

 Executive 27 July 2016		Agenda Item No. 7
Title	Review of support to town and parish councils	
For further information about this report please contact	Mike Snow 01926 456800	
Wards of the District directly affected	All	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	N/A	
Background Papers	N/A	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	Yes
Included within the Forward Plan? (If yes include reference number)	Yes
Equality Impact Assessment Undertaken	No (If No state why below)
This will be undertaken as part of the final report following consultation if necessary.	

Officer/Councillor Approval		
Officer Approval	Date	Name
Chief Executive/Deputy Chief Executive	7/7/16	Chris Elliott
Head of Service	1/7/16	Mike Snow
CMT		
Section 151 Officer	1/7/16	Mike Snow
Monitoring Officer	7/7/16	Graham Leach (Deputy)
Finance	7/7/16	Andy Crump
Portfolio Holder(s)	7/7/16	Peter Whiting
Consultation & Community Engagement		
Parish and town councils will be consulted on the proposals in line with the Warwickshire Local Councils' Charter.		
Final Decision?	No	
Suggested next steps (if not final decision please set out below)		
A further report on the outcome of the consultation will be made before a decision is reached.		

1. **Summary**

- 1.1 This report considers the funding that the District Council provides to parish and town councils. In view of the financial constraints upon the Council it is proposed to consult on the proposal to cease the Concurrent Services and the Council Tax Reduction grants.

2. **Recommendations**

- 2.1 That the Parish and Town Councils are consulted in line with the Warwickshire Local Councils' Charter on the following proposed changes in funding:-
- That the Council agrees to reduce the Concurrent service grants to parish and town councils by 50% for 2017/18, and stop the grants from 2018/19.
 - That the Council agrees to reduce the Council Tax Reduction funding for parish and town councils by 50% for 2017/18, and stop the grants from 2018/19.
- 2.2 That the Executive receive a further report in November 2016 with details of the consultation responses.

3. **Reasons for the Recommendations**

3.1 **Concurrent Services**

- 3.1.1 The Concurrent Services scheme pays a grant to parish councils and Whitnash Town Council (not Warwick, Leamington or Kenilworth) under S136 of the Local Government Act 1972 which enables authorities to make such payments to seek to reduce the incidence of double taxation. Double taxation potentially happens when the District Council carries out functions in the urban area (which are charged to the District Council's overall funding, that is, council tax, Revenue Support Grant and Retained Business Rates), and the Parish or Town Council carries out similar services in the rural areas (which are then only charged to the parish area by way of the parish precept/council tax). The rural area is potentially paying a share of the urban area costs (via the district element of the Council tax) together with the full amount for their own village or town costs. Hence the term "double taxation".

- 3.1.2 To help to reduce the incidence of double taxation the District Council contributes towards the Parish or Town Council's net expenditure incurred upon certain services such, including:-

- Maintenance of parks, open spaces and recreation grounds ;
- Repair and maintenance of bus shelters;
- Play leadership schemes;
- Cutting grass verges;
- Replacement and maintenance of seats;
- Emptying dog litter bins and dog faeces bins;

- 3.1.3 Not all Parish Councils get this allocation. The total costs for 2016/17 are £50.5k, excluding Overheads (Support Services).

- 3.1.4 It is proposed to reduce and then cease the Concurrent service grants for the following reasons:-

- a) The Council's expenditure on parks and open spaces is several hundred thousand pounds per annum, with most of this spent in the main parks of

Jephson Gardens, Victoria Park, Saint Nicholas Park and Abbey Fields. These parks are "destination parks" that provide facilities that are used by residents from across the district and visitors and their usage and appeal is far broader than the towns of Leamington, Warwick or Kenilworth. The open spaces within the parish council and Whitnash Town Council areas have a more local client base and so differ to those directly funded by District Council and it may be argued are not subject to "Double Taxation".

- b) Many local authorities do not provide any concurrent services funding, with Warwick being the only one within Warwickshire which still does so. Stratford on Avon DC ceased funding their scheme in 2006/07.
- c) In terms of the overall parish and town council budgets, the concurrent service funding is just over £50,000. Parish/town precepts for 2016/17 total £1.3m. Excluding the towns of Leamington, Warwick and Kenilworth, the precepts of the parishes/town eligible for concurrent expenditure are around £410,000. The concurrent services budget is just over 13% of this total. At an individual level, the concurrent services grant varies from 7.6% (Whitnash) to 35% (Baginton).

3.2 Council Tax Reduction Grant

- 3.2.1 The Local Council Tax Reduction/Support Scheme was first introduced in April 2013 as local authorities took on responsibility for Council Tax Reduction schemes replacing Council Tax Benefits. Alongside this, the major local authorities (Warwickshire County and Warwick District Councils) were given funding equivalent to 90% of the cost of the previous Council Tax Benefit Scheme.
- 3.2.2 The accounting arrangements for the new CTR scheme were such that the council tax base reduced. For parish/town councils this reduction in the tax base meant they would generate less council tax income if they were to raise the same level of Band D council tax. To compensate for this, the Council received a specific grant that it was able to pass on to the parish/town councils. For 2013/14 the grant was £110k, reducing to £102k for 2014/15. No specific grant has been received since, with this funding being stated as part of the overall Revenue Support Grant.
- 3.2.3 It is proposed to reduce and then cease the Council Tax Reduction Scheme Grant service grants for the following reasons:-
 - a) Originally Local Authorities were provided with specific funding that they were able to pass on to Parish/Town Councils. For 2013/14 and 2014/15 central government identified a specific sum within the Revenue Support Grant (RSG) Settlement for this purpose. However, since then, no such sum has been separately identified. At the same time, the RSG funding has been reducing significantly and will be non-existent by 2018/19 when the District Council's RSG income reduces to zero.
 - b) The Council's Council Tax Reduction scheme has been amended in over the last three years so as to be within the funding originally provided by the Government. Similarly the numbers of claimants has reduced. This has all served to protect the tax base which in turn means that there is less need for the compensation payments to parish/town councils.
 - c) The compensation payments (£95,000 for 2016/17) should be considered in the context of the total parish/town precepts (£1.3m). Removing the grant would

increase the precepts of the individual parish/town council if the local councils are not able to make corresponding savings.

- 3.3 The District Council is signed up to the Warwickshire Local Councils' Charter. As part of this the Council should consult with parish and town councils over issues affecting their community. A minimum of 6 weeks is proposed, with responses requested by the end of September. This should allow enough time for a further report to be presented to the Executive ahead of parish and town council having to set their 2017/18 budgets.

4. **Policy Framework**

- 4.1 **Policy Framework** – The Council has provided concurrent services for many years. It is believed that these probably started following local government re-organisation in 1974, these being provided under S136 of the 1972 Local Government Act. The Council agreed to provide the Council Tax Reduction payments from 2013/14 when local council tax reduction commenced.

- 4.2 **Fit for the Future** – As detailed in paragraph 5.3, within the Fit For the Future programme, £145,000 savings are proposed from concurrent services and parish grants towards a present additional savings target of circa £700,000 needed by 2020/21. This saving is needed to help to ensure that the Council has adequate funding to provide its main services to the residents of the district.

- 4.3 **Impact Assessments** – The impact upon parish and town councils will be assessed following the proposed consultation.

5. **Budgetary Framework**

- 5.1 The Council is continuing to have to make substantial reductions in its budget and in the cost of its services. The Council's Revenue Support Grant is reducing from £3.5m in 2014/15 to zero in 2018/19. In recent years savings have been made across the Council, with all services having made savings.

The Council's Revenue Support Grant for recent and future years is set out below:-

	£000
2013/14	4,526
2014/15	3,515
2015/16	2,499
2016/17	1,587
2017/18	794
2018/19	307
2019/20	0

- 5.2 Within the Council's budgets there is currently the following funding for parish/town councils:-

- Concurrent Services £50,500
- Council Tax Reduction Compensation Funding £95,000

- 5.3 Within the 2 June Executive Fit for the Future report details were included of how the Council should seek to make further savings in future years as funding is further reduced (see para 5.1). Within the proposed savings that were agreed by the Executive to be progressed is a Review of Concurrent Services and parish support, to make savings of £145,000. If the Council is not able to make these savings, it will be necessary to seek to make savings elsewhere or to reduce services. As members are aware, significant savings have been made in recent years whilst protecting main services. As a result, identifying new savings initiatives is becoming increasingly difficult.
- 5.4 The funding for the parish/town councils has not been subject to the same degree of reductions as have other local authorities. The only real reduction has been in the concurrent services budget where the funding has been reduced by 10% in line with most of the Council's non-contractual expenditure. Consequently, funding of parish/town councils has remained broadly unchanged whilst the District Council has had to make significant savings.
- 5.5 If the concurrent and council tax reduction funding are withdrawn and the parish/town councils need to increase their precepts to compensate (i.e. assuming no offsetting savings), the position is set out in Appendix A. This is summarised below:-

	Current Band D	Increase in Band D	Potential Band D
Current Average precept	£25.17	11.1%	£27.98
Current Maximum precept	£50.19	8.7%	£54.54
Baginton*	£34.32	43.7%	£49.33

*Baginton has been included in the above table as the parish which would see the largest increase in its precept (in cash and relative terms). This reflects the grant funding from the District Council being the largest relative proportion to the precept.

- 5.6 Parish/town precepts average £25.17 at Band D, ranging from zero to £50.19 for Barford, Sherbourne and Wasperton. The national average parish council tax at Band D for 2015/16 was £35.55 (with £227.33 being the highest). If the Warwick district average was to increase to the national average, it would generate a further £500,000 for parish/town councils.
- 5.7 Parish/town councils have not seen any elements of their funding reduced in recent years in the same way as the rest of the public sector has experienced. In addition, they are not subject to the limitations placed on the rest of local government over how much they may increase their element of the council tax without requiring a referendum.

6. Risks

- 6.1 Members decide not to agree to these changes and the £145,000 saving does not materialise and savings would then have to be sought from elsewhere
- 6.2 Parish/town councils are opposed to the proposed change. Whilst this is highly likely, it is believed that ceasing the funding should not impact upon

parish/town councils, given that they have scope to increase their precepts and their level of council tax. If referendum principles are applied to parish/town councils, this scope would be reduced.

7. Alternative Option(s) considered

7.1 Members may choose not to progress the savings proposed, or to propose other levels of savings. This will mean the Council will need to seek to identify alternative savings. If the grants are maintained, albeit at a lower level, the administrative work involved (for the District and parish/town councils) will still exist.

8. Background

8.1 This Council currently provides ongoing revenue support to Town and Parish Councils in 2 ways-

- A "Concurrent Services Allocation".
- A Council Tax Support compensation funding