

Cabinet Report



Report of Head of Finance

Author: Ben Watson

Telephone: 01235 540488

Textphone: 18001 01235 540488

E-mail: ben.watson@southandvale.gov.uk

Wards affected: All

Cabinet member responsible: Matthew Barber

Tel: 07816 481452

E-mail: councillor@matthewbarber.co.uk

To: CABINET

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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 **£160,593**

(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*".
5. For 2013/14 the council received a sum of **£200,742** to be passed down to town and parish councils. The mechanism for allocating the funding was approved at full Council on 12 December 2012. The full amount of the grant was passed down to Vale of White Horse towns and parishes, based upon their relative need following the reduction in their respective taxbases. Some district councils elsewhere in the country did not pass the grant to towns and parishes.
6. The "Revenue Budget 2013/14 and Capital Programme to 2017/18" report to Cabinet and Council in February 2013 advised (paragraph 12) that for future years the amount of grant was not known and it was assumed that no grant at all would be received. Therefore to partly mitigate the impact on town and parish budgets, the intention was to continue to support the town and parish precepts, but to gradually phase out support over the MTFP (i.e. a 20 per cent reduction year on year).
7. Therefore, under this option, the total amount to be distributed to towns and parishes for 2014/15 would be **£160,593** (a reduction of £40,148).

Options for distributing the grant

8. 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.
9. 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. This was because the parish element of the grant (£200,742) only covered 84 per cent of the total notional shortfall. A worked example of this is in **Appendix 1**.

10. There are two different options for distributing the grant in 2014/15, both with their own pros and cons.

OPTION 1

11. 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 £200,742 (£4,416), then it would receive 2.2 per cent of the total grant of £160,593 for 2014/15 (£3,533).
12. 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

13. 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.
14. 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.
15. 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

16. Briefing sessions were held with town and parish councils on 15 October 2013 and 21 October 2013. These were very well attended events with 34 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

17. A report was taken to Scrutiny Committee on 28 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

18. 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**.
19. Under this option the total grant figure of **£160,593** is enough to fund **67 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

20. 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. The actual amount of grant for 2014/15 is unknown but overall funding is reducing year on year. The MTFP allows for the 2013/14 grant to reduce by 20 per cent each year so this proposal fits in with the council's medium term plans.

Legal Implications

21. 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

22. 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

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

Conclusion

24. 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.
25. This paper sets out the options available to Cabinet and Cabinet's recommendations to Council.

Background Papers

- None

Worked example of 2013/14 grant allocation calculation

A	Original 2013/14 taxbase	4,000
B	Dwellings gained through CT reform	50
C	Dwellings lost through CTRS	200
D	Revised taxbase (A + B – C)	3,850
E	Band D equivalentents lost (A – D)	150
F	2012/13 band D council tax	£30
G	Lost income (E x F)	£4,500
H	Grant paid (G x 84%)	£3,780

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 67% of shortfall
ABINGDON	12,820.2	11,703.2	1,117.0	£106.01	£118,413.17	£79,463
APPLEFORD	159.0	152.7	6.3	£41.76	£263.09	£177
APPLETON WITH EATON	445.2	430.9	14.3	£37.16	£531.39	£357
ARDINGTON AND	215.1	201.8	13.3	£29.08	£386.76	£260
ASHBURY	255.5	236.9	18.6	£13.71	£255.01	£171
BAULKING	46.7	46.7	0.0	£2.15	£0.00	£0
BESSELSLEIGH	36.9	36.9	0.0	£5.23	£0.00	£0
BLEWBURY	734.0	686.3	47.7	£55.64	£2,654.03	£1,781
BOURTON	149.1	139.4	9.7	£23.89	£231.73	£156
BUCKLAND	318.9	314.4	4.5	£19.31	£86.90	£58
BUSCOT	92.3	88.7	3.6	£18.81	£67.72	£45
CHARNEY BASSETT	150.9	146.1	4.8	£26.52	£127.30	£85
CHILDREY	248.0	231.5	16.5	£48.55	£801.08	£538
CHILTON	506.1	486.2	19.9	£32.81	£652.92	£438
COLESHILL	70.7	62.7	8.0	£11.94	£95.52	£64
COMPTON	41.0	40.8	0.2	£0.00	£0.00	£0
CUMNOR	2,800.8	2,676.1	124.7	£32.46	£4,047.76	£2,716
DENCHWORTH	87.7	83.1	4.6	£5.93	£27.28	£18
DRAYTON	968.4	898.8	69.6	£41.75	£2,905.80	£1,950
EAST CHALLOW	289.7	258.3	31.4	£72.47	£2,275.56	£1,527
EAST HANNEY	392.2	368.9	23.3	£0.00	£0.00	£0
EAST HENDRED	542.1	508.5	33.6	£48.90	£1,643.04	£1,103
EATON HASTINGS	34.0	34.0	0.0	£0.00	£0.00	£0
FARINGDON	2,884.4	2,540.5	343.9	£105.37	£36,236.74	£24,317
FERNHAM	116.4	105.8	10.6	£21.56	£228.54	£153
FRILFORD	117.1	116.4	0.7	£43.20	£30.24	£20
FYFIELD AND TUBNEY	247.4	240.0	7.4	£2.06	£15.24	£10
GARFORD	86.0	83.1	2.9	£36.57	£106.05	£71
GOOSEY	66.4	64.2	2.2	£0.00	£0.00	£0
GREAT COXWELL	159.3	153.4	5.9	£21.19	£125.02	£84
GROVE	2,692.6	2,507.3	185.3	£82.36	£15,261.31	£10,241
HARWELL	1,035.6	964.8	70.8	£53.19	£3,765.85	£2,527
HATFORD	49.1	46.6	2.5	£1.61	£4.03	£3
HINTON WALDRIST	157.5	142.1	15.4	£17.46	£268.88	£180
KENNINGTON	1,750.9	1,657.1	93.8	£45.91	£4,306.36	£2,890
KINGSTON BAGPUIZE	995.1	967.5	27.6	£22.86	£630.94	£423
KINGSTON LISLE	112.1	101.6	10.5	£35.80	£375.90	£252
LETCOMBE BASSETT	84.8	81.3	3.5	£5.96	£20.86	£14
LETCOMBE REGIS	380.0	368.3	11.7	£46.23	£540.89	£363
LITTLE COXWELL	77.5	75.2	2.3	£16.02	£36.85	£25
LITTLEWORTH	119.3	116.6	2.7	£6.04	£16.31	£11
LONGCOT	273.4	259.2	14.2	£18.55	£263.41	£177
LONGWORTH	273.8	258.5	15.3	£24.90	£380.97	£256
LYFORD	26.9	26.2	0.7	£0.00	£0.00	£0
MARCHAM	733.3	692.8	40.5	£51.65	£2,091.83	£1,404
MILTON	447.9	415.2	32.7	£44.53	£1,456.13	£977
NORTH HINKSEY	1,761.7	1,658.3	103.4	£36.87	£3,812.36	£2,558
PUSEY	33.7	33.1	0.6	£1.49	£0.89	£1
RADLEY	928.0	864.8	63.2	£54.69	£3,456.41	£2,319
ST HELEN WITHOUT	816.4	807.0	9.4	£19.88	£186.87	£125
SHELLINGFORD	82.1	79.8	2.3	£9.22	£21.21	£14
SHRIVENHAM	1,026.4	975.8	50.6	£50.36	£2,548.22	£1,710
SOUTH HINKSEY	196.1	179.8	16.3	£20.70	£337.41	£226
SPARSHOLT	154.6	150.9	3.7	£26.39	£97.64	£66
STANFORD IN THE	883.4	825.3	58.1	£23.09	£1,341.53	£900
STEVENTON	651.9	604.5	47.4	£35.44	£1,679.86	£1,127
SUNNINGWELL	449.9	440.8	9.1	£37.56	£341.80	£229
SUTTON COURTENAY	1,052.1	962.2	89.9	£45.71	£4,109.33	£2,758
UFFINGTON	346.0	323.1	22.9	£36.64	£839.06	£563
UPTON	213.3	210.1	3.2	£34.72	£111.10	£75
WANTAGE	4,545.3	4,158.1	387.2	£36.91	£14,291.55	£9,591
WATCHFIELD	791.8	752.8	39.0	£28.11	£1,096.29	£736
WEST CHALLOW	96.2	89.6	6.6	£19.17	£126.52	£85
WEST HANNEY	252.1	243.1	9.0	£17.95	£161.55	£108
WEST HENDRED	168.5	160.5	8.0	£38.47	£307.76	£207
WOOLSTONE	78.3	78.3	0.0	£2.05	£0.00	£0
WOOTTON	1,238.0	1,151.9	86.1	£30.50	£2,626.05	£1,762
WYTHAM	76.7	74.1	2.6	£72.33	£188.06	£126
Total	50,133.8	46,640.5	3,493.3		£239,309.84	£160,593