

BABERGH AND MID SUFFOLK DISTRICT COUNCILS

From: Head of Corporate Resources	Report Number: N67
To: Executive and Strategy Committees	Date of meetings: 14 and 17 October 2013

LEVEL OF COUNCIL TAX SUPPORT GRANT TO TOWN AND PARISH COUNCILS FROM 2014/15 ONWARDS

1. Purpose of Report

- 1.1 This report seeks to establish the level of Council Tax Support Grant for 2014/15 onwards for Town and Parish councils.
- 1.2 It has been prepared taking into account the significant financial challenges faced by the two Councils, like most others, over its Medium Term Financial Strategy.

2. Recommendations

- 2.1 That the level of Council Tax Support Grant for Town and Parish Councils be phased out over a 4 year period at a 25% reduction each year starting in 2014/15.
- 2.2 That delegated authority be given to the Head of Corporate Resources, in consultation with the Chairman of Strategy Committee to finalise the Local Council Tax Support Grant Scheme arrangements for Babergh, following discussions with Town and Parish Councils, subject to there being no detrimental impact on the Council's Medium Term Financial Strategy beyond that allowed for in Recommendation 2.1 above.

The Committee is able to resolve this matter.

3. Financial Implications

- 3.1 Recognising the financial challenges facing both Babergh and Mid Suffolk Councils over the current Medium Term Financial Strategy, it is clear that continuing the current level of council tax support grant to Town and Parish Councils is not financially sustainable going forward. The council tax support scheme, therefore, needs to be subject to annual reductions as a result of the scaling back of council funding by central government.

4. Risk Management

- 4.1 This report is most closely linked with the Council's Corporate / Significant Business risks set out below:

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to act upon the requirements of the Welfare Reform Act 2012/Funding reforms and reductions.	Unlikely	Bad	New Local Council Tax Reduction Scheme for 2013/14 approved following consultation. Funding reductions for 2014/15 onwards to be reflected in scheme going forward.

Risk Description	Likelihood	Impact	Mitigation Measures
Failure to plan early and identify options to meet the medium term (3 year) and 2014-15 budget gap of both Councils to minimise or avoid reductions in service provision.	Unlikely	Bad	Impact on Town and Parish Council Budgets and precepts. Clear communications and discussion with Town/Parish Councils and SALC on the proposals and impacts will take place over the next 4-6 weeks. It is suggested that workshop sessions should be held over this period for Towns and Parishes to explain the situation.

5. Consultations

- 5.1 See above in terms of communication plans with Town and Parish Councils.

6. Equality Analysis

- 6.1 An Equality Analysis has not been completed because there is no action to be taken on service delivery as a result of this report.

7. Shared Service / Partnership Implications

- 7.1 This report covers the Council Tax schemes of both Babergh and Mid Suffolk regarding the distribution of discretionary grants to Town and Parish Councils.

8. Key Information

Background

- 8.1 Members will recall that the Welfare Reform Act 2012 abolished the nationally funded Council Tax Benefit scheme, and replaced it with the requirement for local billing authorities, such as Babergh and Mid Suffolk, to create and adopt a Local Council Tax Reduction (LCTR) Scheme from April 2013. Funding in 2013/14 for these local schemes is now provided through the Department for Communities and Local Government (DCLG) through a cash limited grant to local authorities, but at 90% of the previous national scheme's funded value.
- 8.2 Both Councils approved the adoption of its LCTR scheme, which included passing a 5% (Mid Suffolk) and 8.5% (Babergh) council tax liability onto working age claimants. Members also approved reductions to the level of discounts and exemptions in respect of second homes and some classes of empty properties. These actions sought to address the 10% cut in funding from central government.
- 8.3 The degree of changes required/made by each authority in order to arrive at a cost neutral scheme through the LCTR scheme and the technical changes were very much dependant on the profile of each authority's claimant and housing profiles.
- 8.4 The new LCTR scheme takes the form of a discount on the council tax bill, rather than the previous council tax benefit payment onto claimants' council tax accounts. Members will recall that this change had the impact of reducing the Councils' tax bases. The changes to the levels of second homes and some empty properties, on the other hand, had the impact of slightly increasing the Councils' tax bases.

Taxbase impact

- 8.5 The overall net impact of these changes was a reduction of approximately 10% on each Council's tax base for 2013/14. The percentage reduction at town and parish level could be more significant in areas where more residents are eligible for the LCTR scheme.
- 8.6 Reducing the tax base means that, if the Councils' Budget requirement remained the same, the amount of council tax charged increases. This applies to both billing authorities (Babergh and Mid Suffolk District Council) and major precepting authorities (Suffolk County Council and the Police and Crime Commissioner), as well as local precepting authorities (Town and Parish Councils). Examples A and B in Appendix A illustrate the impact of these changes on the tax base calculation.
- 8.7 To mitigate the impact of this reduced council tax base, DCLG distributed (through the formula grant process), a non ring-fenced grant to billing authorities and major precepting authorities. Because DCLG does not have a method for passing down funding direct to Town and Parish Councils, the grant to billing authorities also included an amount 'attributable to local precepting authorities'.
- 8.8 DCLG then expected billing and local precepting authorities to work together to manage the impact of the change in tax base on the local precepting authority. However, there was no prescribed basis on which the grant 'attributable to local precepting authorities' should be distributed by district councils.
- 8.9 Both Councils' LCTR scheme grant (as it has become known) was designed to compensate each Parish and Town Council in Babergh and Mid Suffolk for any negative movement in that town or parish's tax base as a result of these changes.
- 8.10 The amount granted under the scheme was based on that town or parish 2012/13 Band D council tax level, multiplied by the movement in that town or parish's tax base between the 2013/14 (under the new calculation) and the 2012/13 tax base (under the old calculation). Example C in Appendix A, illustrates the grant payment that would have been given using Examples A and B again. Example D in Appendix A, shows how the grant scheme compensates the parish and town in these examples for the negative movement in its tax base as a result of these changes.

Level of Council Tax Support Grant for 2014/15 onwards

- 8.11 All councils needed to consider options to address the additional funding cuts from central government that have been announced from 2014/15 onwards.
- 8.12 The Department of Communities and Local Government (DCLG) has recently confirmed that the council tax support grant (including both the district and parish and town elements) will only be separately identifiable in the 2013/14 formula grant settlement. From 2014/15 any amount received for these grants will be included within the retained business rates and revenue support grant (RSG) elements of our formula grant settlement, but it will not be separately identifiable.
- 8.13 The RSG part of our formula grant settlement is being scaled back by around 30% in 2015/16, on top of a similar, but slightly lower reduction in 2014/15. Business rates will not be scaled back in the same way, as this is now linked to overall business rate yield locally under the new business rate retention scheme.

- 8.14 It has been confirmed that the council tax support grant allocations for each authority will include the element attributable to parish and towns, and also that the amount included will not alter other than as a result of the scaling back as outlined above . So, in summary, council tax support grant for both the district and parish and town elements will be in our 2014/15 and future formula grant settlements, however the amount itself will not be separately visible and the overall amount of formula grant will be significantly less in future.
- 8.15 DCLG has continued to stress that it is for each local authority to reach agreement with their parish and town councils on the amount of funding that is passed down although Ministers have stated that they ‘expect councils to do so’. There are no current plans to make the redistribution of funding to Parish and Town Councils compulsory.
- 8.16 However, DCLG is in the process of collecting data from all local authorities to identify the amount of funding passed down to parish areas to provide them with a comprehensive picture of the approach that billing authorities have taken for 2013/14. For 2013/14, the total council tax support grant paid to town and parish councils was approximately £215k for Babergh and £153k for Mid Suffolk.
- 8.17 DCLG has indicated that Ministers will be considering appropriate measures to take with those authorities that have failed to pass on funding this year and that for 2014/15, Ministers will continue to expect billing authorities to work with Town and Parish councils to determine the level of funding that should be passed on.
- 8.18 Different approaches were taken across the, Suffolk Authorities with regards to the re-distribution of the parish and town element of the council tax support grant. The table below outlines this:

District / Borough	Approach for 2013/14
Babergh	Passed on the grant in full
Mid Suffolk	Passed on the grant in full
Forest Heath	Passed on the grant in full
St Edmundsbury	Passed on the grant in full
Waveney	No grant distributed
Suffolk Coastal	Grant paid if applied for

Note: Forest Heath and St Edmundsbury have decided to reduce their grant support by 25% over the next 4 years.

Council Tax Referendum at parish and town level 2014/15 and onwards?

- 8.19 From 2012/13, should any local authority (covering County, District/Borough and Police and Crime Commissioners) wish to raise their level of council tax by more than 2%, they would need to hold a local referendum giving their local electorate the opportunity to approve or veto the increase.
- 8.20 Although this referendum requirement was not imposed at parish and town level in 2013/14, DCLG has continued to keep this under annual review. On 19 March 2013, a Bill (first reading) was introduced which aims to cap parish and town preceptors by imposing referendums on a precept increase of 2% or more.

- 8.21 A Private Members' Bill was introduced by Kris Hopkins MP via a Ten Minute Rule Motion on 19 March 2013. These Bills do not often become Acts but the process allows the MP to raise the profile of a particular subject. The Bill, like all uncompleted Private Members Bills, has now fallen following the end of Parliament on 25 April. It is open to the MP to decide whether he wishes to re-introduce the Bill in another parliamentary session, to date this has not taken place.
- 8.22 Although this Bill has not progressed further, Members should note that in any event DCLG already has powers to make parish and town precept increases subject to a referendum of local people, following the introduction of provisions for council tax referendums in the Localism Act 2011.
- 8.23 To date, DCLG has not used these powers in relation to Parish and Town Councils, but they have confirmed that they are continuing to monitor parish and town precept increases and will keep the situation under review with regard to making excessive increases subject to a referendum in future years.
- 8.24 If DCLG chooses to exercise these powers for town and parish precept increases, the cost to hold a local referendum would be picked up by the relevant Town or Parish Council. The District Council would run the local referendum and then pass on the cost. The approximate cost per local referendum for each Parish and Town council could amount to between £1,500 to £5,000 depending on their size. It is highly unlikely likely that any Town or Parish Councils would have planned for or earmarked any funds for such local referendums to be held.
- 8.25 SALC and the Town/Parish Councils are really concerned about the possibility of the referendum cap coming in for 2014/15, especially as they are unsure of the amounts to be made available under the LCTR grant scheme, together with this not allowing them the opportunity to make any financial provision for the potential cost of holding a local referendum.

Options considered

- 8.26 Given the funding reductions that both Babergh and Mid Suffolk face over the next 4 years, it seems that the clearest option is to phase out the discretionary grant to Town and Parish Councils over that period. It is proposed, therefore, that the level of Council Tax Support Grant for Parish/Town Councils be phased out over a 4 year period at a 25% reduction each year starting in 2014/15.
- 8.27 Other options have been considered, including looking at the period of phasing out the grant; however given the continued financial pressure on the District Council, the recommendations proposed are considered the most appropriate way forward and will at least provide some certainty for Town and Parish Councils.

9 Community impact and Consultation

- 9.1 With the possibility of council tax referendums being imposed at town and parish level, we will need to communicate and explain the potential impact of the proposed reduction in the level of funding. Parish and Town Councils will have to decide how to deal with the proposed reduction in funding through either increases in their precept levels (and the Band D Council Tax per property) and adjusting their future spending plans.

- 9.2 Officers will set up workshops for Town and Parishes to attend in October and November designed to support discussions around managing the impact of these changes at a local town and parish level. Further engagement will take place at the Town and Parish Council meetings planned for late November.
- 9.3 The approximate cost of holding a local referendum or election for each Parish and Town Council will be shared with each Parish and Town Council so that they can take this into account when setting their annual precept requirement.
- 9.4 Appendix B sets out the current level of council tax support grant funding for each Parish and Town Council in the Babergh or Mid Suffolk district (as relevant to the Strategy or Executive Committee).
- 9.5 Appendix C sets out how many Town/Parish Councils increased their precepts and Band D Council Tax in 2013/14 as a result of the changes and how many did not. In broad terms around one third increased their precept and Band D Council Tax for this year. This means that the remaining two thirds will be affected by the proposed grant change from 2014/15.

10. Appendices

Title	Location
APPENDIX A - Examples of how the new LCTR scheme works	Attached
APPENDIX B – Current level of council tax support grant funding (Babergh)	Attached
APPENDIX C - 2013/14 Council Tax Base, Precept and Discretionary Grants	Attached

11. Background Documents

Letter from SALC dated 26 September 2013.

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Examples of how the new LCTR scheme works

Example A – Using the previous tax base calculation pre April 2013

	No. of Band D properties a	% used in tax base calculation a	No. used in tax base calculation (a x b)
Property example			
No council tax benefits, discounts or exemptions	100	100%	100
In receipt of 100% council tax benefits	20	100%	20
In receipt of Second person discount (25%)	10	75%	7.5
In receipt of 10% second homes discount	10	90%	9
In receipt of 100% exemption (i.e. MOD servicemen)	2	0%	0
Tax base calculation 2012/13			136.5 c
Precept requirement 2012/13			£5,000 d
Precept per Band D equivalent 2012/13			£36.63 =e (d / c)

Example B – Using the new tax base calculation post April 2013

	No. of Band D properties f	% used in tax base calculation g	No. used in tax base calculation = (f x g)
Property example			
No council tax benefits, discounts or exemptions	100	100%	100
In receipt of 91.5% council tax discount (passing 8.5% liability onto the working aged claimant)	20	8.5%	1.7
In receipt of Second person discount (25%)	10	75%	7.5
In receipt of 0% second homes discount (previously 10%)	10	100%	10
In receipt of 100% exemption (i.e. MOD servicemen)	2	0%	0
Tax base calculation 2013/14			119.2 h
Precept requirement 2013/14			£5,000 i
Precept per Band D equivalent 2013/14			£41.95 j =(i / h)

Difference between A and B above:

Description	Tax base	Precept Requirement	Precept per Band D equivalent
Example A – Pre April 2013	136.5	£5,000	£36.63
Example B – Post April 2013	119.2	£5,000	£41.95
Reduction in tax base	17.3		
Change in precept requirement		£0	
Increase in precept per Band D equivalent			£5.32

f

Example C – Calculation of the Council Tax Support Grant

Illustration of how the Council Tax Support Grant would have been calculated using the above examples:

Example A – 2012/13 Precept per Band D equivalent	£36.63	e
Reduction in tax base	17.3	f
Council Tax Support Grant	£633.70	g = (e x f)

Example D – Town or Parish income

From the town or parish's perspective, the total amount of income for 2013/14 would still have been £5,000 for 2013/14, if the town or parishes wished to maintain the Precept per Band D equivalent at the 2012/13 level. Illustrated as follows:

Precept requirement	£4,366.30
Tax base x Precept per Band D equivalent (h x e) 119.20 x £36.63	
Council Tax support Grant	£633.70
Total income	£5,000.00

Current level of council tax support grant funding

Appendix B

	2012/13	2013/14	2012/13	2013/14	2013/14	2013/14	2013/14	2013/14	2013/14	2013/14
	Precepts	Increase / Decrease	Council Tax Band D	Council Tax Band D	Increase / Decrease	Increase / Decrease	Spending Requirement from Parish	Council Tax Grant Allocated to Parish	Parish Precept	Taxbase
Parish / Town Council	£	£	£	£	£	%	£	£	£	Base No.
Acton	44,000	0	68.10	75.20	7.10	10.43	48,439.00	-4,439	44000	585.12
Aldham	1,100	0	13.24	14.75	1.51	11.41	1,221.00	-121	1100	74.56
Alpheton	2,613	0	23.36	25.69	2.33	9.98	2,889.00	-276	2613	101.70
Arwarton	0	0	0.00	0.00	0.00	0.00	0.00	0	0	50.34
Assington	7,000	0	40.54	44.05	3.51	8.67	7,661.00	-661	7000	158.91
Belstead	8,000	-1,000	86.72	85.35	-1.38	-1.59	7,869.00	-869	7000	82.02
Bentley	11,500	500	35.27	40.76	5.48	15.54	13,156.00	-1,156	12000	294.43
Bildeston	17,835	0	44.28	48.49	4.21	9.52	19,439.00	-1,604	17835	367.80
Boxford	33,536	-2,768	65.41	65.94	0.53	0.81	34,200.00	-3,432	30768	466.58
Boxted	400	-31	7.38	7.55	0.17	2.27	400.00	-31	369	48.90
Brantham	41,001	0	45.28	50.18	4.90	10.83	45,091.00	-4,090	41001	817.06
Brent Eleigh	1,000	0	12.09	13.27	1.18	9.77	1,086.00	-86	1000	75.34
Brettenham	4,150	-387	34.50	35.16	0.66	1.92	4,150.00	-387	3763	107.02
Bures St Mary	24,668	1,767	63.62	76.07	12.45	19.58	28,814.00	-2,379	26435	347.49
Burstall	4,000	200	43.29	50.52	7.23	16.71	4,552.00	-352	4200	83.13
Capel St Mary	70,187	3,675	60.85	71.38	10.53	17.30	80,990.00	-7,128	73862	1,034.78
Chattisham / Hintlesham	5,750	0	18.15	19.97	1.82	10.04	6,296.00	-546	5750	287.94
Chelmondiston	26,000	-2,519	62.28	61.88	-0.41	-0.65	26,000.00	-2,519	23481	379.48
Chelsworth	900	0	10.53	11.81	1.29	12.22	989.00	-89	900	76.18
Chilton	6,750	500	44.59	52.41	7.82	17.55	7,915.00	-665	7250	138.32
Cockfield	13,500	3,500	34.93	49.08	14.16	40.53	18,380.00	-1,380	17000	346.34
Copdock / Washbrook	24,000	-2,469	54.75	54.89	0.14	0.25	24,000.00	-2,469	21531	392.25
East Bergholt	26,000	41,000	22.94	65.28	42.33	184.54	69,470.00	-2,470	67000	1,026.42
Edwardstone	5,230	95	30.90	35.23	4.34	14.04	5,780.00	-455	5325	151.14
Elmsett	9,500	0	30.19	33.50	3.31	10.97	10,388.00	-888	9500	283.60
Freston	800	-76	15.92	16.07	0.15	0.97	800.00	-76	724	45.05
Glemsford	83,000	2,400	67.38	76.88	9.50	14.09	93,290.00	-7,890	85400	1,110.82
Great Cornard	205,966	-15,255	72.69	74.11	1.42	1.95	211,146.00	-20,435	190711	2,573.43
Great Waldingfield	38,500	1,500	65.84	73.44	7.60	11.55	43,650.00	-3,650	40000	544.63
Great Wenham	0	0	0.00	0.00	0.00	0.00	0.00	0	0	55.38
Groton	3,950	99	30.13	34.72	4.58	15.22	4,450.00	-401	4049	116.63
Hadleigh	299,000	-29,992	103.41	103.41	-0.00	-0.00	298,468.00	-29,460	269008	2,601.38
Harkstead	2,500	-199	21.67	21.54	-0.13	-0.59	2,500.00	-199	2301	106.80
Hartest	9,000	180	40.54	44.84	4.30	10.61	9,936.00	-756	9180	204.75
Higham	0	0	0.00	0.00	0.00	0.00	0.00	0	0	72.35
Hitcham	6,500	-200	21.79	23.04	1.26	5.76	6,300.00	0	6300	273.40
Holbrook	18,900	500	29.41	33.51	4.11	13.96	21,193.00	-1,793	19400	578.87
Holton St Mary	4,500	0	47.29	53.74	6.45	13.64	4,974.00	-474	4500	83.73
Kersey	6,151	224	32.89	37.16	4.27	12.98	6,846.00	-471	6375	171.55
Kettlebaston	400	600	10.86	28.65	17.80	163.90	1,021.00	-21	1000	34.90
Lavenham	45,000	20,000	51.51	82.52	31.00	60.18	68,927.00	-3,927	65000	787.73
Lawshall	7,000	-668	18.77	18.65	-0.12	-0.63	7,000.00	-668	6332	339.56
Layham	8,500	0	34.75	38.00	3.25	9.35	9,320.00	-820	8500	223.71
Leavenheath	18,600	-1,579	30.97	31.61	0.64	2.07	18,900.00	-1,879	17021	538.50
Lindsey	1,910	40	22.72	24.77	2.05	9.03	2,140.00	-190	1950	78.71
Little Cornard	2,250	1,000	15.90	25.04	9.13	57.43	3,479.00	-229	3250	129.80
Little Waldingfield	4,230	-395	28.33	27.45	-0.88	-3.09	4,230.00	-395	3835	139.70
Little Wenham	0	0	0.00	0.00	0.00	0.00	0.00	0	0	18.02
Long Melford	97,000	15,000	64.56	82.56	17.99	27.87	121,491.00	-9,491	112000	1,356.65
Milden	850	-79	16.34	16.05	-0.29	-1.76	850.00	-79	771	48.04
Monks Eleigh	14,316	487	56.94	66.51	9.57	16.81	16,235.00	-1,432	14803	222.58
Nayland with Wissington	32,175	-2,368	59.61	61.90	2.29	3.84	33,000.00	-3,193	29807	481.54
Nedging with Naughton	4,650	0	27.25	29.98	2.73	10.03	5,048.00	-398	4650	155.08
Newton	9,000	0	41.62	45.68	4.06	9.75	9,865.00	-865	9000	197.03
Pinewood	122,845	-296	82.07	91.21	9.14	11.14	134,830.00	-12,281	122549	1,343.60
Polstead	16,500	0	43.06	47.95	4.89	11.35	18,025.00	-1,525	16500	344.11
Preston St Mary	4,000	-190	43.77	43.78	0.01	0.03	4,137.00	-327	3810	87.02
Raydon	9,000	1,000	42.00	51.58	9.58	22.81	10,924.00	-924	10000	193.86
Semer	400	0	5.68	6.41	0.72	12.68	439.00	-39	400	62.45
Shelley	0	0	0.00	0.00	0.00	0.00	0.00	0	0	28.99
Shimpling	4,830	1,670	24.89	37.48	12.60	50.61	6,968.00	-468	6500	173.41
Shotley	46,551	682	59.75	67.47	7.72	12.92	51,955.77	-4,723	47233	700.05
Somerton	420	0	10.44	12.03	1.59	15.21	451.00	-31	420	34.91
Sproughton	46,540	0	83.33	93.22	9.89	11.87	51,062.00	-4,522	46540	499.27
Stanstead	8,996	-794	59.53	59.87	0.34	0.56	9,176.00	-974	8202	137.00
Stoke by Nayland	11,000	0	34.90	38.33	3.43	9.84	11,941.00	-941	11000	286.97
Stratford St Mary	14,500	350	45.88	51.98	6.10	13.30	16,249.00	-1,399	14850	285.70
Stutton	10,000	1,300	28.51	35.54	7.03	24.66	12,210.00	-910	11300	317.93
Sudbury	604,475	-29,398	132.35	139.22	6.86	5.19	631,000.00	-55,923	575077	4,130.77
Tattingsstone	8,158	-783	35.96	35.64	-0.32	-0.88	8,158.00	-783	7375	206.93
Thorpe Morieux	4,000	-2,000	37.25	19.44	-17.81	-47.81	2,327.00	-327	2000	102.87
Wattisham	1,500	0	33.02	36.71	3.69	11.18	1,619.00	-119	1500	40.86
Whatfield	3,600	-369	28.19	28.24	0.05	0.18	3,600.00	-369	3231	114.40
Wherstead	2,928	-279	25.38	25.21	-0.17	-0.69	2,928.00	-279	2649	105.09
Woolverstone	2,800	-304	28.09	27.74	-0.35	-1.25	2,800.00	-304	2496	89.99
	2,236,311	3,871	66.61	73.80	7.19	10.80	2,455,034	-214,852	2,240,182	30,353.35

2013/14 Council Tax Base, Precept and Discretionary Grants

Total Grants to Parishes	£000	Grant Options by Parishes			Total Parishes, including combined
		Added to Precept	Included in Precept Numbers	Grant Declined	
Babergh	£215k	25	49	1	75
Mid Suffolk	£153k	44	70	2	116

Notes

Added to Precept	(i) (ii) (iii) (iv)	This option increased the amount of Band D Council Tax Parishes received more than their spending requirement Allowed parishes to bank the amount of grant for future use Parishes won't have a problem with future reduction in grant
Included in Precept	(i) (ii) (iii)	This option did not increase the amount of Band D Council Tax Parishes only received their spending requirement Parishes will have a problem with future reduction in grant
Grant Declined	(i) (ii) (iii)	This option increased the amount of Band D Council Tax Parishes only received their spending requirement Parishes will not have a problem with future reduction in grant