

 <b>Executive 2 November 2016</b>		<b>Agenda Item No.</b>  <h1 style="text-align: center;">4</h1>
<b>Title</b>	Review of support to town and parish councils	
<b>For further information about this report please contact</b>	Mike Snow 01926 456800	
<b>Wards of the District directly affected</b>	All	
<b>Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?</b>	No	
<b>Date and meeting when issue was last considered and relevant minute number</b>	Executive 27 July 2016	
<b>Background Papers</b>	Correspondence with parish/town councils	

<b>Contrary to the policy framework:</b>	No
<b>Contrary to the budgetary framework:</b>	No
<b>Key Decision?</b>	Yes
<b>Included within the Forward Plan? (If yes include reference number)</b>	Yes
<b>Equality Impact Assessment Undertaken</b>	No

<b>Officer/Councillor Approval</b>		
<b>Officer Approval</b>	<b>Date</b>	<b>Name</b>
Chief Executive/Deputy Chief Executive	17/10/2016	Andy Jones
Head of Service	17/10/2016	Head of Finance
CMT	17/10/2016	
Section 151 Officer	17/10/2016	Mike Snow, Head of Finance
Monitoring Officer	17/10/2016	Andy Jones
Finance	17/10/2016	Report from Finance
Portfolio Holder(s)	17/10/2016	Peter Whiting
<b>Consultation &amp; Community Engagement</b>		
Insert details of any consultation undertaken or proposed to be undertaken with regard to this report. Parish and Town Councils plus WALC have been consulted and their views incorporated into the Report		
<b>Final Decision?</b>		Yes
<b>Suggested next steps (if not final decision please set out below)</b>		

## 1. **Summary**

- 1.1 In July the Executive considered a report on the funding that that the District Council provides to parish and town councils. Following the agreement of the recommendations, parish and town councils have been consulted on the proposal to reduce the funding. This report considers the responses and makes appropriate recommendations.

## 2. **Recommendation**

- 2.1 That the Council agrees to reduce the Concurrent service grants to parish and town councils by 50% for 2017/18, and stop this funding from 2018/19.
- 2.2 That the Council agrees to reduce the Council Tax Reduction grants for parish and town councils by 33.3% for 2017/18, 33.3% for 2018/19 and stop the grants from 2019/20.
- 2.3 That the Council reviews the reductions if as part of the Local Government 2017/18 Grant Settlement referendum principles will apply to local parish and town council for 2017/18.

## 3. **Reasons for the Recommendation**

- 3.1 The report considered by the Executive in July explained how the District Council still provides funding to parish and town councils for concurrent services (£50,000) and Council Tax Grant (£95,000). Many local authorities have ceased to provide this funding as their own funding streams have significantly reduced in recent years. The following links go to the [report](#) and [appendix](#).

- 3.2 The Executive agreed in July:-

*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.*

- 3.3 All 25 parish and town councils were written to (by letter and email) at the start of August to seek their views reducing the support as proposed. Responses were sought by 30 September. The Warwickshire Association of Local Councils (WALC) and Warwickshire Rural Community Council (WRCC) were also approached.
- 3.4 Responses have been received from 16 of the local councils, and from WALC. Those councils not responding tend to be the smaller councils. In monetary terms, the respondents receive 96.1% of Concurrent services allocation and 97.3% of council tax grant.
- 3.5 The responses have been summarised within Appendix A. The details of the individual responses are available on request.
- 3.6 Within the responses, the councils did acknowledge and understand the financial pressures faced by the council and the justification for the withdrawal

of Council Tax Grants. Many also acknowledged that many other district councils have already ceased the support.

- 3.7 The main concern from the proposals was the period for the withdrawal of both streams of funding over the two year period. It was pointed out that the potential increase in the local council element of the council tax may not be acceptable to local residents, and there is lack of time to consult over potential increases. In line with the WALC response, many suggested that the concurrent services funding was reduced over a 3 year period, and the council tax reduction grant over 4 years. The impact of this over future years for individual parish/town councils is shown within Appendix B1.
- 3.8 Taking into account the need for the Council to make savings, as reflected in the Medium Term Financial Strategy, and the proposal to extend the period over which the funding is phased, it is proposed to reduce the concurrent services funding over two years, and the grant over three years. This extends the largest element of the funding, the grant, over an additional year to the period originally proposed. By doing this, it is increasing the savings needed to be found by the Council in 2017/18 and 2018/19 above those currently assumed in the MTFS. This is considered in more detail in section 5. The impact of this over future years for individual parish/town councils is shown within Appendix B2.
- 3.9 Whilst there was overall acceptance of the reduction, Whitnash Town Council is strongly opposed to the removal of the concurrent services support (but accepted the loss of the Council Tax Reduction Grant), as shown within their response. Within the response they note the sums paid by the District Council to maintain neighbourhood open spaces owned by the District Council in addition to the destination parks. It should be noted that the neighbourhood open spaces maintained by the District include some sites that do not really fit into a park category e.g. cemeteries. The District also looks after other areas of open space which have been included as they are classed as green corridors e.g. cycle-paths and connecting footways. The response also suggests that the District Council may wish to maintain Whitnash open spaces instead, for which the cost may prove to be far higher than paid by Whitnash.
- 3.10 Several responses have made reference to the Local Government Finance Settlement Technical Consultation paper issued on 15 September. Within this consultation, the Government is proposing that parish/town councils:-
- Whose Band D precept is higher than that of the lowest charging district council in 2016/17 (£75.46) and
  - That have a total precept of more than £0.5m:

will be subject to the same requirement as district councils to hold a referendum to agree any council tax increase of £5 or 2%, whichever is the higher. The government estimate that this will affect 120 of the 8,800 parish councils nationally. It will be noted that no parish or town councils in Warwick district have council tax or precepts of these levels, and would continue to be well below these levels if the parish funding ceased and local council taxes were increased to compensate.

- 3.11 However, in order to avoid parishes being unduly constrained by referendum principles for taking on responsibilities from other tiers of local government, the Technical Consultation proposes that parishes will not be subject to the

referendum principles, where there has been a transfer of responsibilities and certain conditions are satisfied.

- 3.12 The Consultation also seeks views as to whether to extend the referendum principles to all parish and town councils, in order to reflect the impact of higher increases on local tax payers. Whilst the Government is not advocating this response within the consultation, there is the risk that local parish/town councils may be restrained in increasing their council tax to compensate for the proposed reduction in support from the District.
- 3.13 How the final referendum principles are to be applied should be known as part of the Local Government Grant Settlement (provisional in December, final in February 2017), ahead of the District Council agreeing its budget for 2017/18. If it is apparent that the local parish and town councils are to be restrained in their ability to increase their element of the Council Tax from 2017/18, the District Council should review the extent to which support is reduced.

#### 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 section 5, within the Fit For the Future programme, £145,000 savings are proposed from concurrent services and parish grants towards the additional savings target of circa £700,000 (as included within the June Fit For the Future Executive report).

#### 5. **Budgetary Framework**

- 5.1 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

- 5.2 Within the 2 June Executive Fit for the Future report, details were included of how the Council should seek to make more savings in future years as funding is reduced further(see para 5.1). Within the proposed savings that was agreed by the Executive to be progressed, is a Review of Concurrent Services and parish support that will generate 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.
- 5.3 The original proposal within the June Fit for the Future report was for the £145k funding to cease from 2017/18. However, following the July report where it was proposed to phase the reduction over 2 years, the Council's Medium Term Financial Strategy (MTFS) now assumes the funding is phased out over 2 years. This has presented an additional pressure on the forecast 2017/18 Budget.

- 5.4 If the reduction in funding is phased over 3 and 4 years (as discussed in paragraph 3.7) with concurrent services funding over 3 years and the grant over 4 years, the savings profile will be as follows (rounded):-

	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>Total £000</b>
MTFS(rounded)	70	75			145
Savings Profile	40	40	40	25	145
Additional savings required in year	30	30	(40)	(25)	0

If funding is reduced as per the WALC proposals, this will present an adverse position to the figures within the Council's MTFS. This means that additional savings will need to be secured in the interim period until the funding has fully reduced by 2020/21, so placing further pressure on the Council's finances and the MTFS.

- 5.5 As discussed in paragraph 3.8, it is proposed that the funding is reduced over 2 years for the concurrent services and 3 years for the grant.

	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>Total £000</b>
MTFS(rounded)	70	75			145
Savings Profile	57	57	31	0	145
Additional savings required in year	13	18	(31)	0	0

With this profile of reduction to the funding, the additional savings to be found against those assumed in the MTFS are reduced, with savings of £13k and £18k to be found in 2017/18 and 2018/19 respectively. This funding reduction is the basis of the recommendations in 2.1 and 2.2.

## **6. Risks**

- 6.1 If the funding is agreed to continue, this will increase the pressure on the District Council's finances, increasing the other savings to be found and possibly reduce or cease service provision.
- 6.2 Whilst parish/town councils currently have the ability to increase their element of the council tax to cover this funding ceasing, they could choose to cease or reduce the level of service they provide to their local residents.
- 6.3 As suggested in the response from Whitnash TC in paragraph 3.8, there may be pressure on the District Council to take over certain functions from parish/town councils, with the additional costs that be incurred.

## **7. Alternative Option(s) considered**

- 7.1 Members may choose not to progress the savings proposed, or to propose other levels of savings or savings profiles. This will mean the Council will need to seek to identify alternative savings. Paragraph 5.4 shows the savings profile

should the funding be reduced over a 3 year period for concurrent services and 4 years for the grant.

- 7.2 As an alternative, members may wish to consider phasing the reduction of all funding over three years.

	<b>2017/18 £000</b>	<b>2018/19 £000</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>Total £000</b>
MTFS(rounded)	70	75			145
Savings Profile	48	48	49	0	145
Additional savings required in year	22	27	(49)	0	0

Under this scenario, additional savings will be required until 2019/20 over those forming the recommendations, but this is lower than the savings required from the WALC proposal. The impact of this over future years for individual parish/town councils is shown within Appendix B3.

- 7.2 If the grants are maintained, albeit at a lower level, the administrative work involved (for the District and parish/town councils) will still exist