

BUDGET UPDATE ON DISCRETIONARY GRANT PAID TO TOWN AND PARISH COUNCILS

1. PURPOSE OF THE REPORT

This report sets out to consider the level of funding commitment to be made to Town and Parish Councils in the 2014/15 budget and future years following on from announcements by national government of funding reductions.

2. BACKGROUND

A discretionary grant was introduced in April 2013 as a means of providing financial support to Towns and Parishes in response to changes in national funding and the abolishment of Council Tax Benefit. The full cost of benefits was previously funded by Government but from 2013 this was transferred to local taxpayers. The impact of these changes resulted in a significant reduction in Council Tax base.

To help compensate for this situation the government paid an identifiable grant to all preceptors and billing authorities, included local councils. However in the case of local councils the grant was paid to billing authorities as a part of their overall funding settlement with an expectation from government that this would be passed on.

In 2014/15 this funding is not separately identified and it is entirely for billing authorities to decide their budget allocations. The government have stated that local circumstances and wider decisions affecting the tax base should determine the level of funding passed on to local councils.

3. LOCAL CIRCUMSTANCES

Current Level of Discretionary Grant

In 2013/14 the Council passed on the full amount of grant attributable to local Town and Parish Councils. This included amounts identified within the local government settlement received by the District Councils together with a fair share of Transitional Council Tax Support. The total discretionary grant paid was £403,000:

Formula Funding	£235,000
Business Rates Baseline	<u>£157,000</u>
	£392,000
Transitional CT Support	<u>£ 11,000</u>
	<u>£403,000</u>

In 2013/14 the total budgets of all Town and Parish Councils in the District was £4.8 million, the grant made available represented approximately 8.3% of their total expenditure.

This was then allocated to individual Town and Parish Councils on the basis of Council Tax Benefit awarded.

Funding Available

The Medium Term Financial plan forecasts a reduction in funding available to the District Council over the next 3 years of approximately £2.4 million (11.7% of total spending). Overall District Council funding is estimated to reduce by 3.6% in 2014/15.

The Government have provisionally announced:

- A reduction in formula funding for the Council of approximately 25% (This represents a pro rata reduction of £59,000 in the identified £235,000 government formula funding related to Town and Parish Councils in 2013/14); and
- There will be no Council Tax Support transitional grant in 2014/15 (A loss of funding of £11,000 for Town and Parish Councils compared to 2013/14).

Other Factors

The District Council for 2013/14 took actions to protect the Council Tax Base for all preceptors including changes to Council Tax Discounts.

Town and Parish Councils' have financially benefitted from some of the changes instigated by the District Council as follows:

- Changes made to Council Tax discounts have contributed approximately £50,000 per annum
- The new local Council Tax Support scheme requirement that all Council Tax payers (except pensioners and the most vulnerable) make a contribution towards their Council Tax of at least 8.5% has generated approximately £11,000 per annum for Town and Parish Councils.

The District Council is planning to maintain Council Tax at the same level for the 5th and 6th years in succession which supports all local council taxpayers in every Town and Parish.

4. CONCLUSION

In light of the government's planned reductions in the funding of the District Council and the lack of any identifiable amounts due to local councils set out within the government financial settlement it is both necessary and fair to review the current level of grant funding provided to Town and Parish Council's for 2014/15 and future years.

The actions taken so far by the District Council have clearly helped support the financial position of all preceptors including Town and Parish Councils.

Despite the significant reductions in District Council funding it is proposed that financial support continues to be made available to Town and Parishes over the next few years.

In order to support all Town and Parish Councils make budget plans for the reduction in funding it is proposed that the level of Discretionary Grant available to Town and Parish Councils be maintained over the next three years to the following amounts:

2014/15 budget - £300,000

2015/16 budget - £200,000

2016/17 budget - £100,000

The position beyond the 2016/17 budget in terms of funding remains unclear but it is possible that any further grant may not be available.

It is planned that Town and Parish Council's be informed of this position and views sought on the basis of how allocation should be made. It is then intended that the level of discretionary grant be formally confirmed by Council in December 2013, providing early notification to Town and Parish Councils enabling budgets to be properly developed for 2014/15.

5. PORTFOLIO HOLDER COMMENTS

In the current year we were aware of the impact that changes to Council Tax Support would have on Town and Parish Councils finances. We rightly and fairly passed on to all Town and Parish Councils the full amount of grant identified by the government. However, as we now look forward our government grant will be significantly cut and we are no longer able to identify what is directly attributable to Town and Parish Councils. Our proposal to once more freeze Council Tax will benefit all taxpayers but is achieved only by the District Council reducing its expenditure. Therefore, it is not possible to maintain the grant as we go forward but we hope that by setting out this position early and by phasing the reduction, all Towns and Parish Councils will be able to manage this difficult position.

6. RECOMMENDATION

That the Cabinet recommend to the Council that:

- a) Within the draft Medium Term Financial Plan provision be made for the Discretionary Grant for Town and Parish Councils to:
 - 2014/15 budget - £300,000
 - 2015/16 budget - £200,000
 - 2016/17 budget - £100,000
- b) Towns and Parish Councils be advised of this position and their comments requested enabling feedback to the Cabinet in December, prior to a recommendation to the Council.

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Background Papers:

Published documents