

Report to the Finance and Performance Management Cabinet Committee



**Epping Forest
District Council**

Report Reference: FPM-018-2014/15

Date of meeting: 19 January 2015

Portfolio: Finance

Subject: Allocation of Local Council Tax Support Grant

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Recommendations/Decisions Required:

To allocate the Local Council Tax Support Grant available to Town and Parish Councils in proportion to the reduction in their Council Tax income.

Executive Summary:

When Local Council Tax Support was introduced for 2013/14 the Council decided to top up the amount of grant relating to local councils of £312,812 by an additional £7,460 in order to leave local councils no worse off.

From 2014/15 it was clear that the amount of grant relating to local councils would no longer be separately identified and that the overall grant receivable would be substantially reduced. This Committee decided on 19 September 2013 that the grant available to local councils should be reduced by the same percentage as the Council's overall grant was reduced. This policy has subsequently been re-affirmed by both this Committee and Cabinet.

At the Local Councils Liaison meeting on 7 November 2013 it was suggested that, for the allocation to be as fair as possible, the amount of grant should reflect the loss of income to each body. This suggestion was adopted by the Committee last year and it is proposed to use the same methodology again for 2015/16.

It was not possible to provide precise figures to the Local Councils Liaison meeting on 20 November 2014 as the tax base had not been set. Now the tax base has been set and the likely reduction in overall grant has been confirmed as 14.2%. The figures shown in the appendix were shared with the local councils before Christmas but it was made clear that they should not be regarded as final until the issue had been considered by this Committee.

Reasons for Proposed Decisions:

To agree the basis for allocating LCTS Grant and the amounts due to each Town and Parish Council.

Other Options for Action:

Members could decide to allocate the grant by reducing the amount payable to each local council by 14.2%. Alternatively, Members could decide to allocate more than the proposed amount, although this would require additional savings elsewhere in the budget to fund the local councils.

Report:

1. The principle behind this grant is that it should compensate for the reduction in tax base and for 2013/14 Members decided to top up the Government funding of £312,812 by £7,460 to leave local councils no worse off as a result of local council tax support. This meant that if the grant for 2013/14 was deducted from the previous year's precept and the adjusted precept was then divided by the adjusted tax base the new Band D charge produced should be similar to the 2012/13 Band D charge. Help and advice was provided to the local councils and most set their precepts accordingly so there was little increase in most Band D charges. Out of the twenty four local councils only five increased their charge by more than 3.5% and these are shown below -

Local Council	Band D 2012/13 £	Band D 2013/14 £	Increase %
Chigwell	37.34	47.69	27.72
Moreton, Bobbingworth and the Lavers	21.49	24.87	15.73
North Weald Bassett	52.45	57.61	9.84
Ongar Town	82.83	90.80	9.62
Stanford Rivers	32.59	48.42	48.57

2. The position was different for 2014/15 as the grant paid to local councils was reduced to reflect the reduction in the grant paid by DCLG to this Council. The reduction of 12.5% in support grant equated to £40,037, although this needs to be seen in the context of the precepts of local councils for 2014/15 which totalled £3,077,383. Most local councils again sought to limit the increases in Band D charges and out of the twenty four only five increased their charge by more than 7.5% and these are shown below –

Local Council	Band D 2013/14 £	Band D 2014/15 £	Increase %
Epping Upland	28.54	36.84	29.08
Fyfield	24.77	26.66	7.63
Lambourne	32.45	35.48	9.34
Ongar Town	90.80	102.56	12.95
Stanford Rivers	48.42	57.92	19.62

3. The tax base has now been set for 2015/16 and this shows a reduction of 4,689.5 Band D equivalents due to LCTS, a reduction of 325.3 on the 2014/15 figure of 5,014.8. This is a reduction of approximately 6.5%, although within this average the figures for individual authorities show more fluctuation. The five authorities with the greatest Band D reductions and their year on year change are shown below –

Local Council	Reduction in Band D Equivalents 2013/14	Reduction in Band D Equivalents 2014/15	(Decrease) %
Buckhurst Hill	346.6	314.3	(9.32)
Chigwell	372.9	347.2	(6.89)
Epping Town	467.5	437.9	(6.33)
Loughton Town	1,377.2	1,295.7	(5.92)
Waltham Abbey Town	1,185.6	1,100.2	(7.20)

4. The draft grant settlement figures announced just before Christmas were slightly better than expected for 2015/16. Previously local authorities had been advised of a potential reduction of 15.4% but the latest indicative figures show a reduction in total grant of 14.2%. Applying this reduction to the 2014/15 grant gives an amount to be allocated amongst local councils of £240,442 for 2015/16.

5. Appendix one shows the reduction in Band D equivalents for each local authority and then multiplies this by the Band D charge for 2014/15 to get a figure for the predicted loss of income for 2015/16. The total income lost for all local authorities is £309,345 and the individual amounts are divided by this to show the percentage of the total loss that relates to each authority. The individual percentages are then multiplied by the grant available to give the allocation for each authority.

6. As Waltham Abbey Town Council has the largest reduction in income it is used here as the illustration -

a) Predicted loss of income = Band D charge x reduction in Band D equivalents

$$£109,293.87 = £99.34 \times 1,100.2$$

b) Percentage of overall loss = WATC loss / total loss

$$35.33\% = £109,293.87 / £309,344.68$$

c) Share of Grant = % of overall loss x total grant

$$£84,950 = 35.33\% \times £240,442$$

7. The change in grant relative to 2014/15 is determined by the relative changes in Band D charges and the reductions in Band D equivalents, with most authorities showing the expected reductions. One authority, Stanford Rivers, has an increase in grant due to the size of the increase in their Band D charge in 2014/15.

8. When the draft settlement figures were announced in late December the possibility of extending the referendum requirement for significant increases in Band D charges to local councils was mentioned. From the tables provided above it can be seen that over two years Ongar Town have increased their charge 23.82% from £82.83 to £102.56 and Stanford Rivers have increased their charge 77.72% from £32.59 to £57.92. It is also worth mentioning the increase of 27.72% by Chigwell in 2013/14 and the increase of 29.08% by Epping Upland in 2014/15. It is clear that Ministers are becoming frustrated by local councils increasing their charges and may act to prevent this happening again in the lead up to the general election.

Resource Implications:

The reduction in resource available for the grant to local councils is the same as the overall grant reduction faced by the Council. Members could choose to reduce the total grant by a greater or lesser amount, a greater reduction would reduce the need for savings whilst an increase in the grant would have to be funded by other savings elsewhere in the budget.

Legal and Governance Implications:

The Government has not prescribed a formula or mechanism for calculating or allocating the grant but has said it is for each billing authority to determine.

Safer, Cleaner, Greener Implications:

There are no implications arising from the recommendations in this report for the Council's commitment to the Nottingham Declaration for climate change, the corporate Safer, Cleaner and Greener initiative or any Crime and Disorder issues within the district.

Consultation Undertaken:

Information has been shared with local councils by email and the Director of Resources attended the Local Councils Liaison meeting in November.

Background Papers:

Previous reports on LCTS.

Impact Assessments:Risk Management

There is a risk that if the allocations are not determined local councils could be late in setting their precepts and this in turn could effects our own budget timetable.

Due Regard Record

This page shows **which groups of people are affected** by the subject of this report. It sets out **how they are affected** and how any **unlawful discrimination** they experience can be eliminated. It also includes information about how **access to the service(s)** subject to this report can be improved for the different groups of people; and how they can be assisted to **understand each other better** as a result of the subject of this report.

S149 Equality Act 2010 requires that due regard must be paid to this information when considering the subject of this report.

Date / Name	Summary of equality analysis
6/01/15 Director of Resources	The purpose of the report is to allocate grant amongst local councils. It does not propose how the grant should be used and so has no equalities implications.