

**Cabinet – 11 March 2021**

**Written question from Bob Blezzard to the Leader**

On 25 November 2015 my motion to council requiring it to continue paying town and parish councils their due proportion of the council tax support grant received from Government was overwhelmingly carried (32-1), supported by the current leader and other current cabinet members. Next year's CTSG to the IW Council is £1.4m as stated in a letter from Councillor Stewart to IWALC although contrary to Brian Tindall's report to council on 20 January 2021 which states in paragraph 7 "it is no longer possible to identify the amount of funding that specifically relates to CTS." Given that the amount of CTS used to mitigate the reduction in the council tax base amounts to £946k why is the council not honouring its 2015 commitment by passing some of the remainder of the grant to parishes recognising that parish tax bases have also reduced?

## ***Response***

It is important to recognise that the Council Tax Support Grant to Town and Parish Councils provided historically from the Isle of Wight Council is unrelated to the "One-Off" Government Grant provided for 2021/22 of £1.4m entitled "Local Council Tax Support Grant.

**Taking these in turn:**

**1. Council Tax Support Grant to Town & Parish Councils**

- ❖ In 2013/14 (I believe) there was a change from Council Tax Benefit which was fully funded by Government subsidy to the Local Council Tax Support Scheme (LCTS) which was to be funded by Local Councils.
- ❖ On transfer, Local Councils had their General Funding increased by 90% of the subsidy. From that point onwards General Funding has been the subject of annual reductions.
- ❖ As Cllr. Tindall mentioned in his report on the Local Council Tax Support Scheme to Council in January of this year, it is not possible to identify how much funding is embedded within General Funding relating to Council Tax Support.
- ❖ The amount estimated by the Council as the LCTS funding for Town and Parish Councils embedded within General Funding is £31,000
- ❖ The amount estimated by the Council of LCTS funding embedded into General Funding for the Isle of Wight Council is £5.6m versus a cost of £8.8m, leaving a shortfall of £3.2m in the current year (before the changes to LCTS approved in January 2021).

## 2. Local Council Tax Support Grant - £1.4m for "One Off" Grant for 2021/22 only

- ❖ Government have announced a £1.4m grant for the IOWC entitled Local Council Tax Support Grant and have stated the following:

*"Broadly, we expect that the funding will meet the additional costs associated with increases in local council tax support ('LCTS') caseloads in 2021-22. Decisions on local council tax support scheme design for 2021-22 will be for billing authorities to take as usual, in consultation with their major precepting authorities and the public"*

- ❖ The loss of Council Tax income for 2021/22 arising from the reduction in the Council Tax Base is, as mentioned £946,000 (much of which relates to an expected increase in LCTS caseload)
- ❖ In addition, there is a deficit on the Council Tax Collection Fund of £2.4m, of which £2.1m falls to the Isle of Wight Council to find
- ❖ All of the financial risk associated with additional costs of LCTS or non collection of Council Tax falls to IOWC (86%), Police (11%) and Fire (3%) with none falling to Town & Parish Councils.
- ❖ If the T&PC's were required to contribute towards the Collection Fund Deficit of £2.4m, their share would have been £113,000
- ❖ The £1.4m grant and the saving relating to the ceasing of the grant to of £31,000 to Town and Parish Councils was considered in the context of the following:
  - The reduction in the Council Tax Base of £946,000
  - The Council Tax Collection Fund Deficit of £2.1m - none of which is shared with Town & Parish Councils but if T&PC's were required to contribute their share would have been £113,000
  - The above, taken together being a deficit in excess of £3m
  - The risk of LCTS caseload to increase beyond that already budgeted due to rising unemployment levels once the furlough scheme ends
  - That the reduction in the Council Tax Base of £946,000 will take time to recover as the economy recovers and therefore shortfalls will be likely for the next 2 to 3 years