

# Cabinet Report



Report of Head of Finance

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## Council tax reduction scheme grant for town and parish councils

### Recommendations

That Cabinet recommends to Council:

(a) that the total council tax reduction scheme grant to be passed down to town and parish councils for 2014/15 be **£212,252**

(b) that the individual amounts for town and parish councils be calculated based on their relative need after considering the negative impact of the council tax reduction scheme on parish taxbases

(c) that the individual grant amounts for towns and parishes are as set out in **Appendix 2** to this report.

### Purpose of Report

1. The purpose of this report is for Cabinet to recommend to council the total amount of council tax reduction scheme grant that will be passed down to town and parish council for 2014/15; how the grant amounts for individual town and parish councils will be calculated; and, the actual amounts for town and parish councils.

## Corporate Objectives

2. The council receives an annual grant from central government which can be passed down to town and parish councils to mitigate the impact of the council tax reduction scheme on their taxbases. Passing down the grant can help keep down the town and parish element of council tax bills. Distributing the grant will help meet the objective of excellent delivery of key services.

## 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, or if council tax was not increased the income generated would reduce. This applies to both billing authorities (South) 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, each year the Government is distributing, via revenue support grant and business rates retention, 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 given to billing authorities includes an amount "*attributable to local precepting authorities*". There is no legal obligation for the council to pass on this grant and indeed some district councils elsewhere in the country did not pass the grant to towns and parishes.
5. For 2013/14 the council received a sum of £245,946 to be passed down to town and parish councils. The mechanism for allocating the funding was approved at full Council on 13 December 2012. The full amount of the grant was passed down to South Oxfordshire towns and parishes, based upon their relative need following the reduction in their respective taxbases.
6. Although the Government identified the specific amount attributable to local precepting authorities in 2013/14 it has said it will not do so for 2014/15. In its 2013 Spending Review the Government indicated that funding for the council is reducing by 13.7 per cent in 2014/15. Therefore, assuming all components of the overall Government funding – including the towns and parishes CTR grant component - reduce equally by the same 13.7 per cent, the 2013/14 town and parish grant figure of £245,946 becomes **£212,252** for 2014/15.

## Options for distributing the grant

7. For 2013/14, for each parish taxbase, a calculation was undertaken to look at the negative effect of the council tax reduction scheme in isolation; a further calculation to look at the positive effect of increasing charges for second homes and empty properties in isolation; and, one further calculation which looked at the net effect of both changes combined.

8. The net effect of the two changes (i.e. the net amount of band D equivalents removed from taxbases) was then multiplied by the individual town and parish band D council tax amounts for 2012/13. This gave a notional council tax “shortfall” figure and towns and parishes were then given a grant equal to 87.3 per cent of the notional shortfall. This was because the parish element of the grant (£245,946) only covered 87.3 per cent of the total notional shortfall. A worked example of this is in **Appendix 1**.
9. There are two different options for distributing the grant in 2014/15, both with their own pros and cons.

#### OPTION 1

10. For 2014/15 the council could decide to distribute the pot of money by the same proportions as 2013/14 e.g. if Parish A received 2.2 per cent of the total grant of £245,946 (£5,410), then it would receive 2.2 per cent of the **£212,252** grant for 2014/15 (£4,669).
11. This would be the simplest method administratively and would also provide stability for town and parish councils. However, if any town or parish has had an increase in residents claiming CTRS during 2013/14, this will not be taken into account in the 2014/15 grant. Also, some towns and parishes did not receive any grant at all during 2013/14 because they had not been impacted by the introduction of CTRS (either because none of their residents were claiming, or the positive impact of council tax discount changes was greater than the negative effect of CTRS). If circumstances have changed in these particular towns and parishes, this would not be taken into account under this proposal.

#### OPTION 2

12. Alternatively, the CTRS effect could be recalculated again for 2014/15 using up to date CTRS figures. This would involve more administration for the council but would mean that the grant is based on current circumstances. However, it would introduce an element of volatility for town and parish councils if circumstances in their area have changed significantly.
13. The council would then use the 2012/13 town and parish band D figures to calculate the notional shortfall upon which their share of the grant would be based.
14. The Government’s model for calculating the amount of grant attributable to town and parish councils was based on 2012/13 council tax levels and this is why the council will continue to use 2012/13 as the baseline. Also, by continuing to use the 2012/13 band D council tax figures there will be an element of consistency to help negate the potential volatility of recalculating the CTRS effect.

#### Views from town and parish councils

15. Briefing sessions were held with town and parish councils on 16 October 2013 and 23 October 2013. These were very well attended events with 39 towns and parishes represented. Options 1 and 2 were put to the towns and parishes and

the favoured option (both at the meeting and from subsequent contact from town and parishes) was option 2.

### **View from Scrutiny Committee**

16. A report was taken to Scrutiny Committee on 5 November 2013 which set out the options detailed above. The recommendation from Scrutiny to the Cabinet Member for Finance was that option 2 should be implemented.

### **Preferred option**

17. Taking into account the views from town and parish councils and Scrutiny Committee the preferred option for Council to adopt is option 2. Based on this the proposed 2014/15 council tax reduction scheme grant allocations for town and councils are set out in **Appendix 2**.

18. Under this option the total grant figure of **£212,252** is enough to fund **70.4 per cent** of the notional council tax shortfall after taking into account the negative impact of the council tax reduction scheme on town and parish taxbases.

### **Financial Implications**

19. The council tax reduction scheme grant from the government is contained within the council's revenue support grant and the council's baseline funding level for business rates retention. Overall funding is reducing by 13.7 per cent therefore, by reducing the grant to be distributed to town and parish councils by 13.7 per cent there is a neutral financial impact on the council.

### **Legal Implications**

20. Whilst the council tax reduction scheme 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.

### **Risks**

21. There is a risk that some town and parish councils may challenge the methodology if they believe that they have not received what they think is 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**

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

### **Conclusion**

23. The council will receive funding during 2014/15 that is attributable to town and parish councils to mitigate the impact of the council tax reduction scheme on their taxbases. A decision is required on how that funding should be distributed.

24. This paper sets out options for Cabinet to consider and recommend to Council.

**Background Papers**

- None

**Worked example of 2013/14 grant allocation calculation**

<b>A</b>	Original 2013/14 taxbase	4,000
<b>B</b>	Dwellings gained through CT reform	50
<b>C</b>	Dwellings lost through CTRS	200
<b>D</b>	Revised taxbase (A + B – C)	3,850
<b>E</b>	<b>Band D equivalentents lost (A – D)</b>	<b>150</b>
<b>F</b>	2012/13 band D council tax	£30
<b>G</b>	Lost income (E x F)	£4,500
<b>H</b>	<b>Grant paid (G x 87.3%)</b>	<b>£3,928.50</b>

Proposed 2014/15 council tax reduction scheme grant allocations

Town/parish	A Unadjusted 2014/15 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)	F 70.4% of shortfall
Adwell	13.6	12.8	0.8	£0.00	£0.00	£0
Aston Rowant	431.9	421.6	10.3	£39.52	£407.06	£287
Aston Tirrold	181.2	170.3	10.9	£50.17	£546.85	£385
Aston Upthorpe	86.9	82.2	4.7	£58.30	£274.01	£193
Beckley & Stowood	287.1	272.3	14.8	£118.77	£1,757.80	£1,238
Benson	1,765.2	1,691.3	73.9	£68.57	£5,067.32	£3,570
Berinsfield	801.5	626.6	174.9	£142.75	£24,966.98	£17,590
Berrick Salome	161.2	158.3	2.9	£36.56	£106.02	£75
Binfield Heath	325.2	309.6	15.6	£28.42	£443.35	£312
Bix & Assendon	331.9	323.2	8.7	£21.34	£185.66	£131
Brightwell Baldwin	99.0	99.0	0.0	£10.06	£0.00	£0
Brightwell cum Sotwell	672.1	639.6	32.5	£44.33	£1,440.73	£1,015
Britwell Salome	103.3	99.0	4.3	£4.85	£20.86	£15
Chalgrove	1,103.7	1,028.1	75.6	£83.74	£6,330.74	£4,460
Checkendon	242.4	229.3	13.1	£40.43	£529.63	£373
Chinnor	2,447.0	2,314.6	132.4	£109.52	£14,500.45	£10,216
Cholsey	1,535.2	1,426.6	108.6	£61.78	£6,709.31	£4,727
Clifton Hampden	288.1	277.9	10.2	£26.22	£267.44	£188
Crowell	59.7	58.2	1.5	£0.00	£0.00	£0
Crowmarsh	693.4	650.4	43.0	£55.98	£2,407.14	£1,696
Cuddesdon & Denton	173.4	161.1	12.3	£40.89	£502.95	£354
Culham	183.1	170.8	12.3	£84.74	£1,042.30	£734
Cuxham with Easington	66.9	59.6	7.3	£0.00	£0.00	£0
Didcot	8,612.8	7,757.4	855.4	£97.25	£83,187.65	£58,610
Dorchester	546.2	520.9	25.3	£71.92	£1,819.58	£1,282
Drayton St Leonard	133.5	128.4	5.1	£21.72	£110.77	£78
East Hagbourne	781.1	738.2	42.9	£47.16	£2,023.16	£1,425
Eisfield	56.4	53.9	2.5	£17.64	£44.10	£31
Ewelme	377.5	368.6	8.9	£45.18	£402.10	£283
Eye & Dunsden	179.6	176.2	3.4	£54.37	£184.86	£130
Forest Hill with Shotover	358.5	325.6	32.9	£34.52	£1,135.71	£800
Garsington	714.0	668.0	46.0	£29.57	£1,360.22	£958
Goring	1,738.7	1,681.4	57.3	£51.70	£2,962.41	£2,087
Goring Heath	603.6	582.8	20.8	£29.42	£611.94	£431
Great Haseley	259.5	247.9	11.6	£48.38	£561.21	£395
Great Milton	334.1	307.5	26.6	£43.88	£1,167.21	£822
Harpden	300.1	296.3	3.8	£16.49	£62.66	£44
Henley on Thames	5,954.8	5,536.7	418.1	£83.49	£34,907.17	£24,594
Highmoor	165.0	159.2	5.8	£30.86	£178.99	£126
Holton	238.0	229.4	8.6	£58.99	£507.31	£357
Horspath	619.3	592.5	26.8	£53.92	£1,445.06	£1,018
Ipsden	172.8	161.7	11.1	£26.44	£293.48	£207
Kidmore End	671.5	662.5	9.0	£53.56	£482.04	£340
Lewknor	314.3	295.8	18.5	£43.38	£802.53	£565
Little Milton	224.4	211.2	13.2	£46.85	£618.42	£436
Little Wittenham	34.3	34.3	0.0	£0.00	£0.00	£0
Long Wittenham	358.7	344.4	14.3	£45.32	£648.08	£457
Mapledurham	134.7	122.8	11.9	£37.20	£442.68	£312
Marsh Baldon	130.2	125.2	5.0	£31.88	£159.40	£112
Moulsoford	257.4	249.6	7.8	£47.30	£368.94	£260
Nettlebed	376.5	348.2	28.3	£29.65	£839.10	£591
Newington	56.7	54.9	1.8	£15.26	£27.47	£19
North Moreton	179.5	175.4	4.1	£28.74	£117.83	£83
Nuffield	240.2	227.9	12.3	£23.94	£294.46	£207
Nuneham Courtenay	94.5	85.7	8.8	£50.00	£440.00	£310
Pishill with Stonor	189.7	187.5	2.2	£25.44	£55.97	£39
Pyrton	114.6	108.6	6.0	£7.09	£42.54	£30
Rotherfield Greys	202.7	197.7	5.0	£38.88	£194.40	£137
Rotherfield Peppard	908.5	889.6	18.9	£24.84	£469.48	£331
Sandford on Thames	521.8	491.2	30.6	£48.66	£1,489.00	£1,049
Shiplake	916.6	889.6	27.0	£27.51	£742.77	£523
Shirburn	63.6	58.9	4.7	£9.93	£46.67	£33
Sonning Common	1,654.1	1,549.3	104.8	£40.05	£4,197.24	£2,957
South Moreton	148.9	137.8	11.1	£44.19	£490.51	£346
South Stoke	235.1	219.5	15.6	£52.40	£817.44	£576
Stadhampton	336.8	322.4	14.4	£34.23	£492.91	£347
Stanton St John	223.9	216.4	7.5	£43.28	£324.60	£229
Stoke Row	309.6	297.7	11.9	£31.61	£376.16	£265
Stoke Talmage	27.3	27.3	0.0	£0.00	£0.00	£0
Swyncombe	141.9	133.2	8.7	£34.39	£299.19	£211
Sydenham	159.0	153.4	5.6	£51.12	£286.27	£202
Tetsworth	306.1	284.4	21.7	£35.77	£776.21	£547
Thame	4,532.3	4,225.7	306.6	£112.22	£34,406.65	£24,241
Tiddington with Albury	283.6	265.2	18.4	£41.86	£770.22	£543
Toot Baldon	72.9	70.6	2.3	£29.34	£67.48	£48
Towersey	191.1	176.0	15.1	£56.98	£860.40	£606
Wallingford	2,984.0	2,669.0	315.0	£95.66	£30,132.90	£21,230
Warborough	487.3	469.4	17.9	£62.57	£1,120.00	£789
Waterperry with Thomley	79.0	76.5	2.5	£19.74	£49.35	£35
Waterstock	44.1	42.9	1.2	£13.54	£16.25	£11
Watlington	1,205.8	1,115.6	90.2	£71.92	£6,487.18	£4,571
West Hagbourne	125.8	121.8	4.0	£48.83	£195.32	£138
Wheatfield	13.8	12.8	1.0	£0.00	£0.00	£0
Wheatley	1,699.3	1,611.4	87.9	£62.53	£5,496.39	£3,872
Whitchurch on Thames	409.6	393.0	16.6	£59.66	£990.36	£698
Woodcote	1,083.9	1,011.0	72.9	£52.84	£3,852.04	£2,714
Wood Eaton	38.8	38.8	0.0	£20.41	£0.00	£0
Total	56,982.9	53,217.1	3,765.8		£301,259.02	£212,252

