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<b>PART B:</b>	<b>RECOMMENDATIONS TO COUNCIL</b>
<b>REPORT TO:</b>	<b>POLICY AND RESOURCES COMMITTEE</b>
<b>DATE:</b>	<b>26 SEPTEMBER 2013</b>
<b>REPORT OF THE:</b>	<b>CORPORATE DIRECTOR (s151) PAUL CRESSWELL</b>
<b>TITLE OF REPORT:</b>	<b>LOCALISATION OF COUNCIL TAX SUPPORT PARISH GRANT</b>
<b>WARDS AFFECTED:</b>	<b>ALL</b>

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## **EXECUTIVE SUMMARY**

### **1.0 PURPOSE OF REPORT**

1.1 To consider the grant funding to parishes in 2014/2015. This grant arose from the Localisation of Council Tax Support. The Council's local scheme came into effect on the 1 April 2013.

### **2.0 RECOMMENDATION**

2.1 That Council is recommended to approve that the parish grant is halved for the 2014/2015 financial year and not paid in 2015/2016 and beyond.

### **3.0 REASON FOR RECOMMENDATION**

3.1 The recommendation if approved will generate a saving to the Council. Such a saving will help reduce the level of cuts to other services required to balance the 2014/2015 and 2015/2016 budgets.

### **4.0 SIGNIFICANT RISKS**

4.1 The significant risk is the impact on parishes and their services arising from the reduction in funding. They may choose to reduce their services, use reserves or alternatively increase their precept.

### **5.0 POLICY CONTEXT AND CONSULTATION**

5.1 These proposals are part of the budget strategy process.

5.2 Consultation on this proposal with the affected Parish Councils has taken place (letter at Annex A) and their comments are attached at Annex B.

## REPORT

### 6.0 REPORT DETAILS

- 6.1 Members will be aware of the proposals for the Localisation of Council Tax Support and the Council's scheme approved by Council on the 10 January 2013 which went live on the 1 April 2013. On that same agenda members considered a grant to parishes to reflect the reduction in tax base arising from the scheme localisation.
- 6.2 It is the changes to the Council tax base required to account for the Local scheme which produced this situation.
- 6.3 Each Parish has its own CTB, that is the number of band D property equivalents within that parish. The sum of all of the Parish CTBs equates to the RDC CTB. The parish charge per property (per band D) is the Parish precept divided by the parish CTB.
- 6.4 The Local Council Tax Support Scheme results in changes to the tax base for every parish:
- It increases for the removal of the second homes 10% discount
  - It increases for the reductions in Council Tax exemptions (totalling £196k across Ryedale in 2013/2014)
  - It reduces by the estimated cost of Council Tax Support spend in 2013/2014 by parish.
- 6.5 In addition to the above in forecasting the tax base expected additions during the forthcoming year are also factored into the calculation as well as Council Tax discounts (such as single person's discount) and expected collection rates. The calculation of the base is complicated and cannot take place until after the CTB1 (Council Tax Base return to Government) has been completed in September/October at the earliest. The calculation is governed by regulations and is the Council's responsibility to calculate. Any change to the Local Council Tax Support Scheme would also affect the base, with such a decision often in January. As a result the calculation can only take place once the Local Council Tax Support Scheme for the subsequent year is finalised and approved.
- 6.7 Annex C provides details of the parish council CTB for 2012/2013 and 2013/2014 and shows the reduction from the changes identified above. There are a small number of parishes where the base increased, as the changes to second homes discount, exemptions and additions are greater than the Council Tax Support expected to be paid in that parish. It is likely that overall the CTB will be slightly higher in 2014/2015 through new property addition in the District.
- 6.8 Annex C also provides the impact of the reduced CTB multiplied by the 2012/2013 band D charge in each parish. This could be argued to be the financial 'loss' each parish suffered as a result of the changes. These figures range from 54p to £15,897.49 in the largest parish, Pickering. The Council approved and paid the grant totalling £65,184.09 in 2013/14 and this is now in the Council's base budget.
- 6.9 £61k was provided to the Council separately as part of the 2013/14 Local Government Finance Settlement to reflect this although it was at the full discretion of the District Council to decide whether, how much and the basis for any distribution. It is not possible to confirm that the £61k funding (or more) is being received in future years as it is not separately identified in the provisional 2014/15 announced figures. It

now forms part of the Council's start-up funding model as part of the rates retention scheme and Revenue Support Grant.

- 6.10 The Parishes have asked for clarity and certainty over the figure for 2014/2015. If the same or similar methodology is used as 2013/2014 it is unlikely that the grant will be finalised until after 9 January 2014 Council when the 2014/15 Local Council Tax Support Scheme will be approved. Those affected would need to meet late in the budget Council to ensure that Council on the 27 February 2014 could formally set all the precepts.
- 6.11 If members approve the halving of the grant Parishes will need to consider cutting their services, using reserves or increasing their precept. Whilst the District Council is effectively restricted in raising its precept by the referendum announcements from the Department for Communities and Local Government, parish Councils have not to date been affected. Whilst applying the referendum limit to parishes has been discussed, at present the Government does not have the legal power to do so, nor are there live legislative plans. Members should be aware that if Parishes were to manage the cut by increasing the precept there are likely to be significant percentage increases for some parishes, although the cash amounts in the main are likely to be small.
- 6.12 Annex C column headed 'Increase Per Band D' provides an estimated figure based on the 2013/14 tax base and is probably a worst case scenario of the impact of this decision if a parish makes good the whole reduction through increasing the precept. The next column highlights the percentage increase in precept that would be required (again based on 13/14 base and precept). Therefore as examples:
- Acklam Parish Council would see the grant reduce by £60, which would equate to 89p per band D property (per year), and if they made up the shortfall by increasing the precept it would show as a 2.88% rise.
  - Pickering Town Council would see the grant reduce by £7,948.75 (the highest cash reduction), which would equate to £3.35 per band D property (per year), and if they made up the shortfall by increasing the precept it would show as a 6.21% rise.
- 6.13 This issue was discussed with the Resources Working Party on the 4 June 2013 as part of consideration of the Councils financial position and savings requirements. The Medium Term Financial Strategy as approved by Council as part of setting the Council Tax for 2013/14 on the 26 February 2013 identified that the estimated shortfall on the 2014/15 budget was likely to be £646k based on known growth, efficiencies/savings/additional income of £150k being achieved and a 2% Council Tax increase. Members' choices for managing this shortfall will include use of the New Homes Bonus, use of reserves and cuts to services.
- 6.14 Against this difficult financial background the Resources Working Party at its meeting on the 4 June 2013 considered various proposals for cuts to services and additional income generation. The Parish Grant was discussed and it was agreed that officers would prepare a draft report for decision by the Policy and Resources Committee on the 26 September and considered at the Resources Working Party on the 10 September 2013 which consider halving the grant in 2014/15 and removing it completely in 2015/16.
- 6.15 A decision in line with the recommendation by Council on the 31 October based on a recommendation of the Policy and Resources Committee would enable the parishes to plan for the following year. If members choose a methodology based around the Council Tax Base, the Parishes would not have certainty over the grant until January

for the reasons outlined earlier.

## **7.0 IMPLICATIONS**

7.1 The following implications have been identified:

a) Financial

This issue is being considered as part of the Council's overall financial position and the budget strategy. If implemented the saving would be c£32k in 2014/15 and 2015/16.

b) Legal

There are no significant new legal issues arising from this report.

c) Other

There are no significant other implications arising from this report.

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**Background Papers:**

None.