

Cabinet Report



Listening Learning Leading

Report of Head of Finance

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To: Council on: 17 December 2015

Council tax reduction scheme grant for town and parish councils

Recommendations

That Cabinet recommends to Council:

- (a) that a new scheme of distributing the grant be brought forward for consideration during 2016
- (b) that the current methodology for distributing the council tax reduction scheme ceases with immediate effect
- (c) that **£152,000** be made available in 2016/17 for the new grant scheme

Purpose of Report

1. The purpose of this report is for Cabinet to recommend to council ceasing the current system of paying council tax reduction scheme grant and introduce a new grant scheme for town and parish councils.

Corporate Objectives

2. The council can award grants to support any of its corporate objectives.

Background

1. 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).

2. To mitigate the impact of the reduced council tax base, each year the Government distributes, via revenue support grant and the business rates retention scheme, 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*".
3. For 2013/14 the Government told us how much out of our total funding for council tax support 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.
4. However, since 2014/15, funding for council tax support has no longer been identifiable; it has been rolled-up within revenue support grant and the council's baseline funding level for business rates retention. The rationale for this set out by the Government is:

*"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

5. This left the council needing to effectively guess how much of its overall funding from the Government related to town and parish council tax reduction scheme grant. Three methods of estimation were put forward for members to consider and the option chosen was to adjust the 2013/14 figure in line with the change in overall Government Grant. The same methodology was used for 2015/16.
6. For 2015/16 the amount passed down to town and parish councils was determined to be £179,352. The amounts to be distributed to the town and parish councils was recommended by Cabinet on 4 December 2014 to Council on 11 December 2014 (**Appendix 1**). The individual allocations of the grant passed down to towns and parishes was based upon their relative need following the reduction in their respective taxbases.
7. On receipt of this grant (in 2013/14) some town and parish councils reduced their precepts, thereby mitigating the need for an increase in council tax. Others did not reduce their precept, leading to an increase in their council tax and an increase in their available funding.
8. This is illustrated in **Appendix 1**. So, for example, Berinsfield and Henley reduced their precepts by £22,901 and £19,800 respectively between 2012/13 and 2013/14. In

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

the current year they have received £15,019 and £21,266 respectively to compensate for this loss of income.

9. The December 2014 Cabinet report also stated “*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*”.
10. The review has shown that the current scheme has not achieved its original intention i.e. to mitigate the impact of the council tax reduction scheme on town and parish councils. This view is based upon the information set out in **Appendix 1** which shows that less than 28 per cent all town and parish councils used the grant as part of their budget setting process to issue a precept lower than might have been the case had they taken into account the amount of grant they received. In view of this it is recommended that the payments under the current methodology cease and a new grant scheme for town and parish councils is introduced.

Introduction of a new grant scheme

11. Should the council resolve to cease the current council tax reduction scheme grants to town and parish councils it could use the money to introduce a new grant scheme for town and parish councils that helps the council achieve its corporate objectives. A report setting out proposals for the new grant scheme will be brought to Cabinet during 2016.

Amount of council tax reduction scheme grant for 2016/17

12. Notwithstanding the fact that an alternative method of distribution will be proposed during 2016, the total pot of money for distribution needs to be determined.
13. As set out above, and detailed in the “Council tax reduction scheme grant for town and parish councils” report to Cabinet on 4 December 2014 and Council on 11 December 2014, the amount of grant has been reduced each year in line with the overall reduction in Government funding. It is proposed to continue with this methodology for 2016/17.
14. It is assumed that Government funding will reduce by 15 per cent in 2016/17. On this basis the amount available for distribution is estimated to be around £152,000.

Alternative options

15. Three other potential options are 1) to continue to distribute the grant applying the methodology used in previous financial years based upon town and parish councils’ relative need following the reduction in their respective taxbases, 2) not distribute any grant at all, or 3) to move from option 1 to option 2 over a fixed time period.
16. The benefits of option 1 are that it is a system that has been in place for three years now; the town and parish councils are familiar with the system; and, it offers a degree of stability for the town and parish councils.
17. However, as set out above, there is limited evidence to show that the scheme has achieved its original intention i.e. to mitigate the impact of the council tax reduction scheme on town and parish councils (and their taxpayers) by precepts being set at a lower level than they would have been [without the grant].

18. Option 2 would release the proposed grant pot of £152,000 for use as part of the district council's overall budget for 2016/17, thereby benefiting all council tax payers within the district. However, because the original grant funding in 2013/14 from the Government was over and above what it considered was necessary for the district council, it would seem to be a matter of fairness to make some funding available for town and parish councils.
19. Taking into account the pros and cons of both alternative options, it is proposed that neither option is pursued and the Cabinet recommendation is for a new method of distribution to be adopted during 2016/17, based on the total pot of money set out above.
20. The benefits of Option 3 are similar to Option 1 as is the downside e.g. it continues with a scheme that has proved unsuccessful in achieving its aims.

Financial Implications

21. 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. We have estimated Government funding will reduce by around 15 per cent therefore, by reducing the grant to be distributed to town and parish councils by 15 per cent there is a neutral financial impact on the council.

Legal Implications

22. Whilst the council tax reduction scheme grant is not ring-fenced, there is an expectation that councils will use it in some form for the benefit of town and parish councils.

Risks

23. There is a risk that some town and parish councils may challenge the new grant scheme and 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

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

Conclusion

25. The council will receive funding during 2016/17 that is attributable to town and parish councils. A decision is required on ending the current method of distribution and adopting new methodology. A decision is also required on the amount of money that will be made available during 2016/17.

Background Papers

- None

Tax Base	TOWN/PARISH	Precept	Precept	Increase	Frozen	Reduction	% increase/ (reduction) in Precept <u>(not CT)</u>	15-16 grant
2013/14		2012/13	2013/14					
13.7	Adwell	0	0		1		0.0%	£0
416.5	Aston Rowant	17,000	17,500	1			2.9%	£204
171.1	Aston Tirrold	8,986	9,040	1			0.6%	£297
80.3	Aston Upton	5,014	4,960			1	(1.1%)	£104
274.6	Beckley & Stowood	33,670	33,670		1		0.0%	£1,134
1,706.0	Benson	119,170	116,980			1	(1.8%)	£3,147
615.2	Berinsfield	114,000	91,099			1	(20.1%)	£15,019
161.6	Berrick Salome	6,000	6,000		1		0.0%	£50
305.2	Binfield Heath	9,000	10,600	1			17.8%	£298
320.2	Bix & Assendon	7,000	7,000		1		0.0%	£131
98.7	Brightwell Baldwin	1,000	1,000		1		0.0%	£0
637.0	Brightwell cum Sotwell	29,224	28,232			1	(3.4%)	£874
101.7	Britwell Salome	500	1,000	1			100.0%	£10
1,028.5	Chalgrove	92,000	95,000	1			3.3%	£3,632
227.3	Checkendon	9,500	10,000	1			5.3%	£324
2,267.0	Chinnor	256,542	263,321	1			2.6%	£7,934
1,337.5	Cholsey	84,188	86,581	1			2.8%	£4,228
277.2	Clifton Hampden	7,500	11,450	1			52.7%	£152
57.1	Crowell	0	0		1		0.0%	£0
617.4	Crowmarsh	36,500	34,500			1	(5.5%)	£1,476
164.2	Cuddesdon & Denton	7,000	6,700			1	(4.3%)	£355
167.0	Culham	15,160	14,152			1	(6.6%)	£585
57.6	Cuxham with Easington	0	0		1		0.0%	£0
7,551.0	Didcot	801,675	756,298			1	(5.7%)	£49,405
527.8	Dorchester	39,900	40,650	1			1.9%	£1,063
126.2	Drayton St Leonard	2,850	3,050	1			7.0%	£58
724.8	East Hagbourne	35,500	33,891			1	(4.5%)	£915
53.3	Elsfield	1,000	1,000		1		0.0%	£12
370.2	Ewelme	16,600	16,600		1		0.0%	£256
177.6	Eye & Dunsden	9,700	10,000	1			3.1%	£131
328.0	Forest Hill with Shotover	12,500	11,442			1	(8.5%)	£723
665.5	Garsington	20,800	20,800		1		0.0%	£776
1,653.0	Goring	87,800	85,593			1	(2.5%)	£1,873
583.4	Goring Heath	17,500	17,000			1	(2.9%)	£395
248.9	Great Haseley	12,400	12,400		1		0.0%	£423
304.5	Great Milton	14,450	13,360			1	(7.5%)	£749
303.0	Harpsden	5,000	5,000		1		0.0%	£25
5,493.0	Henley on Thames	487,500	467,700			1	(4.1%)	£21,266
160.3	Highmoor	5,000	4,000			1	(20.0%)	£120
231.5	Holton	13,974	12,791			1	(8.5%)	£171
594.9	Horspath	33,000	33,000		1		0.0%	£787
160.8	Ipsden	4,500	4,500		1		0.0%	£173
662.2	Kidmore End	36,000	34,450			1	(4.3%)	£333
291.9	Lewknor	13,300	14,600	1			9.8%	£518

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211.6	Little Milton	10,500	10,500	1	0.0%	£442
34.3	Little Wittenham	0	0	1	0.0%	£0
340.6	Long Wittenham	16,153	16,153	1	0.0%	£363
122.5	Mapledurham	5,000	4,500	1	(10.0%)	£282
124.7	Marsh Baldon	4,170	4,170	1	0.0%	£88
243.9	Moulsford	12,000	12,000	1	0.0%	£169
344.6	Nettlebed	11,000	11,000	1	0.0%	£499
55.5	Newington	850	850	1	0.0%	£20
173.7	North Moreton	5,000	5,000	1	0.0%	£80
225.4	Nuffield	5,700	5,700	1	0.0%	£173
87.7	Nuneham Courtenay	4,655	4,385	1	(5.8%)	£237
187.5	Pishill with Stonor	4,800	4,800	1	0.0%	£33
110.1	Pyrton	800	800	1	0.0%	£25
195.2	Rotherfield Greys	7,788	7,788	1	0.0%	£101
880.6	Rotherfield Peppard	22,547	26,869	1	19.2%	£254
486.8	Sandford on Thames	25,000	32,515	1	30.1%	£935
879.8	Shiplake	25,000	25,000	1	0.0%	£498
54.7	Shirburn	600	650	1	8.3%	£28
1,535.0	Sonning Common	66,000	82,500	1	25.0%	£2,484
135.1	South Moreton	6,500	6,000	1	(7.7%)	£297
217.9	South Stoke	12,178	13,246	1	8.8%	£455
316.1	Stadhampton	11,355	11,355	1	0.0%	£394
215.9	Stanton St John	9,500	9,500	1	0.0%	£163
307.0	Stoke Row	10,000	10,500	1	5.0%	£201
28.3	Stoke Talmage	0	0	1	0.0%	£0
136.4	Swyncombe	5,000	5,150	1	3.0%	£227
150.7	Sydenham	8,000	8,000	1	0.0%	£157
279.5	Tetsworth	11,000	13,000	1	18.2%	£419
4,195.8	Thame	493,181	503,045	1	2.0%	£20,794
260.4	Tiddington with Albury	11,750	11,750	1	0.0%	£431
69.9	Toot Baldon	2,080	2,080	1	0.0%	£42
170.4	Towersey	10,000	10,000	1	0.0%	£519
2,650.2	Wallingford	281,355	261,124	1	(7.2%)	£17,643
466.5	Warborough	30,000	30,000	1	0.0%	£694
77.7	Waterperry with Thomley	1,500	3,000	1	100.0%	£30
44.3	Waterstock	600	600	1	0.0%	£0
1,117.6	Watlington	86,105	81,873	1	(4.9%)	£3,748
117.9	West Hagbourne	6,113	5,382	1	(12.0%)	£96
13.9	Wheatfield	0	0	1	0.0%	£0
1,601.5	Wheatley	104,609	104,609	1	0.0%	£3,544
389.3	Whitchurch on Thames	24,217	25,053	1	3.5%	£617
997.3	Woodcote	56,211	54,209	1	(3.6%)	£2,044
38.8	Woodeaton	800	800	1	0.0%	£0
		3,939,520.00	3,872,367			
	COUNT			24	39	24