

## Bath & North East Somerset Council

MEETING/ DECISION MAKER:	<b>Council</b>	
MEETING/ DECISION DATE:	<b>12 November 2015</b>	EXECUTIVE FORWARD PLAN REFERENCE:
TITLE:	<b>Parish Councils: Local Council Tax Support Scheme Grant 2016/17 to 2019/20</b>	
WARD:	All	
<b>AN OPEN PUBLIC ITEM</b>		
<b>List of attachments to this report:</b> Appendix 1 – Proposed Parish Councils Local Council Tax Support Scheme Grant reductions for 2016/17 and indicative reductions for 2017/18 to 2019/20		

### 1 THE ISSUE

- 1.1 The grant the Council currently pays to Parish, Town Councils and the Charter Trustees in respect of the introduction of the Local Council Tax Support Scheme has been reviewed as part of the Council's Medium Term Financial Planning process.
- 1.2 This report proposes reductions to the level of grant paid in 2016/17 and the phasing out of the remaining grant from 2017/18, in light of the reductions already made to the Council's core funding received from central government and the further reductions anticipated over the next four years.
- 1.3 A Council decision is required ahead of the Budget setting meeting in February so parishes can be notified and factor the change in grant into their upcoming precept setting decisions.

### 2 RECOMMENDATION

- 2.1 That Council approves the 2016/17 Parish Local Council Tax Support Scheme grants as set out in Appendix 1.
- 2.2 That Council approves the proposal to phase out the remaining grant from 2017/18 onwards as set out in Appendix 1, subject to confirmation of the Council's financial planning assumptions in the Local Government Finance Settlement.

### **3 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)**

- 3.1 The Council's 2015/16 budget includes provision of £214,960 in respect of the grant it pays to Parish, Town Councils and the Charter Trustees to offset the impact to their taxbase following the introduction of Local Council Tax Support Scheme in 2013/14.
- 3.2 The government transferred funding related to the impact of these changes on Parishes into the Council's core grant as part of the Local Government Finance Settlement in 2013/14. The Council agreed in 2013/14 to pay a Local Council Tax Support Scheme grant to Town and Parish Councils and this has been maintained at the same level in 2014/15 and 2015/16 despite there being no statutory requirement to pass the funding on and the Council experiencing reductions to its core grant of 22% over those two years.
- 3.3 Following consideration of future grant payments undertaken as part of the Council's Strategic Review process, it is proposed that the amount of grant paid to Parish and Town Councils in 2016/17 is reduced by £41,010 to £173,950. This equates to a reduction of around 20%, reflecting that the Council is unable to continue to protect the original level of funding given to Parish and Town Councils in light of the reductions made to its own core government grant funding since 2013/14.
- 3.4 Taking into account the future scale of the financial challenge facing the Council over the next four years to 2019/20, with an estimated further reduction in government grant funding of around 40% and likely savings, or additional income required of over £30 million, it is proposed to phase out the remainder of the Parish grant over this period. This will be subject to confirmation of the Council's financial planning assumptions in the Local Government Finance Settlement, expected to be provisionally announced in December.
- 3.5 Appendix 1 provides details of the proposed reductions and grant levels broken down by parish over the period to 2019/20. Under these proposals all parish grants are likely to be phased out by 2019/20 with the exception of Radstock, which is likely to be phased out by 2021/22 to take account of their relatively higher dependency on the grant as a result of having a higher proportion of Council Tax Benefit claimants under the old scheme.

### **4 STATUTORY CONSIDERATIONS AND BASIS FOR PROPOSAL**

- 4.1 The proposal recommends a change to the Council's budget and under the Council's Policy & Budget Framework this requires a Full Council decision to proceed.
- 4.2 The impacts of the reduction in the parish grants will need to be considered by each Parish, Town Council and the Charter Trustees as part of their annual precept setting decision.

### **5 THE REPORT**

- 5.1 The Government abolished the national Council Tax Benefits System on 31<sup>st</sup> March 2013, replacing it with a requirement for local authorities to establish a Local Council Tax Support Scheme with effect from 1<sup>st</sup> April 2013. The new

scheme provides a 'discount' against the Council Tax charge rather than receipt of a benefit entitlement.

- 5.2 The Government transferred funding to support the Local Council Tax Support Schemes in 2013/14 (90% of the previous funding available under the Council Tax Benefit System). This funding forms part of the Council's core government grant. Whilst the amount of the transfer was visible in 2013/14, it is no longer a separately identifiable element of the Council's grant funding. The Council's grant funding includes an element relating to Town and Parish Councils and whilst the Council passed the grant on to the Town and Parish Councils in 2013/14, 2014/15 and 2015/16, there is no statutory requirement to do so.
- 5.3 The Councils core grant has been the subject to significant ongoing year on year reductions since 2010/11 and has been reduced by 22% over the last two years alone whilst the Council has maintained the grant to Town and Parish Council's at the same level protecting them from these reductions.
- 5.4 The future scale of the financial challenge facing the Council over the next four years to 2019/20, with an estimated further reduction in government grant funding of around 40% and likely savings or additional income required of over £30 million, has meant the Council has needed to undertake a review of its revenue budget commitments including the Parish Local Council Tax Support Scheme grant.
- 5.5 Parish and Town Councils were notified in December 2014 that the Council would be considering the level of the grant as part of its budget process for 2016/17 and that it would be prudent for them to start considering options as part of their budget planning should any reductions in funding the Council is experiencing be passed through to the Town & Parish grant.
- 5.6 Following the review it is proposed that the amount of grant paid to Parishes in 2016/17 is reduced by £41,010 from £214,960 to £173,950. This equates to a reduction of around 20%, reflecting that the Council is unable to continue to protect the original level of funding in light of the reductions made to its own core government grant funding since 2013/14. Given the estimated further future reductions to the Council's funding, it is also anticipated that the remainder of the grant is phased out by 2019/20, with a higher reduction in 2017/18 to reflect the anticipated front loading of government grant reductions. The approach from 2017/18 onwards will be subject to confirmation of the Council's financial planning assumptions in the Local Government Finance Settlement which is expected to be provisionally announced in December 2015.
- 5.7 Appendix 1 provides details of the proposed reductions and grant levels broken down by Parish over the period to 2019/20. Under these proposals all Parish grants are shown to be phased out by 2019/20 with the exception of Radstock, where the grant is phased out by 2021/22 to take account of their relatively higher grant dependency as a result of having a higher proportion of Council Tax Benefit claimant under the old scheme.
- 5.8 A Council decision on this issue is required ahead of its Budget setting meeting in February to enable the Town and Parish Councils to be notified of the outcome so that they can reflect the changes in the level of their grant into their precept setting decisions, the majority of which take place during December and January.

## 6 RATIONALE

6.1 The reductions in 2016/17 and the phasing out of the Parish grant by 2019/20 are proposed in light of the reductions to the Council's core grant since 2013/14 and the further future reductions anticipated over the next four year financial planning period.

## 7 OTHER OPTIONS CONSIDERED

7.1 The Strategic Review considered various options relating to the Parish Local Council Tax Support grant including maintaining the grant unchanged and differing rates of reduction over the four year period.

7.2 Taking into account the future scale of the financial challenge facing the Council the proposal to phase out the grant was the preferred option. This gives the parishes more certainty of the position over the next four years so they are able to factor this into their financial planning and future precept setting decisions.

## 8 CONSULTATION

8.1 Parish and Town Councils were notified in December 2014 that the Council would be considering the level of the grant as part of its budget process for 2016/17.

8.2 The clerks of all Parish, Town Councils and the Charter Trustees that currently receive a Local Council Tax Support grant have been made aware of the proposal and that Council will be considering the issue at this meeting.

## 9 RISK MANAGEMENT

9.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance.

<b>Contact person</b>	<i>Tim Richens (01225 477468); Gary Adams (01225 477107)</i>
<b>Background papers</b>	<i>None</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	