

Cabinet Report



Listening Learning Leading

Report of Head of Finance

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To: Council on: 11 December 2014

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 2015/16 be **£179,352**

(b) that a review of the methodology for determining the total amount of grant for town and parish councils be undertaken during 2015/16 to assess the impact of the council tax reduction scheme on parish precepts

(c) that the individual grant amounts for towns and parishes are as set out in **Appendix 1** 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 2015/16.

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. Determining the amount of grant with reference to

the council's Medium Term Financial Plan will help keep the council's council tax as low as possible. Distributing the grant will help meet the objective of effective management of resources.

Background

3. The 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 Oxfordshire) 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 distributed, via revenue support grant and business rates retention, a non-ring-fenced grant 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*".

Amount of council tax reduction scheme grant for 2015/16

5. For 2013/14 the Government advised that out of the council's total funding for council tax support of £665,085, £245,946 was attributable to town and parish councils. These were separately identifiable amounts within the council's total formula grant and business rates retention funding from the Government.
6. However, for 2014/15, funding for council tax support was no longer identifiable; it had been rolled-up within revenue support grant and the council's baseline funding level for business rates retention. The Government advised:

*"The allocation for Council Tax Support funding in England is £3.3bn in both 2013-14 and 2014-15. From 2014-15, the level of council tax support funding will be combined with formula funding and together they will be scaled back for individual councils according to their combined spending trajectory, by service tier. It is, though, entirely for local authorities to decide how much they are prepared to spend on council tax support, which is why allocations for future years are not separately identifiable."*¹

7. In its 2013 Spending Review the Government indicated that funding for the council would reduce by 13.7 per cent in 2014/15. Therefore, it was assumed that all components of the overall Government funding – including the town and parish CTRS grant component – would reduce equally by the same 13.7 per cent. In view of this the 2013/14 town and parish grant figure of £245,946 became £212,252 for 2014/15.
8. The provisional local government settlement for 2014/15 which was announced on 18 December 2013 also gave illustrative figures for 2015/16. Based on this information it would appear that the council can expect a further reduction in Government funding of

¹ Source - Business rates retention and the local government finance settlement, a practitioners guide (<http://www.local.odpm.gov.uk/finance/1314/practitionersguides.pdf>)

15.5 per cent. If the pot available to town and parish councils is reduced by the same percentage the funding would reduce to £179,352.

9. The “*Revenue Budget 2014/15 and Capital Programme to 2018/19*” report to Cabinet, Scrutiny and Council in February 2014 advised (paragraph 30)² that the proposed Medium Term Financial Plan (MTFP) showed the council tax reduction scheme grant reducing in line with Government funding going forward.
10. Therefore, using the methodology adopted for 2014/15, and having consideration to the provisional local government settlement and the council’s MTFP, the funding to be passed down to town and parish councils for 2015/16 is £179,352. A review of this methodology will be undertaken by the council during 2015/16 to assess the impact of the council tax reduction scheme on parish precepts. The outcome of the review will influence the amount of funding to be made available in future years and allocations in years 2016/17 onwards are not guaranteed.

Method of distribution

11. The funding pot as determined above will be distributed to town and councils using the same formula as was used for 2013/14 and 2014/15. This formula looks at the effect the council tax reduction scheme has had on the town and parishes’ individual taxbases and calculates the notional “council tax forgone”. The town and parish councils then receive a fixed percentage of the council tax forgone. Based on this the proposed 2015/16 council tax reduction scheme grant allocations for town and councils are set out in **Appendix 1**.

Financial Implications

12. 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 likely to reduce by 15.5 per cent therefore, by reducing the grant to be distributed to town and parish councils by 15.5 per cent there is a neutral financial impact on the council.

Legal Implications

13. Whilst the council tax reduction scheme grant is not ring-fenced, there is an expectation that councils will use it to mitigate the effect on local precepting authorities of the reduced council tax base.

Risks

14. 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

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

² Source - Revenue Budget 2014/15 and Capital Programme to 2018/19
(<http://democratic.southoxon.gov.uk/documents/s3256/South%20budget.pdf>)

Conclusion

16. The council will receive funding during 2015/16 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.

Background Papers

- None

Town/parish	Unadjusted 2015/16 tax base	CTRS grant
Adwell	13.5	£0
Aston Rowant	429.1	£204
Aston Tirrold	182.4	£297
Aston Upton	87.1	£104
Beckley & Stowood	289.0	£1,134
Benson	1,767.0	£3,147
Berinsfield	804.7	£15,019
Berrick Salome	163.6	£50
Binfield Heath	327.7	£298
Bix & Assendon	329.2	£131
Brightwell Baldwin	101.9	£0
Brightwell cum Sotwell	676.9	£874
Britwell Salome	107.3	£10
Chalgrove	1,105.2	£3,632
Checkendon	243.6	£324
Chinnor	2,503.0	£7,934
Cholsey	1,535.8	£4,228
Clifton Hampden	291.9	£152
Crowell	60.2	£0
Crowmarsh	699.9	£1,476
Cuddesdon & Denton	175.6	£355
Culham	179.6	£585
Cuxham with Easington	67.4	£0
Didcot	9,203.7	£49,405
Dorchester	558.6	£1,063
Drayton St Leonard	131.5	£58
East Hagbourne	527.7	£915
Elsfield	56.8	£12
Ewelme	377.4	£256
Eye & Dunsden	184.8	£131
Forest Hill with Shotover	360.5	£723
Garsington	713.5	£776
Goring	1,725.2	£1,873
Goring Heath	607.6	£395
Great Haseley	260.3	£423
Great Milton	340.4	£749
Harpden	228.4	£25
Henley on Thames	6,023.5	£21,266
Highmoor	164.6	£120
Holton	177.2	£171
Horspath	621.4	£787
Ipsden	172.7	£173
Kidmore End	677.0	£333
Lewknor	322.8	£518
Little Milton	225.6	£442
Little Wittenham	34.3	£0
Long Wittenham	358.4	£363
Mapledurham	135.3	£282
Marsh Baldon	126.4	£88
Moulsoford	257.1	£169
Nettlebed	386.2	£499
Newington	58.0	£20
North Moreton	195.4	£80
Nuffield	244.4	£173
Nuneham Courtenay	103.2	£237
Pishill with Stonor	188.6	£33
Pyrton	113.7	£25
Rotherfield Greys	201.7	£101
Rotherfield Peppard	919.0	£254
Sandford on Thames	518.2	£935
Shiplake	995.7	£498
Shirburn	62.7	£28
Sonning Common	1,676.0	£2,484
South Moreton	135.8	£297
South Stoke	237.6	£455
Stadhampton	338.8	£394
Stanton St John	226.7	£163
Stoke Row	320.1	£201
Stoke Talmage	28.3	£0
Swyncombe	144.3	£227
Sydenham	158.3	£157
Tetsworth	309.9	£419
Thame	4,596.8	£20,794
Tiddington with Albury	283.6	£431
Toot Baldon	71.1	£42
Towersey	191.8	£519
Wallingford	3,146.7	£17,643
Warborough	487.7	£694
Waterperry with Thomley	82.3	£30
Waterstock	43.7	£0
Watlington	1,227.5	£3,748
West Hagbourne	125.7	£96
Wheatfield	16.2	£0
Wheatley	1,785.7	£3,544
Whitchurch on Thames	410.4	£617
Woodcote	1,090.7	£2,044
Woodeaton	38.4	£0
Total	57,875.2	£179,352

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