

## Wiltshire Council

### Cabinet

21 November 2013

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**Subject:** Parish and Town Council Grant Options

**Cabinet member:** Councillor Dick Tonge, Finance, Performance, Risk, Procurement and Welfare Reform

**Key Decision:** Yes

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#### Executive Summary

From April 2013 Council Tax Support (formerly Council Tax Benefit) has taken the form of Council Tax Reductions (CTR) which has had the effect of reducing the Council Tax Base.

As a consequence, Town and Parish Councils have experienced a decrease to their tax base which therefore decreased the amount of precept that they were able to raise through Council Tax. In 2013/14 Wiltshire Council awarded a grant totalling £1.4 million to top up the Town and Parish Council funding levels to compensate for this loss in funding.

Following further changes in Central Government funding to Wiltshire Council, it is necessary to consider the options available in terms of providing support funding to Town and Parish Councils in 2014/15 and onwards.

Four options have been considered and are detailed in the body of this report.

#### Proposal

**Cabinet are asked to approve option 3 as follows;**

- 1. That the Wiltshire Council grant to Town and Parish Councils be set at 65% of the 2013/14 grant to take into account the £300k shortfall in the 2013/14 DCLG grant made up by Wiltshire Council, and the expected reduced level of Council's Settlement Funding Assessment from DCLG.**
  - 2. That in future years the grant is adjusted in line with changes to the Council's Settlement Funding Assessment from DCLG.**
- and that**
- 3. The comments received as part of the consultation and shown at para G in Appendix C are addressed in a separate briefing to be sent to all Towns and Parishes.**

**Reason for Proposal**

To provide financial support to Town and Parish Councils in the light of changes made to Council Tax Support by the Coalition.

**Michael Hudson****Associate Director, Finance**

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### **Purpose of Report**

1. To consider the Council Tax Support grant to Town and Parish Councils for 2014/15 and onwards.

### **Background**

2. From April 2013 Council Tax Support (formerly Council Tax Benefit) has taken the form of Council Tax Reductions (CTR) which has had the effect of reducing the Council Tax Base.
3. An unforeseen consequence of the CTR scheme was that a proportion of those properties deemed to be affected were taken out of the Council Tax base calculation and treated as a separate income stream. The effect on Wiltshire Council was a benefit grant reduction of more than 10%. This required more people to pay Council Tax and some to pay more and thus an increased risk of debt for the Council. The Coalition Government made an additional grant available to the Police and Fire & Rescue to cover most of their deficit.
4. The precept for Town and Parish Council's is the product of multiplying their Council Tax Base by their band D Council Tax charge. As a result this Coalition change has had a significant effect on local council funding.
5. This issue was drawn to attention of the Department of Communities and Local Government (DCLG) and in late December 2012 they announced as part of the Council's grant there was 5% (£1.1m) provided to cover this. The Council has disputed that this is new money and also contends that there was shortfall in the grant given.
6. The DCLG grant noted that the funding was 'unringfenced' and Councils had to determine how this money was to be used. Across the Country the picture is mixed with some taking the same approach as Wiltshire to protect the Town and Parish Councils in 2013/14 as many had already set their precepts. In Wiltshire's case the full shortfall was £1.4 million and the decision was made to top up the £1.1 million DCLG grant by £0.3 million to the full amount.

## **Main Considerations for the Cabinet**

7. **Situation in 2013/14**
8. A recent funding announcement has noted the further effect of another 1% efficiency saving for DCLG (in other words less money for Wiltshire) with the Council's Settlement Funding Assessment (formerly known as Revenue Support Grant – RSG) reducing from £76.018 million in 2013/14 to a provisional £62.218 million for 2014/15. This is a reduction of 18.2% year on year, with a further reduction planned to £45 million in 2015/16. This decline is expected to continue in future years. In consequence any funds that are not ringfenced will continue to decline in value.
9. An additional complication is that from 2014/15 the Government is considering the introducing of a cap on increases to Town and Parish precepts. In the context of the declining value of the grant, capping would inevitably mean that Towns and Parishes would have to cut costs as they would be getting less grant and would not be able to raise their precepts to compensate without the uncertainty of a referendum.

### **Lobbying**

10. The Leader of the Council and the Leader of the Liberal Democrat Group wrote a joint letter to Eric Pickles outlining the case that the changes were financially unreasonable, his reply on the 17th January this year produced no change.
11. Officers have worked with the Wiltshire and National Association for Local Councils, the Local Government Association, the Society of County Treasurers and others to press the case for a change to the scheme and all have received non committal answers.

### **Consultation**

12. The following actions were taken to consult with Towns and Parishes and Members;
  - a. 20 September  
The briefing note and questionnaire (shown at Appendix A) was emailed to the 253 Town and Parish Council Clerks and all Wiltshire Councillors highlighting the changes to Council Tax Support with an invitation to attend a consultation briefing session.
  - b. 26 September  
The briefing note was emailed to the 5 Wiltshire MP's.
  - c. 27 September & 1 October  
Reminders emailed to Town and Parish Council Clerks informing them that spaces were still available for the briefing sessions with booking details.
  - d. 1-3 October  
Briefing sessions held in Trowbridge, Chippenham, Salisbury and Devizes. One session was held specifically for town councils and four

others were available for all to attend, in total over 130 representatives attended.

- e. 15 October  
A summary of the questions raised at the briefing sessions with answers and a worked example (shown at Appendix B) emailed to all Town and Parish Council Clerks and all Wiltshire Councillors. This included the original briefing note with questionnaire, a letter from Wiltshire Council to Eric Pickles, Secretary of State for Communities and Local Government and his response.
- f. 15 October  
This e-mail forwarded to the 5 Wiltshire MP's.
- g. 21 October  
Article regarding capping precepts from the Daily Telegraph emailed to Town and Parish Council Clerks and all Wiltshire Councillors to draw attention to this issue and potential implications with a reminder to submit questionnaire responses by 4 November.
- h. 23 October  
E-mail forwarded to Town and Parish Council Clerks regarding Council Tax Support funding options 2014/15 (shown at Appendix 4).
- i. 29 October  
Reminder emailed to Town and Parish Council Clerks asking for responses to the questionnaire by 4th November.

### **Results of the consultation**

13. A summary of the results of the consultation is shown at Appendix C and the full results on the spreadsheet at Appendix D. The percentages shown below are for the respondees to each individual question not the full 125 Towns and Parishes that responded.
  - a. The majority (62%) supported receiving a combination of no grant or the reduction of the grant by the level of the Settlement Funding Assessment, 17% wanted the grant to continue as in 2013/14 and 20% had other suggestions of how the grant should be calculated but there was no consensus.
  - b. The majority (70%) wanted the grant allocated as in 2013/14 and not on the basis of need.
  - c. The majority (63%) did not want to rely on a grant and wished their Council to be financially independent. The average timescale to achieve this, of those who gave one, was 3.6 years.
  - d. A minority (35%) favoured an early large increase in precept to compensate for the grant, the majority wished to spread it over a number of years.
  - e. A minority (27%) had sufficient reserves to cover the reduction in grant should a precept cap be introduced by the Coalition although most expressed reservations about this.
  - f. The majority (91%) were not planning to reduce their budget over the next four years.
  - g. A number of other issues were raised at para G in Appendix C that are addressed in the recommendations.

14. There has been no separate assessment of the effect of a grant reduction on different sized communities. The responses indicate that the financial pressure on small and large communities is the same.

### **What have other Councils Done?**

15. The Local Government Association has reported recently that Central Bedfordshire has decided not to pass on its share of the Council tax support grant to its Towns and Parishes and speculates that this 'is likely to be repeated nationwide'. The position of other Councils will become clear as they set their 2014/15 budgets. Swindon Borough Council, Wigan and Bromsgrove did not pass on any grant last year.

### **Options Considered**

16. Four options have been considered:
- **Option 1** – Seek new additional funds from Central Government.
  - **Option 2** – Do nothing and continue with the grant at the same level as 2013/14.
  - **Option 3** – Pass the unringfenced grant adjusted by the Settlement Funding Assessment from DCLG without the Wiltshire Council top up to Town and Parish Councils.
  - **Option 4** – Withdraw all grant funding.
17. Taking these in turn;
- **Option 1** – Seek new additional funds from Central Government. It is felt that further lobbying to DCLG to seek additional funds would be unsuccessful and whilst should be pursued, should not be considered as a viable option for this report in the light of previous responses.
  - **Option 2** – Do nothing and continue with the grant at the same levels as 2013/14. With the Council's decreasing Settlement Funding Assessment this is not affordable.
  - **Option 3** – Pass the adjusted unringfenced grant to Towns and Parishes without the Wiltshire Council top up. This will enable Towns and Parishes to adjust their finances over a number of years and address the issue of a decreasing Settlement Funding Assessment given by DCLG to Wiltshire Council.
  - **Option 4** – Withdraw all grant funding. This would put most Towns and Parishes under severe pressure to make savings and/or increase the precept by a large amount in one year. The highest percentage increase attributable to this 'unforeseen consequence'

would be 23%, and the highest cash increase being £30.92 to the band D Council Tax charge. On average most Town and Parish Council's would need to increase their Council Tax charge by 12% in order to maintain the 2013/14 level of funding. This option would provide additional funding and reduce the significant funding gap facing Wiltshire Council.

18. The figures shown in Appendix D are based on the indicative 2013/14 tax base for each Town and Parish Council adjusted for new housing. There may be some minor adjusted before the Council Tax base is set in the 2014/15 budget that will be reported to the next Cabinet in December 2013.

### **Risk Assessment**

19. None have been identified as arising from this report.

### **Equalities Impact of the Proposal**

20. None have been identified as arising from this report.

### **Financial Implications**

21. If monies are passed to Town and Parish Councils this unringfenced grant will not be available to Wiltshire Council for other purposes.

### **Legal Implications**

22. None have been identified as arising from this report.

### **Safeguarding Considerations**

23. None have been identified as arising from this report.

### **Public Health Implications**

24. None have been identified as arising from this report.

### **Environmental and Climate Change Considerations**

25. None have been identified as arising from this report.

### **Conclusions**

It is recommended that Cabinet approves Option 3 as follows;

1. That the Wiltshire Council grant to Town and Parish Councils be set at 65% of the 2013/14 grant to take into account the £300k shortfall in the 2013/14 DCLG grant made up by Wiltshire Council, and the expected reduced level of Council's Settlement Funding Assessment from DCLG.

2. That in future years the grant is adjusted in line with changes to the Council's Settlement Funding Assessment from DCLG.

and that

3. The comments received as part of the consultation and shown at para G in Appendix C are addressed in a separate briefing to be sent to all Towns and Parishes.

Report Author:

Michael Hudson, Associate Director, Finance

1 November

### **Background Papers**

The following unpublished documents have been relied on in the preparation of this report:

None.

### **Appendices**

- Appendix A Briefing Note and Questionnaire
- Appendix B Summary of questions raised at the briefings with a worked example.
- Appendix C Summary of the results of the consultation
- Appendix D Responses to consultation
- Appendix E Council Tax Support funding options 2014/15