

BUDGET: COUNCIL TAX SUPPORT FUNDING FOR TOWN AND PARISH COUNCILS

Cabinet – 8 May 2014

Report of Chief Finance Officer

Status: For Decision

Also considered by: Council – 13 May 2014

Key Decision: No

Executive Summary:

At the Council meeting on 18 February 2014 it was resolved that “no Council Tax Support funding for Town and Parish Councils be issued as no money had been ring-fenced for this purpose in the Government Grant Settlement, and the approach be agreed and adopted”. This was also recommended by Cabinet on 6 February 2014.

Westerham Town Council supported by Sevenoaks Town Council and Dunton Green Parish Council have said they intend to seek a judicial review of this decision. It was believed that the decision was not as clear as it could have been.

The Council Leader, Chief Finance Officer and Legal Services Manager met representatives of the three Town and Parish Councils on 3 April 2014 and it was agreed that a report would be taken to Council on 13 May 2014 to give Members the opportunity to reconsider passing Council Tax Support funding to Town and Parish Councils.

This report supports the Key Aim of providing value for money.

Portfolio Holder Cllr. Ramsay

Contact Officer(s) Adrian Rowbotham Ext. 7153

Recommendation to Cabinet:

That one of the following options be recommended to Council:

- a. An amount of funding is passed to Town and Parish Councils for Council Tax Support in 2014/15 equivalent to the amount passed on in 2013/14 less 24% (the Council’s reduction in Revenue Support Grant);
 - b. A different amount is passed to Town and Parish Councils for Council Tax Support in 2014/15;
 - c. No funding is passed to Town and Parish Councils for Council Tax Support in 2014/15.
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Recommendation to Council:

That one of the following options be approved:

- a. An amount of funding is passed to Town and Parish Councils for Council Tax Support in 2014/15 equivalent to the amount passed on in 2013/14 less 24% (the Council's reduction in Revenue Support Grant);
- b. A different amount is passed to Town and Parish Councils for Council Tax Support in 2014/15;
- c. No funding is passed to Town and Parish Councils for Council Tax Support in 2014/15.

Reason for recommendation: The amount of Revenue Support Grant given by Government to Sevenoaks District Council has reduced by 24% in 2014/15 and will continue to reduce in future years. If a proportion of this grant is passed on to Town and Parish Councils, further savings would be required to continue to have a balanced 10-year budget.

The majority of Town and Parish Councils increased their Council Tax in 2013/14 by above inflation which may have been to offset the effect of not expecting to receive the funding in later years.

Introduction and Background

- 1 The Government introduced a change from Council Tax Benefit (CTB) to Council Tax Support (CTS) from 1 April 2013.
- 2 CTB was fully reimbursed by Government resulting in local authorities receiving the same level of income via either Council Tax or CTB or whether a household received 100% CTB or 0% CTB.
- 3 CTS is a Council Tax Discount (similar to the Single Person Discount) and local authorities now only receive the amount of Council Tax they collect.
- 4 To partly offset this, the Government gave a grant to Major Precepting Authorities (i.e. Sevenoaks District Council, Kent County Council, Fire, and Police) in 2013/14 amounting to 90% of the CTB they had received in 2012/13. Town and Parish Councils were initially excluded from this but the Government later changed their minds and allocated an additional identifiable grant to billing authorities to pass on to Town and Parish Councils.
- 5 When allocating this additional grant for 2013/14, the Government pointed out that this may not continue in future years. Officers advised Town and Parish Councils that in view of the information published by Government it could not be certain that this additional funding would be paid in future years. This resulted in many Town and Parish Councils increasing their Council Tax Precept (as Town and

Parish Councils do not have a referendum limit like Major Precepting Authorities) to offset the future likely loss of this funding stream. (Appendix D).

- 6 Officers informed Town and Parish Councils throughout 2013/14 that if this additional funding could not be clearly identified in the 2014/15 grant settlement, nothing would be passed on to Town and Parish Councils (Appendix C).

Government Funding

- 7 When the Government announce the funding settlement each year they can show funding in the following three ways:
 - a. Ring-fence an amount so that it has to be spent on a specific purpose or it has to be returned.
 - b. Highlight an amount for a specific purpose using a separate formula (e.g. Homelessness in 2014/15); this does not have to be spent on the specific purpose.
 - c. Revenue Support Grant – a formula based grant that can be used for any legal purpose.
- 8 In 2013/14 the additional funding for Town and Parish Councils was shown as a (b), in 2014/15 the Government agrees that it is within (c) and no specific amount for this purpose is shown.
- 9 Governments have treated other funding in a similar way in the past, e.g. Concessionary Fares, when funding was initially separately identified but was later included within the Revenue Support Grant.
- 10 As the additional funding for Town and Parish Councils was clearly identified in 2013/14, Sevenoaks District Council was early to commit to pay the full amount.
- 11 Officers have not been able to identify a specific amount for Town and Parish Councils within the Government Grant Settlement. Our external advisers have also not been able to identify it.
- 12 The Council Leader has been communicating with Brandon Lewis MP, Parliamentary Under Secretary of State, to ask where the funding for Town and Parish Councils is within the Government Grant Settlement. As shown in Appendix B the Minister has been unable to provide a firm response.
- 13 The amount of Revenue Support Grant funding is reducing by 47% over the next two years with 10% annual reductions assumed in the 10-year budget for later years. At that rate it would not be long before the amount included for Council Tax Support in 2013/14 exceeded the total Revenue Support Grant received for the whole of the District Council.

Judicial Review

- 14 Westerham Town Council sent a pre action protocol letter to the Council on 10 March 2014 which is an initial step towards seeking a Judicial Review of the decision made by Council on 18 February 2014 (Appendix A).

- 15 Officers have obtained the advice of a leading Queens Counsel who confirms that Sevenoaks District Council has discretion whether to pass any funding on to Town and Parish Councils. Counsel has advised that the Council should make a fresh decision whether to pass on any funding on the basis that some funding may have been included regardless of the Council's view that no funding was included in the Government Grant Settlement.
- 16 Cllr Alan Wesley, Chairman Westerham Town Council has asked several questions in his letter to Cllr Fleming dated 10 April 2014, which are answered as follows:
- Have you been allocated specific funding in respect of the local council tax support scheme for 2014/15? – *No specific funding in respect of the local council tax support scheme for 2014/15 has been allocated to Sevenoaks District Council.*
 - If so, the amount of that allocation. – *Not applicable.*
 - The total amount of the funding in respect of the local council tax support scheme you received (i.e. including the amount of £274,000 passed down to local councils) for the 2013/14 year. – *£1.008m.*
 - Full reference to the content of my prior to action letter. – *The letter is included in Appendix A.*
 - The minority position Sevenoaks District Council now finds itself in. – *17 out of 241 billing authorities who are parished have not passed any funding on to Town and Parish Councils. Across Kent the majority of billing authorities are passing on some funding although the majority passed on significantly less than £274,000 in 2013/14 and have reduced the amount further in 2014/15. Very few Kent authorities are fully parished so the impact on them is much less.*
 - The lack of equality in denying us any money whereas your RSG continued to be paid to you, albeit at a lesser level of the previous year's provision. – *This is a matter for Government who have chosen not to ring-fence or highlight for a specific purpose any amount for Town and Parish Councils as they did in 2013/14.*
 - And that your overall local government funding shows only a 0.8% reduction. – *The 0.8% reduction referred to is the change in 'Spending Power', which is the Government's assumption about all of the income the Council will receive, not the amount that the Government will actually provide. For example it includes Council Tax which is collected from residents. It also makes a national assumption for Business Rates growth which is unlikely to reflect the true opportunities available in a district such as Sevenoaks.*

Key Implications

Financial

If a decision is made to pass funding on to Town and Parish Councils, compensating adjustments will be required to retain a balanced 10-year budget. This could include

taking actions to increase income further or making additional savings or reductions in services to the amount of any funding passed on.

Legal Implications and Risk Assessment Statement.

A leading Queens Counsel's advice has been obtained which confirms the Council has an unfettered discretion as regards passing on funding.

Public Sector Equality Duty

In considering what action to take, Members should openly consider whether any actions could be taken which can avoid or mitigate any impacts on particular groups, in line with their responsibilities to have due regard to eliminating discrimination and advancing equality of opportunity, as required by the Public Sector Equality Duty. In considering each of the options Members should note the following:

- If Town and Parish Councils receive less funding than they had planned for, there is the potential for there to be a detrimental impact on services provided by Town and Parish Councils which could disadvantage protected groups.
- If we decide to provide Town and Parish Councils with an amount of funding, there is the potential for there to be a detrimental impact on services provided by the District Council which could disadvantage protected groups.
- We have sought to mitigate the impact by consulting with Town and Parish Councils over the possible decision over the last year.

In summary, there is the potential for an impact on people with protected characteristics who use public services whichever option Members decide to adopt. It will be necessary to monitor the impact of the decision and gather evidence about which services might be affected by any funding reductions and whether these are used by people with protected characteristics. The District Council and Town and Parish Councils are both subject to the public sector equality. The relevant decision-making authority would need to engage the duty when taking further decisions about service changes or reductions following the funding decision.

Conclusions

The funding provided by Government to local authorities continues to reduce and decisions have to be made as to how this is used. Many Town and Parish Councils within the district increased their Council Tax in 2013/14 as it was uncertain whether the funding they received for Council Tax Support would continue after 2013/14.

Following advice from a leading Queens Counsel, Council is asked to discuss this matter and decide whether any funding should be passed on to Town and Parish Councils in 2014/15.

Appendices

Appendix A – Correspondence between Cllr Alan Wesley, Westerham Town Council and Sevenoaks District Council.

Appendix B – Correspondence between the Council

Leader and Brandon Lewis MP.

Appendix C – Emails from Sevenoaks District Council to Town and Parish Councils and minutes of the KALC Sevenoaks Area Meeting on 11 January 2013.

Appendix D – Changes in Council Taxes for Town and Parish Councils

Background Papers:

[Cabinet – 6 February 2014 – Revenue Budget and Council Tax](#)

[Council 18 February 2014 – Budget and Council Tax Setting 2014/15](#)

**Adrian Rowbotham
Chief Finance Officer**