



**Report Number**

**Corporate Policy and  
Resources Committee**

**Date: 22 September 2016**

**Withdrawal of Localisation of Council Tax Support (LCTS) Grant to Town  
and Parish Councils**

Report of: Director of Resources and Section 151 Officer

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Purpose / Summary: This report considers the withdrawal of Council Tax Support Grant to town and parish councils from 2017/18 onwards.

**RECOMMENDATION(S):**

- i) That the Localisation of Council Tax Support Grant for Town and Parish Councils be withdrawn from 2017/18 onwards.
- ii) That the WLDC contribution to the first £100 of Budget Requirement be continued at this time but reviewed for the 2019/20 budget.

## IMPLICATIONS

**Legal:** There is no legal requirement to support the impact of the Localisation of Council Tax Scheme on Town and Parish Councils.

### **Financial: FIN/60/17**

Upon the implementation of the LCTS in 2013/14 the government provided a grant to Councils to support the reduction in Parish Tax Base. This grant was subsequently rolled into the Councils Revenue Support Grant.

The reduction in RSG over the past 4 years and its future reduction to £0 by 2019/20 has resulted in the support provided to the Town and Parish Councils no longer being sustainable.

The Council has continued to support the Town and Parish Councils during this period at the 2013/14 level to 2016/17.

It is now considered that with a savings target in excess of £2m, the removal of RSG by 2019/20 and the previous level of support provided by WLDC to the Town and Parish Council it is proposed this grant be withdrawn.

An ongoing saving of £169,000 will be achieved to contribute to the Councils saving target.

WLDC also contributes the first £100 of budget requirement to the Town and Parish Council at a total cost of £8,300.

**Staffing:** None from this Report

### **Equality and Diversity including Human Rights:**

There are no equality and diversity issues arising directly from this report

**Risk Assessment:** None

### **Climate Related Risks and Opportunities:**

There are no direct climate related risks arising from this report

### **Title and Location of any Background Papers used in the preparation of this report:**

None

### **Call in and Urgency:**

#### **Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?**

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

#### **Key Decision:**

A matter which affects two or more wards, or has significant financial implications

Yes

No

## **1. EXECUTIVE SUMMARY**

- 1.1 This report considers the withdrawal of grant funding to Town and Parish Councils for the Localisation of Council Tax Support Scheme (LCTS) from 2017/18 onwards.
- 1.2 This report has been prepared taking into account the significant financial challenges faced by this Council over its Medium Term Financial Strategy and the removal of Revenue Support Grant by 2019/20. The Council's savings target is in excess of £2m
- 1.3 The Welfare Reform Act 2012 abolished the nationally funded Council Tax Benefit Scheme and replaced it with the (LCTS) from April 2013. This new scheme was funded by the DCLG through a cash limited grant, but at 90% of the previous council tax benefit scheme.
- 1.4 The LCTS 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. The impact of these discounts on the tax base was to reduce it.
- 1.5 West Lindsey District Council received a total grant of £519,000 of which £169,811.82 was provided as grant to the Town and Parish Councils to reduce the impact of the reduction in their tax base.
- 1.6 Since that time the Revenue Support Grant which included an element for this support, has reduced by 81%, however WLDC have continued to issue grants at the original level. It is now considered that this position is unsustainable.

## **2. TAX BASE IMPACT**

- 2.1 The overall net impact of these changes was a reduction of 3,701 (approximately 12%) band D equivalent properties on the Council's tax base for 2013/14 compared to the previous year's calculation. The percentage reduction at Parish and Town council level varied according to how many of their residents were eligible for the LCTS.
- 2.2 Reducing the tax base means that if the Council's budget requirement stayed the same, the amount of council tax per property would increase. This applies to the billing authority (this Council), major precepting authorities (County and Police), and local precepting authorities (Town and Parish Councils).
- 2.3 To mitigate the impact of the reduced council tax base, the DCLG distributed a non-ring-fenced grant to billing authorities and major precepting authorities. Because the DCLG does not have a method for passing down funding to Town and Parish Councils, the grant to billing authorities also included an amount 'attributable to local precepting authorities'. There was no prescribed basis on which to distribute this grant to parishes and it was left to each billing authority to determine the allocation of these monies. For 2013/14, this Council calculated the allocation to be £169,811.82 to compensate the Town and Parish Councils and this was passed on in full to them alongside their normal precept.

### **3. ALLOCATION OF LCTS GRANT TO PARISHES AND TOWN COUNCILS**

- 3.1 For 2013/14 the DCLG paid a grant to compensate the billing authority and the parishes which was separately identifiable from the formula grant settlement. However, from 2014/15, any amount received has been 'rolled up' into the Council's Revenue Support Grant (RSG).
- 3.2 As Members will be aware, the Council's RSG has been reduced significantly since 2013/14 and is due to cease by 2019/20, therefore on a comparable basis the amount of grant available to pass onto the parishes is no longer sustainable.
- 3.3 West Lindsey District Council, unlike many other local authorities has maintained the original LCTS grant level as at 2013/14, and therefore the Town and Parish Council have benefitted from additional support over the past 3 years.
- 3.4 As the Council's revenue budget continues to come under pressure from continuous reductions in Central Government funding, the level of support that is provided to the Town and Parish Councils also needs to be reviewed.
- 3.5 Given these reductions it is proposed that the funding to Town and Parish Councils be withdrawn from 2017/18 onwards.

### **4. OTHER WLDC FUNDING TO PARISHES**

- 4.1 In addition to the LCTS grant, the Council provides support for the first £100 of Budget Requirement of the Town and Parish Councils, this costs circa £8,000 per annum. This funding, in the main supports those Parishes with small budget requirements and for some saves on the administrative costs of billing, for fairness it is provided to all Town and Parish Councils.
- 4.2 It is proposed that this support continues and is reviewed prior to budget setting for 2019/20.

### **4. ENGAGEMENT WITH PARISHES**

- 4.1 All Town and Parish Councils have been notified annually that there is a risk to this funding being withdrawn.
- 4.2 A letter was issued in August 2016 informing them of this proposal and providing details of the impact on each of their areas. All Members have been provided with a copy of this communication.
- 4.3 Parish Engagement Sessions are scheduled for October 2016, where we will be able to provide advice in dealing with this reduction in funding when budget setting.

### **5. RECOMMENDATIONS**

- 5.1 Members are requested to approve the withdrawal of the LCTS grant funding to Town and Parish Councils from 2017/18 onwards.