

1.	<b>Meeting:</b>	<b>Cabinet</b>
2.	<b>Date:</b>	<b>14<sup>th</sup> January 2015</b>
3.	<b>Title:</b>	<b>Council Tax Support Grants to Parishes for 2015/16</b>
4.	<b>Directorate:</b>	<b>Resources</b>

## **5. Summary**

This report provides details of the current level of grants provided by the Council to Parish Councils in order to compensate them for the effects of the Local Council Tax Reduction Scheme (CTRS) on their Tax Base and makes recommendations about the proposed level of grant funding for the period 2015/16 and beyond.

Originally the tax base adjustment described above was funded by a specific government grant in 2013/14. From 2014/15 government support has been merged within Revenue Support Grant (RSG) and cannot be separately identified. RSG has been scaled back substantially in recent local government finance settlements and indications are that this will continue into the future.

Going forward the Council must determine whether to maintain grant allocations at 2013/14 levels or to reduce the grant to Parishes in 2015/16. This report also recommends the proposed level of grant allocation to parishes beyond 2015/16.

## **6. Recommendations**

**Cabinet is asked to:**

- Note the contents of the report;**
- Consider the options and the associated risks to the Council in respect of Council Tax Support Grants to Parishes; and**
- Agree that grants to Parish Councils will be paid in 2015/16 at the same level as in 2014/15, and that grants in 2016/17 will be reduced by a third, with a further third reduction from present levels in 2017/18 phasing out the grant by 2018/19. (This will aid Parish Councils with their financial planning). The proposed grant allocations being set out in the attached appendix.**

## 7. Proposals and Details

**7.1 Background** – There are 30 Parishes in Rotherham, covering 55% of the properties in the Borough. Of these, 27 set parish precepts in 2014/15, which totalled £2.1m giving an average Band D Tax of £32.92. Individual parish precepts for a Band D property, however, varied between £15 (Wentworth) and £101.27(Catcliffe). These parish precepts were added to the Council's Band D Tax of £1,253.34 in parished areas and the combined tax collected. The Council pays the parishes the value of the additional tax collected (i.e. the parish precept multiplied by the tax base within the parish area).

**7.2** Previously these parish precepts (like the Police and Fire and Rescue Authority precept) qualified for Council Tax Benefit - an income related benefit administered by local authorities on behalf of the Department for Work and Pensions (DWP). A grant from the DWP met in full the cost of benefits awarded. However, in 2013/14 Council Tax Benefit was replaced by Council Tax Support (CTS) which included locally determined discounts. These discounts covered the whole Council Tax bill, including precepts. Replacing a benefit with a discount meant that the Council Tax base for the borough, and within it the parishes, was reduced.

**7.3** In 2013/14 to offset the reduction in the Council Tax Base, a specific government grant was provided to Councils. This was set at 90% of the Government's forecast of the cost of Council Tax Support for 2013/14 (not the actual cost) and included a specific provision for Parishes. In Rotherham's case the figure was £17.510m which included funding for parishes. There were no specific government guidelines on how much grant should be passed down by Councils to Parish authorities although the Government repeatedly stressed the need for authorities and parish councils to work together on the grant allocation.

**7.4** In 2014/15 the situation changed again. Central Government funding for Council Tax Support (the Council Tax Reduction Scheme (CTRS)) was merged into Revenue Support Grant (RSG) rather being paid as a separate grant. In line with the overall reduction in local government funding, the Council's Settlement Funding Assessment (SFA) has declined sharply since 2013/14 from £142.3m to a projected £108.7m in 2015/16 – a reduction of 23.6% just under a quarter. Within Rotherham's SFA, Revenue Support Grant (RSG) allocations have been cut by even more - the projected fall in 2015/16 is 28.1% in cash terms and on a like for like basis (allowing for the earmarking of Welfare Reform funding within RSG) by 29%. Ministers have however, asserted that Council Tax Support Funding within the settlement has not reduced. This therefore implies that the reduction in RSG for general purposes has been even greater.

**7.5 Rotherham's approach:** In 2013/14 the Council chose to allocate sufficient grant to each parish to allow it to set a precept with the same Band D tax level as in 2012/13. This meant that if a Parish Council did not increase its precept and

Council Tax their Council Tax income was the same as in 2012/13 and their financial position was unchanged. This year (2014/15) the Council followed the same approach and allocated sufficient grant to allow Parishes to maintain Council Tax at 2013/14 levels by reducing the amount the parish requires in precept. The value of the grants allocated to parishes was £354k in 2014/15., The grant allocation represented around 16.8% of the total requested in precepts and the grants to parishes ranged between £84 and £41,498. Around 75% of the grant went to 9 Parishes which received grants over £20k. (Anston, Aston, Brinsworth, Dalton, Dinnington, Maltby, Thrybergh, Thurcroft and Wales).

**7.6 Options for 2015/16** – the Council must decide whether it wishes to reduce the grant it distributes to Parishes or continue with its current approach and pay the grant allocations at the same value as in 2014/15. If the decision is to reduce the grant then the Council must decide:

- By how much the grant should be reduced; and
- How any reduction should be determined (e.g. a straight percentage cut or by recalculating shares of a reduced total based on updated precept and tax base figures).

And

- If a decision is taken to reduce the grants to parishes it is necessary for the Council to decide whether this should be from 2015/16 or 2016/17 (to allow parishes time to review their financial plans).

**7.7** In reaching any decision there are several factors to consider:

- The potential savings generated by reducing the grants paid to parishes. Each 1% cut in grant would generate a saving of £3.5k and, as stated, Ministers have asserted that funding for the Council Tax Reduction Scheme has not been reduced even though RSG has been cut substantially and recently there has been pressure on authorities to maintain the grant payments to parish councils. On 23 October 2014, Local Government Minister, Kris Hopkins MP, stated that he intends to write to 31 local authorities that do not intend to pass down the funding to their parish councils to urge them to do so.
- Reductions in the grant could have a substantial impact on some Parish Council Budgets, as for some the grant represents a significant income stream. Most of Rotherham's parishes and town councils (17 of 27) set precepts below £100k. As the grant payments are intended to stabilise parishes' financial position by mitigating the reduction in tax base arising from the CTRS, reductions in grant could potentially lead to substantial increase in Parish Council Taxes. Each 1% reduction in total grant equates to an increase of 0.3% in the average Parish Band D Tax (£32.92 in 2014/15) should parishes decide that they needed to increase precepts to mitigate a reduction in grant of this level, before any change in the parish budget requirements. A consultation on extending the capping regulations to larger parishes and those subject to Public Interest Reports was announced as part of the Provisional Settlement on December 18<sup>th</sup> – although any change will not take effect in 2015/16.

- The budget process for 2015/16 is now well advanced and reducing grant allocations could mean significant financial difficulties for parishes. Freezing allocations for the coming financial year would allow parish councils time to prepare for the proposed reduction in funding in future years.

**7.8 Options.** In light of the above factors the Council's options can be summarised as:

- Reduce the 2015/16 grants across the board by a proportion to be agreed.
- Cease paying grants to parishes – potentially risking government action – saving £354k.
- Freeze grants to parishes at their current level for 2015/16 but confirm that they will be reduced by one third each year from 2016/17 ceasing in 2018/19. This would allow the Parish Councils time to prepare for the reduction in grant funding.

Future levels of grant funding were discussed at the recent meeting with Parish Councillors on December 9<sup>th</sup>. In light of this consultation and recognising the tight timescale for managing any reduction in grant, it is proposed to freeze the grant allocations for 2015/16 at the same level as in 2014/15. It is however proposed that grant allocations reduce by one third in 2016/17 and 2017/18, phasing the payments out by 2018/19. This will generate savings of £118k pa for the 3 years 2016/17, 2017/18 and 2018/19.

Given the potential level of savings that could be generated and the potential impact on parishes the latter option is recommended. In either case it would be helpful to notify Parishes as soon as possible to aid their financial planning.

## 8. Finance

The projected reduction in RSG within total settlement funding for 2015/16 has been reflected in the Council's MTFS and a provision of £354k for the grant to parishes exists within the Council's revenue budget projections for 2015/16.

## 9. Risks and Uncertainties

Several elements of the Council Tax calculation are not yet known:

- The provisional Local Government Finance Settlement was released on December 18<sup>th</sup> and grant allocations were broadly in line with expectations - a reduction of 15.2% in the Settlement Funding Assessment and a reduction of 21.6% in Government Grant. These proposals are now subject to consultation and the final allocations will be confirmed next year.
- The Council has not yet determined its Tax Base for 2015/16 (by statute the Tax Base must be set between December 1<sup>st</sup> and January 31<sup>st</sup> of the preceding financial year). A report setting out the tax base will also be considered on this agenda. The Tax Base is a key element in determining

not only the Council's Tax but also the Parish Precepts and changes in the Tax Base will affect precept levels.

- Government ministers have indicated that they will encourage authorities to continue to make grant payments to parish and town councils and by implication that they expect local authorities and parishes to work together.

## **10. Policy and Performance Agenda Implications**

Parishes are beginning to work on their budgets and some have already started to make enquiries about grant allocations for 2015/16 and there has been a substantial amount of correspondence with parishes on this matter in the current financial year. Bearing in mind that the Government has repeatedly stressed the need for authorities and parish councils to work together on the grant allocation it would be beneficial to determine the Council's approach and inform the parish councils as soon as possible so that any changes can be factored into their budget preparations.

## **11. Background Papers and Consultation**

- 2013/14 Published Rotherham MBC CTRS Scheme.
- Report to Cabinet - Council Tax Reduction Scheme for 2015/16 24<sup>th</sup> September 2014
- SIGOMA estimates of Council Tax Support Reductions in funding due to reducing SFA.
- Consultation meeting with Parish Councillors 9<sup>th</sup> December 2014.

### **Contact Names:**

Stuart Booth (Director of Finance), email: [stuart.booth@rotherham.gov.uk](mailto:stuart.booth@rotherham.gov.uk)  
Tel No: 22034