.3 | 279.5 | 15.8 | £35.77 | £565.17 |
| Thame | 4,471.2 | 4,195.8 | 275.4 | £112.22 | £30,905.39 |
| Tiddington with Albury | 281.6 | 260.4 | 21.2 | £41.86 | £887.43 |
| Toot Baldon | 70.9 | 69.9 | 1.0 | £29.34 | £29.34 |
| Towersey | 182.6 | 170.4 | 12.2 | £56.98 | £695.16 |
| Wallingford | 2,953.4 | 2,650.2 | 303.2 | £95.66 | £29,004.11 |
| Warborough | 478.0 | 466.5 | 11.5 | £62.57 | £719.56 |
| Waterperry with Thomley | 78.4 | 77.7 | 0.7 | £19.74 | £13.82 |
| Waterstock | 45.5 | 44.3 | 1.2 | £13.54 | £16.25 |
| Watlington | 1,197.7 | 1,117.6 | 80.1 | £71.92 | £5,760.79 |
| West Hagbourne | 123.2 | 117.9 | 5.3 | £48.83 | £258.80 |
| Wheatfield | 13.6 | 13.9 | -0.3 | £0.00 | £0.00 |
| Wheatley | 1,676.6 | 1,601.5 | 75.1 | £62.53 | £4,696.00 |
| Whitchurch on Thames | 404.6 | 389.3 | 15.3 | £59.66 | £912.80 |
| Woodcote | 1,059.0 | 997.3 | 61.7 | £52.84 | £3,260.23 |
| Woodeaton | 38.8 | 38.8 | 0.0 | £20.41 | £0.00 |

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