

# DECISION ITEM



REPORT OF	MEETING	DATE	ITEM NO
RESOURCES DIRECTORATE	COUNCIL	5 DECEMBER 2016	14
<b>COUNCIL TAX REDUCTION SCHEME: GRANTS TO TOWN AND PARISH COUNCILS 2017/18</b>			

## PUBLIC ITEM

This item is for consideration in the public part of the meeting.

### SUMMARY

From April 2013 the local Council Tax Reduction Scheme (CTRS) replaced the previous national scheme of Council Tax Benefit. The purpose of the scheme is to define the entitlement to support that eligible households receive. That support, through the CTRS, reduces the level of Council Tax that is payable by low income households.

As a consequence of these changes the amounts of Council Tax that are collected by Town and Parish Councils are reduced. The basis for determining the level of grants to compensate Town and Parish Councils for this reduced income was approved by this Council in December 2015 for 2016/17 only.

This report addresses the question of the payment of grants to Town and Parish Councils in relation to CTRS income reductions for 2017/18. This matter was considered by the Finance and Democracy Committee at the meeting of 21st November 2016.

The Council's Revenue Budget and Financial forecast currently assumes that grants to Town and Parish Councils in relation to the introduction of CTRS will be made for 2017/18 onwards in the same sum as was paid in 2016/17, that being £66.2k.

### RECOMMENDATION

The Finance and Democracy Committee considered this matter at the meeting of 21st November 2016 and recommended:

1. That the Council approve option 4 as set out in section 1.6 of the report in respect of the payment of grants to Town and Parish Councils. That is, for 2017/18 onwards Fylde Council will provide grants to Town and Parish Councils to compensate them for income foregone as a consequence of the local CTRS in a total sum of £27.2k in 2017/18 and £3.6k in 2018/19 (resulting in the grant allocations for those years as set out in Appendix B to this report), with no payments thereafter, to reflect the reduction in total Revenue Support Grant that is received by Fylde Council over that period;
2. That the Council determines that the distribution methodology for payment of grants to Town and Parish Councils relating to the introduction of the Council Tax Reduction Scheme will be such that the grant allocation will be calculated by reference to the reduction in the tax-base of each Town and Parish Council in 2017/18 as a result of the Council Tax Reduction Scheme in that year, this being consistent with the methodology applied in respect of previous years;
3. That the Council approve, as necessary, that the financial implications are reflected in the Council's Revenue Budget and Financial forecast for 2017/18 onwards.

## SUMMARY OF PREVIOUS DECISIONS

The Council Tax Reduction Scheme in operation for 2016/17 (including the payment of compensatory grants to Town and Parish Councils) was approved at the Council meeting of 14<sup>th</sup> December 2015. The full scheme is available on the Fylde Borough Council website at:

<http://www.fylde.gov.uk/council/finance/counciltaxfinance/localisationofcounciltax/>

## CORPORATE PRIORITIES

Spending your money in the most efficient way to achieve excellent services <b>(Value for Money)</b>	√
Delivering the services that customers expect of an excellent council <b>(Clean and Green)</b>	
Working with all partners <b>(Vibrant Economy)</b>	√
To make sure Fylde continues to be one of the most desirable places to live <b>(A Great Place to Live)</b>	
Promoting Fylde as a great destination to visit <b>(A Great Place to Visit)</b>	

## REPORT

- 1.1 As part of the 2012 Welfare Reform Act the national Council Tax Benefit (CTB) scheme was abolished and individual local authorities were instead required to introduce a local Council Tax Reduction Scheme (CTRS) with effect from 1<sup>st</sup> April 2013.
- 1.2 The government's decision to move from a system whereby support for Council Tax was paid directly into a receiving person's Council Tax Account as a benefit, and instead to re-designate the support as a Council Tax discount, has had far-reaching implications. Town and Parish Councils were not immune from these changes.
- 1.3 This is because a discount reduces the amount of Council Tax payable and therefore impacts upon the Council tax-base calculation by reducing the tax-base to below the level that it would have been had the previous Council Tax Benefit system been retained.
- 1.4 When the new Council Tax support arrangements were first implemented an element of the Council's overall funding settlement was identifiable as relating to the provision of support to Town and Parish Councils for the effects of the CTRS. Since that time, and as central government funding mechanisms have been amended and funding amounts have reduced in their totality, it is no longer possible to identify a sum within the central government funding amounts that specifically relates to an intended level of support to Town and Parish Councils for the effects of the CTRS.
- 1.5 For each year since 2014/15 Fylde Council has determined that the total level of support to Town and Parish Councils for CTRS will be reduced from the level for the prior year to reflect a similar reduction in the central government funding that Fylde Council itself receives. In December 2015 the Council agreed to fund Town and Parish Councils for CTRS in 2016/17 in a total sum of £66.2k, this being a reduction on the total funding for 2015/16 of £66.2k.
- 1.6 There are a number of options in this regard which are summarised below:  
**Option 1:** Fylde Borough Council could agree to fund Town and Parish Councils to compensate them for losses in income as a consequence of CTRS for 2017/18 at a level equivalent to that for 2016/17 i.e. in a total sum of £66.2k.  
**Option 2:** Fylde Borough Council could agree to fund Town and Parish Councils to compensate them for losses in income as a consequence of CTRS in a total sum which reflects the overall

central funding reductions that have been suffered by Fylde Borough Council. Based on the expected levels of central government funding for 2017/18 as contained within the latest Financial Forecast, the reduction would equate to 2.3%, leaving a sum of approximately £64.7k to be distributed.

**Option 3:** Fylde Borough Council could determine that due to the uncertainty surrounding central government funding and the expectation that the current funding reduction trajectory will continue in the future (thus reducing the total amount available for distribution to Town and Parish Councils still further) the option which provides greatest clarity for future years for Town and Parish Councils is that funding relating to CTRS will be distributed for 2017/18 in the sum of either £66.2k or £64.7k, but that no such payments will be made at all in any future years. This would allow Parish Councils to determine their own financial environment without having to take regard of the actions of the Borough Council.

**Option 4:** Given that the grant funding provided to Fylde Council to compensate for the loss of income experienced as a result of the introduction of the CTRS (for both Fylde Council and the Town and Parish councils in the borough) was originally a part of the Revenue Support Grant (RSG), the total amount redistributed to Town and Parish Councils could be reduced pro rata to the reduction in total RSG that is received by Fylde Council. The effect of this is shown in table 1 below:

**Table 1: Reduction in CTRS Grants to Town/Parish Councils pro rata to RSG Reduction**

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Revenue Support Grant (RSG)	861	354	47	nil
CTRS Grant to Town/Parish Councils	66.2	27.2	3.6	nil

As shown this would result in grant payments in the total sum of £27.2k for 2017/18, £3.6k for 2018/19, and no grant payments for 2019/20 and thereafter.

1.7 **The explicit intention of this grant was to encourage each Town and Parish Council to avoid the need for significant increases in the parish element of the total Council Tax charge. It may be relevant to note that not all Town and Parish Councils upon receipt of funding for the impact of CTRS introduction since 2013/14 have used this to avoid increases in the level of Council Tax at a Band D property level. Some have indeed used the funding in this way whilst others have not. Appendix A of this report provides an analysis of Town and Parish funding from 2012/13 to 2016/17 comprising Town and Parish Council Tax precepts and, since 2013/14, CTRS grants passed on by this Council, together with the change in individual precept amounts (at band D) for each Council.**

1.8 Additionally of note is the fact that Parish Councils are not at present covered by the restriction which limits Council Tax increases to 2% at Band D property level (amended from 2016/17 to a 2% or a £5.00 increase limit for shire districts) without the prior need for a local referendum to approve this increase. The extension of precept capping restrictions to town and parish councils has been proposed by the government but with an exemption from the restrictions for those councils which set a precept amount of less than £500,000 in any year. If the capping restrictions are amended on this basis, no town or parish council within Fylde would be affected by those amendments since none set a precept amount of that scale.

Consequently, assuming that town and parish councils remain outside of the precept restrictions for 2017/18 as currently proposed, they will be able to meet any funding shortfall arising from a reduction in CTRS grant from Fylde Council by way of an increase in their precept level (both in total and at a per property level).

- 1.9 In the written ministerial statement by the then Local Government Minister Brandon Lewis on the provisional local government finance settlement 2014 to 2015 that was issued on 18<sup>th</sup> December 2013, the subject of Parish Councils and local Council Tax support was addressed in the following paragraph:

*'We have also set out previously that there is some £3.3 billion in the settlement this year for Council Tax support schemes. There is an element within this national pot that is there specifically to reflect reductions in the parish tax base. We have not separately identified the money because it is not ring-fenced and as caseloads change and schemes evolve, the amount that different parishes need will change. It would be wrong to try to manage that centrally. But we have been clear that we expect billing authorities to carry on passing on support to town councils and parishes to help mitigate any reduction in their tax base due to the local Council Tax support scheme.'*

- 1.10 If the Council determines that grants to compensate Parish Councils for the impact of CTRS will be made for 2017/18 it is proposed that the distribution methodology will be similar to that used in previous years i.e. the grant allocation will be in proportion to the changes in the tax-base of each Town and Parish for that year as a consequence of the introduction of the CTRS regime.

### **Conclusion**

- 1.11 The Council is required to determine the issue of the distribution of grants to Town and Parish Councils in relation to changes arising from the introduction of a local scheme.

The Finance and Democracy Committee considered this matter at the meeting of 21st November 2016 and recommended that the Council adopt option 4 as set out in section 1.6 of this report. That is, for 2017/18 onwards Fylde Council will provide grants to Town and Parish Councils to compensate them for income foregone as a consequence of the local CTRS in a total sum of £27.2k in 2017/18 and £3.6k in 2018/19, with no payments thereafter, to reflect the reduction in total Revenue Support Grant that is receivable by Fylde Council over that period.

The CTRS grant allocations to town and parish Councils for 2017/18 and 2018/19 resulting from the adoption of this option are shown at Appendix B to this report.

It is proposed that the distribution methodology for grants payable to Town and Parish Councils in respect of the impact of the CTRS scheme for 2017/18 will be on the same basis as that used in previous years.

IMPLICATIONS	
Finance	Financial implications are contained within the body of the report.
Legal	As part of the 2012 Welfare Reform Act the national Council Tax Benefit (CTB) scheme was abolished after 2012/13, with individual local authorities instead being required to introduce a local Council Tax Reduction Scheme (CTRS) with effect from 2013/14 and subsequent years.
Community Safety	None
Human Rights and Equalities	An Equality Analysis has been carried out and is available on the Council's website as detailed in the report.
Sustainability and Environmental Impact	None.
Health & Safety and Risk Management	The elements of the working age scheme will need to be reviewed annually to avoid increased financial risk to the Council.

LEAD AUTHOR	TEL	DATE	DOC ID
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LIST OF BACKGROUND PAPERS		
Council Tax reduction Scheme 2013/14	28 <sup>th</sup> January 2013	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Council Tax reduction Scheme 2014/15	27 <sup>th</sup> January 2014	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Council Tax reduction Scheme 2015/16	1 <sup>st</sup> December 2014	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>
Council Tax reduction Scheme 2016/17	14 <sup>th</sup> December 2015	<a href="http://www.fylde.gov.uk">www.fylde.gov.uk</a>

#### Attached documents

Appendix A – Comparison of levels of Town & Parish Councils funding and Precept Charges between 2012/13 and 2016/17

Appendix B - Proposed allocations of CTRS grants to Town & Parish Councils 2017/18 and 2018/19

Comparison of levels of Town and Parish Councils Funding and Precept Charges between 2012/13 and 2016/17

APPENDIX A

Town/Parish Council	Town & Parish Precepts	Band D Precept Charge	Total Town & Parish Precepts & CTRS Grants	Total Town & Parish Precepts & CTRS Grants	Total Town & Parish Precepts & CTRS Grants	Total Town & Parish Precepts & CTRS Grants	Band D Precept Charge	Increase in Total Town and Parish Council Funding (precept and CTRS grant)	Increase in Total Town and Parish Council Funding (precept and CTRS grant)	Change in Parish Precept Charge (Band D)
	£	£	£	£	£	£	£	12/13 to 16/17	12/13 to 16/17	12/13 to 16/17
	2012.13	2012.13	2013.14	2014.15	2015.16	2016.17	2016.17	£	%	%
Bryning-with-Warton	49,725	39.68	76,987	92,369	97,196	99,183	71.89	49,458	99.5%	81.15%
Elswick	18,797	42.92	23,289	25,976	26,018	28,898	65.86	10,101	53.7%	53.46%
Freckleton	96,797	46.31	110,149	108,794	107,793	107,711	51.93	10,914	11.3%	12.13%
Greenhalgh-with-Thistleton	5,000	28.25	4,167	5,162	5,187	5,075	26.32	75	1.5%	-6.83%
Kirkham	165,581	72.72	175,873	181,980	183,758	192,128	83.15	26,547	16.0%	14.34%
Little Eccleston-with-Larbreck	6,805	31.95	7,387	7,476	7,856	8,400	39.41	1,595	23.4%	23.36%
Medlar-with-Wesham	49,998	40.62	55,780	58,013	60,068	62,067	46.41	12,069	24.1%	14.27%
Newton-with-Clifton	49,969	47.86	53,473	52,650	52,281	52,283	50.58	2,314	4.6%	5.68%
Ribby-with-Wrea	48,200	64.01	48,200	48,200	48,200	49,506	62.44	1,306	2.7%	-2.45%
Singleton	16,621	38.12	17,879	18,669	18,844	18,980	42.40	2,359	14.2%	11.22%
Staining	52,628	62.06	61,433	63,816	63,597	65,093	74.35	12,465	23.7%	19.80%
St.Annes	150,000	82.05	166,205	175,467	174,806	193,089	87.99	43,089	28.7%	7.25%
Treales, Roseacre & Wharles	6,636	29.36	6,749	6,668	10,235	10,276	47.61	3,640	54.9%	62.14%
Weeton-with-Preese	13,800	43.53	15,407	15,116	15,050	16,063	52.62	2,263	16.4%	20.87%
Westby-with-Plumptions	8,000	14.73	8,501	8,631	8,491	9,410	14.26	1,410	17.6%	-0.03
<b>Total</b>	<b>738,557</b>		<b>831,480</b>	<b>868,987</b>	<b>879,380</b>	<b>918,162</b>		<b>179,605</b>	<b>24.3%</b>	

**APPENDIX B**

Town/Parish Council	CTRS Grant amounts 2017/18	CTRS Grant amounts 2018/19
	£	£
Bryning-with-Warton	3,595	476
Elswick	409	54
Freckleton	3,163	419
Greenhalgh-with-Thistleton	31	4
Kirkham	6,018	796
Little Eccleston-with-Larbreck	146	19
Medlar-with-Wesham	1,871	248
Newton-with-Clifton	970	128
Ribby-with Wrea	277	37
Singleton	364	48
Staining	1,802	238
St.Annes	8,067	1,069
Treales, Roseacre & Wharles	63	8
Weeton-with-Preese	259	34
Westby-with-Plumpton	165	22
<b>Total</b>	<b>27,200</b>	<b>3,600</b>

**Notes:**

1. For both years grant amounts are calculated by reference to the reduction in income as a consequence of the CTRS scheme and are based upon a provisional taxbase for each town and parish area as calculated at October 2016 and the precept Band D amounts for 2016/17.