

Parish Councils – Council Tax Support Scheme Grant 2014/15

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WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS

The report will clarify the level of funding available to Parish Councils for 2014/15 and beyond with respect to the Council Tax Support (CTS) Scheme Grant, and assist the Parish Councils in planning their budgets and precepts accordingly for the benefit of their residents.

WHY HAS THIS REPORT COME TO THE EXECUTIVE?

(E.g. Key Decision, Policy recommendation for Full Council, at request of Council, etc)

The report sets out various approaches to payments to Parish Councils for the Council Tax Support Grant for Executive decision.

RECOMMENDATION:

The Executive are asked to approve:

- (i) A payment is made to Parish Councils in 2013/14 to reflect the loss of Council Tax income arising from the local CTS Scheme, reflecting one of the options set out in paragraph 2.
- (ii) The exact sum to be paid out to each parish will be assessed in late December / early January 2013 following receipt of the final local government financial settlement for 2014/15, the tax base for individual parishes and decisions on the level of concurrent services grants to be paid in 2014/15.
- (iii) Any amount of CTS grant agreed to be paid to individual parishes will be calculated in accordance with the criteria and method set out in paragraph 2.7.
- (iv) Parishes are advised and supported as set out in Para 3.
- (v) The amount and method of allocation is reviewed again for 2015/16 in consultation with parishes.

1. INTRODUCTION AND BACKGROUND

- 1.1 As members are aware, the national Council Tax Benefit Scheme was abolished on 31st March 2013 and replaced with a local Council Tax Support (CTS) Scheme from 1st April 2013. Although Copeland Borough Council agreed to replicate the previous benefit scheme from the recipient's perspective, the change created a financial challenge as only 90% of the previous level of benefits was funded. In addition a number of technical difficulties were created as the payments changed from a benefit payment to a discount on the Council Tax.
- 1.2 One particular difficulty was the financial impact on Parishes as they were brought into the operation of the CTS scheme at a very late stage in the process, and the CTS scheme now impacts on their individual Council Tax Base and therefore the amount of money they can raise through their precepts.
- 1.3 For 2013/14 parish councils received a total of £82,819 in grants from Copeland Borough Council. This is broken down as follows:

Grant	2013/14	Note
Concurrent Services Grant	£15,450	The payment of this grant for 2014/15 is currently out for public consultation with a proposal of a 50% in 2014/15 followed by a 100% reduction in 2015/16.
Transitional Grant	£1,762	This grant was awarded by Central Government as a one-off for 2013/14 only and there will be no grant paid in 2014/15
Council Tax Support (CTS) Grant	£65,607	The award of this grant is the subject of this report.
Total paid 2013/14	£82,819	

2. PAYMENT OF CTS GRANT TO PARISH COUNCILS

- 2.1 In 2013/14 the DCLG stated how much of the Council's total funding (Revenue Support Grant and Business Rates Retention Scheme) related to the loss of income arising from the CTS Scheme. For Copeland this was as follows:

Total RSG and BR Funding	£ 5.5m
CTS Income Loss - CBC	£568k
CTS income loss - Parishes	£66k

- 2.2 Although an amount was identified in the 2013/14 settlement of £66k, there is no legal requirement for Council's to make any payments to Parishes to compensate them for any loss of Council Tax income arising from the implementation of the local CTS scheme. Different Councils have taken different approaches to the issue and some Councils have not passed any funding to Parishes. Copeland Borough Council

decided to pay the full indicated amount i.e. £66k to parishes for 2013/14 and this was duly paid alongside the parish precepts.

2.3 For 2014/15 the DCLG have made it clear that despite giving an indicative funding total for each principal council (e.g. CBC) it would no longer indicate the amount within this funding that was attributable to CTS income. This gives rise to two issues for Parishes:

- Will the principal council pay anything to parishes if there is no identified figure?
- If a payment is made, how will it be calculated?

2.4 The DCLG technical consultation on the finance settlement issued in July 2013 states that for 2015/16 'The Government also proposes to keep the total level of the localised Council Tax support funding unchanged in cash terms from its 2014/15 total level'. However as in 2014/15 there is no separately identifiable amount for the localised schemes.

2.5 There are a number of variable options available to CBC in respect of payments to the parishes. Three options are set out below for consideration:

(i) **Option 1 - Reduce the amount of grant to reflect the actual estimated loss the Parish will suffer from the combined effect of the CTS scheme and the changes to discounts on empty properties and second homes, with a cap on the total amount payable of £65,607 (the current level of CTS grant).**

Implications:

- If the figures for 2014/15 replicate the pattern for 2013/14 this should result in a reduction in the grant paid to parishes in the region of c. £8k. However the exact amount will depend on the amount of CTS claimants and empty properties / second homes in the area.
- This is considered an equitable method of allocation as the Parishes will be compensated for the amount of loss they suffer from the CTS scheme, but offset by the benefit they have received from a reduction in empty properties and second homes council tax discounts.

(ii) **Option 2 - Make the same payment as previously made in 2013/14 but reduced pro rata by the anticipated reduction in government grant expected by CBC.**

Implications:

- It is currently anticipated that the CBC grants from Central Government will be reduced by c 17% in 2014/15 (RSG and Business Rates). If this same percentage reduction is applied to the parishes then the total grant to be paid to them would be reduced by c. £11k. The exact amount will

not be known until the settlement figures are received in late December 2013.

- Again this is considered an equitable method of allocation as the Parishes will be in the same position financially as CBC.

(iii) Option 3 - Make no payment to the Parish Councils.

Implications:

- The Councils MTFP projections currently assume that payments to parishes are made on the basis of a continuation of the current level of funding to Parishes as in 2013/14. If no payment is made there will be a saving of c. £66k.
- The implications on the Parish Precepts are varied depending on their level of precept and the number of claimants of CTS in their areas. The parishes that will be affected most negatively by this approach are the ones with the most CTS claimants in their areas and the least second homes and empty properties.

- 2.6 An additional impact on the Parishes is that it is not yet known whether Parishes will be brought into the Government's Council Tax capping regime and so they may not be able to recoup any loss of grant income through their precepts. The announcement on this is not anticipated to be made until December.
- 2.7 With respect to the allocation of the sum between individual parishes it is proposed to adopt the same approach as was used for 2013/14 with respect to number of CTS claimants, but to also take account of the effect of the technical changes introduced by Copeland Borough Council in 2013/14 in respect of empty properties and second homes. In this way there will be no difference in treatment between the Parishes and the rest of the CBC area.
- 2.8 Whichever option is chosen, it is recommended that the allocation of funding is reviewed again for 2015/16 in consultation with the parishes.

3. TIMETABLE FOR INFORMING PARISHES

- 3.1 Despite the late notification from Government for 2013/14, Copeland Borough Council was as proactive as possible in terms of notifying Parishes of the implications and sending out indicative information to try to assist them. Despite this, the complexity of the scheme has given rise to some queries and challenges for individual parishes.
- 3.2 For 2014/15 it is proposed to again be as pro-active as possible but within the constraints of various government announcements and local decisions that are awaited. The indicative timetable is therefore:

- Mid November
 - Indicative 2014/14 grant based on decisions taken on this report.
 - Indicative 2014/15 tax base
 - A brief recap on how CTS impacts on the local precept and advice on what to take into account in setting the precept.
- Late December / early January (after final decisions nationally and locally are made)
 - Final figures for CTS grant and tax base
 - Confirmation on whether precepts are capped or not by the Secretary of State.
 - Confirmation on the level of concurrent services grants to be paid 2014/15.
 - Request for precepts to be returned by late January 2014 to enable CBC to meet its overall budget timescale.

4. OPTIONS TO BE CONSIDERED

4.1 The Options for consideration are set out in Paragraph 2 above.

5. CONCLUSIONS AND RECOMMENDATIONS

5.1 The Executive are asked to consider the report and make recommendations regarding the payment of CTS Grant to Parishes in 2014/15.

6. STATUTORY OFFICER COMMENTS:

6.1 The Monitoring Officer's comments are: There is no legal requirement to make any payments to parishes to reflect income loss from CTS. However the Council has the powers to do so if it wishes.

6.2 The Section 151 Officer's comments are: Included in the report.

6.3 EIA Comments: Not required. There are no negative equality impacts identified. Withdrawal of the grant completely will impact most negatively on areas with the most CTS claimants.

6.4 Policy Framework: Any decision to reduce or increase resources must be made within the Council's stated priorities, as set out in the Corporate Plan.

6.5 Other consultee comments, if any: A meeting with the parishes is being held on 10th December and the various implications of this report can be discussed with them. Parishes will be consulted on any changes proposed for 2015/16 onwards.

7. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

- 7.1 The risk to the proposals is mainly reputational and might affect CBC's relationships with Parishes if it chose either not to make any payments or make a payment that was not seen as logical or equitable.

8. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

- 8.1 Clarity on funding for Parish Councils in setting their precepts for 2014/15.

9. APPENDICES AND BACKGROUND DOCUMENTS:

- 9.1 Background documents: previous reports to members on the implications of the CTS scheme on parishes.