

Guidance Note on Financial Arrangements with Parish and Town Councils

May 2002

Please note that this guidance note is an interim version provided on the web, which will later be published as part of the guidance on the operation of the Quality Parish Councils scheme later this year. We welcome further comments, information and relevant case histories from readers, to be considered in future revisions. Please send your contributions to: double.taxation@dtlr.gov.uk.



DEFRA
Department for
**Environment,
Food & Rural Affairs**

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Introduction

1. This note is intended for principal authorities, and for parish and town councils*. It is specifically aimed at helping avoid 'double taxation' - the situation where the costs of certain services are charged twice to local taxpayers, because the parish provides a service but the principal authority still charges taxpayers in the parish for the equivalent services it provides elsewhere. More detail on how this can occur is given in paragraphs 15 to 18, and Annex A lists the type of services reported by local government as ones where double taxation has been found to exist.
2. We expect the guidance note to be of use to officers and members at parish, district and county council level where they are involved in regular contacts and negotiations on financial arrangements and concurrent functions. The guidance will not be relevant to London and those metropolitan areas which have no parished areas. We are particularly grateful to the local authorities who have agreed the inclusion of their case histories in this note, allowing for others to learn from their experience and to find out more from named contacts if they wish.
3. The note also has a wider aim: to underpin the promotion of an enhanced role for parish and town councils, based on strengthened partnership arrangements between them and their principal authorities. This note therefore also discusses how best to create a framework for good financial arrangements for parishes working in partnership with principal authorities, referring to good practice in financial arrangements beyond those specifically aimed at reducing double taxation.

Background

4. The Government's approach for district, parish and town councils is set out in *Strong Local Leadership - Quality Public Services*, the Department for Transport, Local Government and the Regions (DTLR) local government white paper published in December 2001 - see Part 1 chapter 7 (page 57 + [hyperlink](#)). Chapter 9 of Part II [The way forward for parishes](#) sets out Government's proposals on the funding of parishes, aimed at creating a modernised regime to help all parishes move towards Quality Parish and Town Council status (page 125 + [hyperlink](#)). A short section of that chapter covers the [Double Taxation](#) issue (page 128 + [hyperlink](#)). Double taxation was one of the main concerns raised by respondents to the green paper *Modernising Local Government Finance* that preceded *Strong Local Leadership - Quality Public Services*. This note is the good practice

* Principal authorities are county councils and district councils. District councils include 'shire' district councils (in areas where there is also a county council), district councils with the functions of county councils (sometimes called unitary councils), and metropolitan district councils. The term 'local councils' in this note means parish and town councils.

guidance referred to in paragraph 9.22 of *Strong Local Leadership - Quality Public Services* .

5. The joint central and local government consultation paper *Quality Parish and Town Councils* (+ [hyperlink](#)) issued in November 2001 also refers to this guidance in chapter 3 Delivering the benefits, paragraph 3.3 (page 24). An annex to chapter 3 sets out the principles that should govern financial arrangements between principal authorities and local councils. A key proposal in the consultation paper is that, in all areas in which there are parish and town councils, there should be a charter setting out how principal authorities and local councils will work in partnership. A proposed model charter is set out on pages 18-23 of the consultation paper. The government plans to issue detailed guidance on the operation of the *QUALITY* local councils scheme later in the year.
6. This guidance has been prepared by two Government departments, the Department for Transport, Local Government and the Regions (DTLR) and the Department of Environment, Food and Rural Affairs (DEFRA) in close co-operation with local government using the DTLR's In House Policy Consultancy. In May 2001, the Local Government Association (LGA) and the National Association of Local Councils (NALC) conducted a trawl of their membership requesting information on how they were tackling the problem of double taxation and seeking evidence of best practice. (See LGA Circular dated 24 May, number 262/01.)
7. The excellent response to this request has provided the basis for this guidance. This note therefore reflects existing practice. Many principal authorities and local councils gave detailed accounts of how they have sought to resolve the problem of double taxation. Responses reflected a variety of circumstances, for example the pattern of parished and unparished areas within districts and the proportion of a principal authority's population falling within such areas differs widely across the country; and also a variety of solutions which are set out below. It is clear from the responses that it is very important to take local circumstances into account in deciding ways forward.
8. The views of the Society of Local Council Clerks and the Audit Commission have also been sought and received during the preparation of this guidance.

Getting the partnership framework right first

9. The double taxation problem cannot be addressed in isolation because successful resolution is only likely to be achieved in a wider context of good relationships between and within the tiers of local government. It is therefore important for readers of this note to be fully aware of the wider agenda aimed at forging close and effective partnerships within local government. Central and local government are working together in various ways to enable this to happen.

10. Refining financial arrangements is not necessarily straightforward and there is no single model to follow. Choices will therefore need to be made on which methods best suit local circumstance and practice, with solutions only likely to be effective if they are made as a result of consensus. This puts special emphasis on getting the partnership framework between principal authorities and their parish and town councils right before tackling detailed questions.
11. The majority of councils reporting a satisfactory position on double taxation already have in place charters, forums and other agreed methods of regular liaison between tiers. Many of such respondents commented that the better the relationship, the fewer the problems. This suggests that it will be much easier to sort out acceptable financial arrangements to suit all parties within an ongoing effective relationship, and what parishes and town councils most value overall is having their views listened to and being consulted regularly on matters of interest. While investment of time and effort is required on the part of both officers and members to foster a partnership approach, the evidence is that this pays off when it comes to resolving issues that otherwise risk becoming bones of contention.
12. The best starting point for using this guidance will therefore be reviewing whether the right mechanisms are in place to foster good relations between the district and its parishes, and between counties and their parishes, to allow for detailed financial discussions to take place in a proper framework. If not, the setting up of new arrangements should take priority. The government's consultation paper on *QUALITY* Parish Councils sets out proposals for such arrangements to be set out in a Charter for each local authority area with parishes.
13. Where satisfactory consultation arrangements are already in place, these can be used to take forward any work necessary for revising financial arrangements. Those areas that have already successfully tackled double taxation will only need to assess whether their current arrangements are working well and whether any good practice described here might be useful in future adjustments to them.

Principles to follow in financial arrangements

14. The following five principles are those which should govern all financial arrangements between principal authorities and parish and town councils. They set out the key aims to be achieved when setting up new arrangements. The principles should also be used by those reviewing existing arrangements, as a checklist to see whether all these objectives are being achieved by them.
 - **Fairness in the provision of services** (and access to them) by the principal authority between different parts of their area;

- **Simplicity** – to keep administrative costs of operation to a minimum;
- **Transparency** – to help understanding;
- **Democratic control and accountability** – to let local councils support additional services with additional expenditure while ensuring accountability to all those responsible for funding. This means distinguishing between funding by principal authorities (for a service carried out by a local council) and funding raised by local councils themselves (eg using their precepting powers);
- **Finance following function** – where provision of a service is devolved or transferred from a principal authority to a local council, funding is also transferred, with the amount involved being agreed by the principal authority and the parish or town council.

These principles should be a continual reference point when setting up new or assessing existing financial arrangements between principal authorities and parish and town councils.

What is the problem?

15. *Strong Local Leadership - Quality Public Services* paragraph 9.21 describes the situation as follows:

Local taxpayers in parished areas can be subject to 'double taxation'. This happens where a service is provided by the parish rather than the principal authority, but the principal authority still charges taxpayers in the parish for the equivalent services it provides elsewhere. It can arise for more than one reason. In a district where a town is unparished, it can happen if the costs of facilities for residents of the unparished town are spread across the whole district, rather than being charged only to the residents of the town. Double taxation can also happen where a principal authority devolves or transfers a service to a parish, without a corresponding reduction in its share of the council tax bill.

The responses to NALC and LGA's request for information on double taxation and means of avoiding it, confirm the above stated position. Below is further analysis derived from the actual experience of councils as reflected by respondents in their replies. (See LGA Circular no 262/01 dated 24 May for details of what was requested.)

16. Double taxation most often occurs in districts where some areas of the district are parished and other areas are not. This can lead to services potentially being provided at two tiers in some parts of a district and only by one tier in the rest of the district. The parished/unparished split frequently occurs between the urban and rural areas of a district, with the town being unparished with villages being parished. Taxpayers may, for example, be paying for the service in their locality provided by the parish (funded through

the parish precept they pay) as well as paying for the same service to be delivered in the non-parished area of the district through the council tax they pay to the district which is undifferentiated. Another way of describing this situation is that parishes are expected to pay the costs of a particular service in their locality while the district council bears the cost of the same services in the unparished areas.

17. Even where an area is totally parished, there can also be double taxation where some parishes within a district are providing local services funded through their precept, at the same time that the same services are being provided to other parishes by the district council.
18. Some illustrative examples are given below which have been drawn from the responses to the call for information:

A district council expects its parishes to pay rental, grass cutting and other maintenance costs for playing fields, funded from their precept. The equivalent costs in non-parished areas are borne by the district council. Residents in the parishes are contributing twice towards the facilities in different areas; residents in the non-parished area are contributing only once.

A parish upgraded their infants play area, with funding from the parish council, local residents and a contribution from the district council (one eighth of cost). The district council fully funds improvements to playgrounds in its non-parished area.

A county council asked all parish councils to contribute 50% to the construction cost of bus shelters in their areas, and to pay £250 annually toward the cost of cleaning and maintaining the shelters. In the non-parished areas, bus shelters are fully funded by the County Council. Residents in the non-parished area are paying for their bus shelters via the county precept and have no parish precept to pay, while parish residents are contributing twice, via the county precept and the parish precept that is included in their council tax bills.

A borough (district) has 15 parish and town councils; the main town is not parished. The parish and town councils bear the costs of recreation grounds, community halls, cemeteries and, with some exceptions, footway lighting. In the main town these are provided by the Borough. Residents in the 15 parishes are therefore paying for their local facilities as well as contributing to the same facilities in the main town via the council tax. The residents in the main town are not contributing to the parish facilities.

A parish maintains its burial ground by way of its parish precept. Elsewhere, including the adjoining parish, cemeteries are maintained by the county council. The residents of this community are paying twice for the upkeep of burial grounds and cemeteries.

What are concurrent functions?

19. Concurrent functions is the term used to describe services or facilities being provided and maintained at two (or even at three) tiers of local government.

The existence of concurrent services does not in itself mean that double taxation is occurring: this has to be determined through assessing the funding and financial arrangements. Concurrent functions can arise in wholly parished districts as well as in partially parished ones. This is often historic, for example due to functions or local facilities being transferred following the 1974 local government reorganisation. The analysis of responses shows it is often the same type of facilities/functions across the country that are exercised concurrently, and hence may be the cause of double taxation. A list of the concurrent functions reported by respondents is given in Annex A.

Why does it all seem so complex?

20. Double taxation is a complex issue because:

- There is wide variety in the degree to which different districts around the country are parished and in the size of parishes.

Respondents reported a range from 10% to 100% of the proportion of districts' population within parished areas. It is common for the unparished areas to be the urban part of a district and for the parished areas to be rural. But it is equally the case that in some areas towns are active parished areas. New parishes are also being formed. (In London and some metropolitan areas, there are no parishes. For more detail on parishes and recent trends, see page 124 of *Strong Local Leadership - Quality Public Services*.) Also the size of parishes even within a single district may be very different. For example, North Somerset's smallest parish has a population of 168, whilst its largest parish (Weston-super-Mare town) has a population of 65,000. This patchy picture is often the result of past history and changing boundaries under previous local government structures.

- The level of activity within parishes and the degree to which they raise their own funding by issuing a precept or by generating income varies widely.

Given the wide range of sizes of parishes, there is also a varying capacity. A very small parish council cannot be expected to have the same capacity and levels of activity of a large town council. Some parishes have a parish meeting, not a council, with minimal expenses. Nor is there uniformity in funding practices. Even within a single district, some parishes have the practice of issuing a precept while others do not. Some may issue a precept in some years and not in others. The levels of precept raised by different parishes within a district may also range from nil to a substantial sum. Even where all double taxation issues are resolved, there can be wide variations between individual councils and their council tax demands because it is primarily for them to take decisions on council tax after consulting with their local electorates and taxpayers. All these differences and variations make it difficult to describe a 'standard' situation. It is unlikely that any two districts are identical. Assessing how far there is a double taxation problem can therefore only be done at the local level, taking into account the known local context of how functions are delivered and how funds are raised and spent, and how arrangements have worked to date.

- Assessing the double taxation situation means making a comparison of functions/facilities and a judgement on what is truly 'like-for-like'.

Making this judgement is not straightforward and care is needed in assessing what really constitutes equal treatment for residents. The geographical location of a facility does not necessarily indicate which residents it is provided for: people beyond the immediate boundary may be benefiting. Nor does similarity of facilities necessarily mean equivalence, because scale of the provision needs to be taken into account as well as its nature. There will inevitably be a degree of subjectivity in assessing the specific areas covered by services and facilities, with potential for conflicting views. Respondents reported discussions on such questions as: Can the provision of a major cricket ground in the main town of a district be seen as like-for-like with village cricket grounds? Can a conference centre provided in the urban centre of a district be seen as equivalent to the provision of village halls in its rural areas? Is a local information centre provided by a parish equivalent to the larger Tourist Information Centre provided by the district? Is a town theatre or a swimming pool only benefiting the residents of that town or is it serving the wider population? District councils often consider that major leisure and sports facilities provided in their main town are serving their whole community, not just those within the town boundary.

There may also be the situation where a choice has been made by a parish to enhance local provision beyond the standard normally applied in the district as a whole. Local taxpayers will be paying for the enhancement through the parish precept so that will be a concurrent function but no double taxation in the strict sense, due to enhancement.

What steps should be taken to reach a solution?

21. Every area will have its own unique circumstances to take into account, and everyone will be at a different starting point in developing their understanding of concurrent functions and of how to tackle double taxation issues in their area. The following points are intended to help those who have decided to put new arrangements in place, by describing the various steps that might be necessary, assuming that the partnership framework has already been addressed (see above). A key to success will be matching change to local circumstances and practices. See Annex A for a list of concurrent functions as reported by respondents. See Annex B for detailed case histories of how a sample of principal authorities have tackled the issues.

Step one: Gathering the information - is there a problem and what is its nature and extent?

There may be a need to start work by making a proper assessment of the situation. The sort of questions to ask are: If a problem is perceived, does the reality bear out the perception? Has a thorough, objective and reliable analysis been conducted? If so, does the analysis need updating to take in any recent changes? If not, what will be the best means of establishing the current position? Are some parishes or some taxpayers affected and others not? There may be various ways of exploring the situation to be discussed and agreed with partners. A survey or questionnaire may help gather the

basic facts. A regular meeting or a special event might be a good way to start finding out what is happening and to exchange views on the way forward. Ideally in every area, all parties should be clear as to exactly what functions are being operated concurrently by the different tiers in the area, and what the implications are for funding.

Step two: Consulting - how far is the current situation acceptable to all parties?

A check on the degree to which current arrangements are tolerable to all parties may be useful. If local councils are aggrieved by their financial arrangements with their principal authority, feeling that they have been imposed against their better interests, there cannot be a healthy relationship. Reasons for grievances among local councils need to be explored, not ignored. Where arrangements are seen to be satisfactory, there may be less of a problem, although the final test will be whether or how far the five principles can be met and whether the local taxpayer is treated fairly. It may not be possible to satisfy everyone - but the participation of those affected and a consultative approach which allows views to be heard, will help.

Step three: Finding positive ways forward

Look at what others have done and check through the various approaches set out below to see which might suit your locality. The best way forward may not be a single solution but a package approach ie combining two or more of the means of ensuring finance follows function. In building up a picture of the situation, you may have identified wider issues that need discussion. For example the model charter, proposed in the government's consultation paper on *QUALITY* Parish Councils, will need to include the arrangements for delegation of functions and services to parish councils. This may be an opportunity to consider how the financial arrangements for devolving *more* functions would operate. Or there may be a need for a policy framework to be developed for a particular area of concurrent functions, for example an open space and recreation ground policy. Where principles of service provision are agreed with partners, it will be easier to identify the best form of financial arrangements to meet requirements and to establish funding criteria. There may also be a groundswell of opinion building towards the setting up of new parishes. If such changes are likely in future, any new arrangements put in place now will need to be flexible to take on future adjustments. There may be scope for innovative ways forward not covered in this note. Some parishes may be in a position to generate income, with help from partners to set up or transfer an asset to bring in revenue.

Step four: Resources - assessing short term needs and future costs

Costs and proportionality and will need to be kept in mind when setting up new financial arrangements. The key principle of **simplicity** means keeping administrative costs to a minimum. Change can only be implemented successfully where the right capacity and resources are in place, so extra administrative burdens will need to be estimated before decisions are taken. For example, small local councils will need to assess the impact of potentially

greater audit costs which might result from increased funding. Extra burdens may be justified by the benefits; but it is important that administrative and cost impacts of changes on both local councils and on principal authorities are properly assessed before new arrangements are put in place. Proportionality will also be a factor to consider - for example the overall size of the problem and the budgets involved will be a deciding factor in how complex or formal solutions need to be. A solution which costs more than the problem is not likely to be sustainable. There may be one-off costs to consider associated with the first step of gathering information.

Step five: Agree and set up new arrangements

When putting the new arrangements in place, consider and discuss with partners how they will be monitored and a timetable for review.

How to help finance follow function

22. Local government responses have provided a wealth of information on the methods currently in use in England (and, in some cases, Wales) to ensure that, as far as is practicable, finance follows function, either to resolve double taxation where functions are being exercised concurrently, or to aid the devolution of functions. Four main methods are used:

- Special expenses
- Grant payments
- Agency agreements
- Support in goods or in kind.

Each of these are described below. The case histories provided in Annex B give more detail about how each is operated. These methods may be used singly but they are not mutually exclusive. They may also be used in combination, creating more flexibility to suit local circumstances and to make financial arrangements of benefit to all parties.

Special Expenses

23. This makes use of provisions under the Local Government Finance Act 1992 which provide for different amounts of council tax to be calculated for different parts, e.g. parished and unparished areas, of a district, depending on what, if any, special items relate to those parts. A special item is an item which relates to only part of the district council's area.

Where functions are provided in part of a billing authority's area by a parish council, sections 34 and 35(1)(a) of that Act ensure that only council taxpayers in that parish pay towards the cost of the precept issued by that parish council. A local precept is one "special item".

24. "Special expenses" are another "special item". The five different types of special expense are listed in section 35(2). Section 35(2)(d) provides that:

"any expenses incurred by a billing authority in performing in a part of its area a function performed elsewhere in its area by the sub-treasurer of the Inner Temple, the under-treasurer of the Middle Temple, a parish or community council or the chairman of a parish meeting are the authority's special expenses unless a resolution of the authority to the contrary effect is in force."

25. In order for expenses incurred in performing any function of a district council to be special expenses under section 35(2)(d), the function must be carried out by the district in only part of its area, and the same function must be carried out in another part of the district by one or more parish councils. The detailed identification of concurrent functions is therefore essential for using this special expenses provision. The district council first calculates an average council tax across the whole of its area under section 33 of that Act. Included in that will be the amounts the district council has to pay to parish councils under their precepts, plus the amounts the district will spend on performing functions which are performed in parts of its area by parish councils.

26. Under section 34, the district council must then deduct the total of any special items. For each part of its area, the district council must then add back amounts for any relevant special items for that part of its area. The amount added back is calculated by dividing the special item (i.e. the authority's estimated cost of performing the function in that part of its area) by the tax base for the part of the area in which the authority performs the function. Treating expenses as special expenses does not affect the overall amount that the district council needs to raise through council tax, and does not, therefore, affect the average amount of council tax across the whole of the district. It simply means that, compared with what would happen if the expenses were not treated by the district council as special expenses, the council tax is:

- relatively lower for areas where the parish council performs the concurrent function, as it includes the parish's costs but not the district council's costs of performing the function elsewhere; and
- relatively higher, for areas where the district council performs the concurrent function, as all the district council's costs of performing the concurrent function must be met by taxpayers in the area where the district council performs it.

(See the East Staffs and Cherwell case histories in Annex B).

27. County councils are not able to treat as special expenses any expenses on performing functions in a part of the county which are performed elsewhere by a parish council. The only special expenses of county councils relate to the costs of meeting certain levies.

28. Responses from authorities using the special expenses provisions suggest that the strengths of this method are that it meets three of the important principles for financial arrangements: fairness between council tax bills, transparency, and democratic control and accountability.
29. The reason some authorities give for not pursuing this option, is that they consider it does not meet another of the principles, that of simplicity, ie the need to keep administrative costs of operation to a minimum. If the amounts involved in concurrent functions are trivial, or if only a minor fraction of the overall budget is at issue, care may be needed to balance the benefit and the costs. For example, there may be excessive costs associated with the issuing of different bills to a large number of separate pockets of population, where there is a particularly complex pattern of varying provision of concurrent functions.
30. Where a principal authority has made a resolution that it has no such special expenses, it should have in place other means to ensure that finance follows function where concurrent functions exist and local taxpayers are being charged twice for them.
31. From responses received, it appears that those who have used special expenses for several years believe that it has bedded down well. When they started, they needed to provide explanations of the new system for council taxpayers to help them their understanding of the new bills. Some who have used special expenses no longer do so because their unparished area has become a new parish or town council (see Cherwell case history in Annex B). In these cases having a special expenses system in place is particularly helpful, as the special expenses of the former unparished area can form the basis for the first precept of the newly established parish.

Grant

32. The majority of respondents were using various forms of grant to resolve double taxation or to ensure finance followed function. This is a method by which the principal authority pays a subsidy from its general fund to parishes in respect of functions that have identified as being concurrent. Section 136 of the Local Government Act 1972 says:
- "Two or more local authorities may make arrangements for defraying any expenditure by one of them in exercising any functions exercisable by both or all of them."
33. Here, the local council taxpayer pays the same council tax level throughout the District, whether parished or unparished. The local parish or town council then receives payments direct from the principal authority in relation to the concurrent functions it exercises. (See the Braintree and Maidstone case histories in Annex B.)

34. There is a variety of ways in which respondents are using this method. Some have fully worked-up grant schemes for their parishes, providing support for both revenue and capital expenditure of their parishes (see Maidstone case history). Such schemes need to be underpinned by clear criteria for distribution. Some use a system of competitive bidding among those qualified for support, for an annual sum. Others use formulae agreed locally eg relating to population, for distribution of a sum set aside for discretionary grants. Elsewhere the district will pay capital costs of new facilities where the parish agrees to take on the running costs. Others operate a 'menu' approach to concurrent functions, offering parishes the choice between letting the district take on the concurrent function and retaining local control by undertaking the function with a grant provided to cover costs. Some areas have set up joint funding schemes for projects where matching funding is expected from parishes raised from their precept. Some respondents also report that grant is paid to parishes to support that element of their administrative expenditure that relates to exercising concurrent functions.
35. As indicated above, there is considerable flexibility in the way that grants can be operated. It was this aspect that respondents commented on most frequently as one of the benefits of this method. This method meets the important principles for financial arrangements of finance following function, and simplicity. However, to council tax payers it may not appear as transparent and accountable as special expenses. However, it can support democratic control and accountability. Respondents report that grant schemes encourage activity within parishes. For example, considering what grants to apply for can stimulate local decision-making within parishes, and grant schemes do not preclude any enhancement of services and facilities where there is a local preference so to do.

Support in goods and kind

36. Respondents reported various means by which principal authorities provide support to parishes in goods, kind or expertise. 'Soft' support can be very welcome when it is targeted at parishes' needs, and can form a useful part of a package of measures which help promote partnership as well as acceptable financial arrangements. For example, section 113 of the Local Government Act 1972 enables the placing of staff of local authorities at the disposal of other local authorities. Districts and Counties may often have expertise due to the larger scale of their operations that would be very useful to parishes in carrying out specific tasks. Provision of this type of non-financial help is not necessarily onerous but can ease the devolution of functions and at the least, will create good will and cooperation between tiers.
37. The following types of help in goods or in kind were mentioned in responses:

Peppercorn rent charged to a parish where a facility was transferred for parish use, in exchange for the parish taking on maintenance costs

Administrative and professional expertise provided for parish lottery grant applications; also for setting up construction contracts

Favourable rates of interest provided by principal authority for investing parishes' surplus cash, giving them the opportunity to enjoy rates not otherwise available to them

Joint use of assets without a charge to the parish eg town tourist information point located in a library building owned by the county

Parish election expenses not recharged to parishes

Brushes and paint supplied by the county to parishes for the upkeep of special railings in their area; parishes provide labour but avoid additional outgoings from their budget.

Agency agreements

38. Section 101 of the Local Government Finance Act 1972 allows a local authority to arrange for the discharge of any of its functions by any other local authority and also for two or more local authorities to discharge any of their functions jointly. Section 20 of the Local Government Act 2000 also has a provision for joint exercise of functions by local authorities. A number of respondents reported such arrangements, most often made in relation to grass cutting and minor highways maintenance, but also in relation to other types of minor maintenance eg bus shelter repair and cleaning. The term 'agency arrangements' are used here because the parish is, by agreement, acting as the agent for the principal authority in carrying out a specific task for which it is paid an agreed rate.
39. A number of county council respondents report using this method with parishes wishing to take on such tasks locally. Districts also report using this method. Such agreements may require the parish to take out indemnity insurance to cover any claim arising out of the work it undertakes. The principal authority may also wish to retain the right to inspect and to provide supervisory advice where necessary. (See the Staffordshire County Council and Nottingham County Council case histories in Annex B.)
40. The advantages of this method noted by respondents are that it gives control to those closest to the service, with finance following the function. Agency arrangements also leave the option open to parishes to enhance the service relatively easily, if they wish to do so. For example, a county council standard for grass cutting might be for it to be carried out once a month; the parish doing this on behalf of the county could choose to raise the cutting service standard to once every two weeks by paying the same contractor to do the extra cuts out of its own funds. Another benefit noted is that reimbursements for taking on such responsibilities help parish and town councils to have a much larger financial base than they would otherwise be able to achieve by using their local precepts.

Annex A: Concurrent functions

Allotments
Boating pools
Bus shelters
Car parking (off street)
CCTV(installation and maintenance)
Cemeteries and burial grounds
Christmas lights and trees
Closed cemeteries and burial grounds
Commons and common pastures
Community centres
Crematoria
Entertainment and the arts
Footway lighting
Grants to bus operators
Grass cutting
Information services (transport, tourism)
Highways maintenance
Leisure facilities
Litter and dog waste bins
Museums
Open spaces
Parks
Playgrounds
Playschemes
Playing fields
Public clocks
Public conveniences
Public seats adjoining highways
Recreation grounds
Sports pitches
Street cleansing
Subsidies for uneconomic post or telecommunications services
Taxi fare concessions
Tourism promotion
Traffic calming
Village greens
Village halls
War memorials

Annex B Case histories

Braintree District Council - grant scheme

The District is situated in the north of Essex and covers an area of some 236 square miles (610 sq. kms) with a population approaching 133,000. At the time of the 1991 census approximately 1.3% of the population was from black and minority ethnic groups. It is a predominantly rural area but with three main towns - Halstead, Braintree and Witham where nearly half of the residents live. There are 64 parish/town councils in the District with only one area, Braintree, being unparished.

Braintree's current Parish Support Grant Scheme has been in place since 1994. It defines what types of parish expenditure are eligible for support under the scheme, the scale of grants and gives details of the scheme's administration. The text of the scheme is below:

BRAINTREE DISTRICT COUNCIL **PARISH SUPPORT GRANT SCHEME**

1. Purpose of Scheme

This scheme is intended to assist parish councils with their revenue expenditure on services, which the District Council would have to provide in the absence of parish council provision.

2. Eligible Expenditure

The District Council will make grants towards the 'eligible expenditure' of a parish council. For the purpose of this scheme 'eligible expenditure' means the net revenue expenditure incurred by a parish council specifically in connection with one or more of the following concurrent functions:

- Off street parking
- Lighting of footways and open spaces
- Cemeteries
- Boating and swimming pools
- Physical training and recreation (inc. playing fields)
- Parks and open spaces
- Allotments
- Entertainments and arts and tourism
- Closed churchyards and church burial grounds
- Parish or village halls
- Public clocks
- War memorials
- Shelters and public seats

Public conveniences
Cleansing of ponds, ditches and drains

For the avoidance of doubt, attention is drawn to the fact that expenditure incurred under a general enabling power applicable to all local authorities (e.g. Sections 137 and 139 of the Local Government Act 1972) will not necessarily fall within the definition of eligible expenditure.

3. Excluded Expenditure

The following will not be regarded as eligible expenditure:-

- a) Loan charges - except to the extent that they have been specifically approved by the District Council for this purpose before the capital expenditure, to which they relate was incurred.
- b) VAT on expenditure which otherwise ranks as eligible expenditure.
- c) Contributions to capital funds, repairs and renewals funds, or any similar fund.
- d) Expenditure on schemes which are subject to any other grant aid by the District Council, e.g. minor capital grant, tree planting grant, etc.
- e) Expenditure, which is subject to separate agency agreements for work carried out on behalf of other public bodies.
- f) Costs of administration.

4. Scale of Grant

- a) The grant will be calculated as a percentage of eligible expenditure, as shown in column a) of Appendix A (provided that the grant payable to a Council in respect of any year shall not exceed the amount calculated in accordance with columns b) or c) of Appendix A. *[Grant percentages range from 90% to 30%.]*
- b) The maximum amounts specified will be subject to annual review.

For the purpose of this scheme the expression 'Band D equivalents' shall mean the figure calculated by the District Council for each area as at 1st December of the year immediately preceding the financial year in which the grant is to be paid.

5. Administration of the Scheme

Provisional Entitlement

A parish wishing to be given provisional advice on its entitlement to grant should complete form PSG4 and return it to the District Council by the required date in November of the year preceding the financial year in which the grant is to be paid.

The District Council will respond to parish councils, which have submitted form PSG4, within 28 days of receipt of the form.

Payment of Grant

After the close of the year in question the parish council will be asked to complete form PSG3 (setting out details of its actual expenditure) and submit this to the District Council by 10th April.

The unaudited income and expenditure recorded on form PSG3 will be examined and grant assessed for payment with first instalment of precept.

Late returns may be accepted, but payment of grant is not guaranteed as to amount or timing.

The District Council reserves the right to recoup any grant based upon figures returned on PSG3, which are found to be incorrect when audited accounts are available.

6. General Limitations

The District Council will set aside a global sum for grants under this scheme each year and that sum must not be exceeded. Thus, it may not be possible to grant aid every item of eligible expenditure on every occasion.

The District Council reserves the right to vary, curtail or suspend this scheme at any time.

7. Commencement

This scheme will come into operation on 1st April 1994 and will supersede the existing Parish Support Grant Scheme operated by the District Council.

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Cherwell District Council - special expenses until new parish established

The District is mainly rural in character but has three urban centres of population at Banbury, Bicester and Kidlington. Both Bicester and Kidlington have been parished since 1974 but the former Banbury Borough, with a population in 1974 of about 30,000 was considered too large for parish status. It became instead a 'Charter Trustee' town. On 1 April 2000 the former Borough area became a parish following a review of parish boundaries conducted by the District Council under the Local Government and Rating Act 1997. The District now has 78 parishes and no un-parished areas. Of these, 66 have parish councils and the remaining 12 rely on parish meetings.

Concurrent functions arise mainly in relation to recreation powers (under section 19 of the Local Government (Miscellaneous Provisions) Act 1976). The Council's policy is normally to look to parishes to provide local recreation grounds. The District Council also provides sports centres in the urban areas and is increasingly working in partnership with parishes to meet recreation space shortfalls, often using National Lottery funding.

Due to open space land being transferred to local authorities under Planning (section 106) agreements, the District Council has developed a policy that the parish be asked to take on the future maintenance role, and costs are usually defrayed from a 15-year commuted sum from the developer. On the few occasions where a small parish has not wanted the responsibility, the District has taken it on, and the expenses have not been regarded as 'special expenses', although this may have to be revisited once the commuted sums expire.

Closed churchyard maintenance (in relation to section 215 of the Local Government Act 1972) is also a concurrent power which operates under a referral procedure whereby the local Parochial Church Council can pass the maintenance responsibility to the parish, who in turn can pass it on to the district. When asked to take on a closed churchyard, the approach is to explain that, whilst it is open to the parish to pass this responsibility on, as other parishes do maintain their cemeteries and closed churchyards, this would automatically be a 'special expense' on the parish, so they might as well precept for it and keep local control.

Cherwell had a **Special Expenses Account** for Banbury when it was unparished, up until the new Town Council there was set up on 1 April 2000. Its establishment involved the decision to transfer all of the Banbury Special Expenses Account services to the new council. This included open space areas, recreation grounds, playing fields and play equipment, cemeteries, and other items such as the Town Hall, bus shelters and twinning signs. The Banbury Special Expenses then became the new Town Council's first precept.

The District Council's policy resolution for this was as follows:

" that pursuant to Section 35 of the Local Government Finance Act 1992, any expenses incurred by the Council chargeable to its General Fund, in performing functions and providing services undertaken elsewhere in the District by a Parish Council, shall be a General Expense falling upon the whole District except for those items detailed below which form the Banbury Special Expenses..."

The purpose of this (apart from creating the Banbury Special Expenses) was to have a general 'opt out' to avoid the need for the Council to be repeatedly passing 'opt out' resolutions whenever a parish chose to exercise a concurrent function which the district viewed as a genuine District-wide expense. An example would be the Local Transport Services budget: parishes have powers under the Local Government and Rating Act 1997 to make grants for Dial-a Ride or community bus services. These are viewed as additional to the services provided District-wide.

Oxfordshire County Council has a wide range of Agency agreements with parish councils in the District on highways matters.

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East Staffordshire Borough Council - special expenses

Staffordshire County Council - agency agreement

East Staffordshire Borough Council is situated in the county of Staffordshire. The main areas of population are in the towns of Burton-upon-Trent and Uttoxeter, and the rest of the borough is mainly rural. East Staffordshire has a population of 103,730. The area is fully parished (there are 32 Parish Councils, all but 3 levy a precept) with the exception of the Burton-Upon-Trent urban area which is due to be parished in May 2003.

As part of their implementation of the Local Government Finance Act 1992, the Borough identified that some of their parishes were providing local services funded through their precept at the same time that the same services were being provided to other parishes by the Council. The **concurrent functions** included maintenance of grassed areas and of playing fields. Therefore there was a double charge on local taxpayers in certain parishes and this was felt to be unfair. East Staffordshire chose to use the new **special expenses** provisions, coming to the view that in their circumstances it would be wrong to make a blanket resolution that they had none.

In 1993 the Borough undertook an exercise to determine the activity and approximate annual expenditure undertaken by the parishes. This was used as the basis of the determination of the special expenses.

The expenses are calculated as follows:

All land is defined as either of "strategic importance" (such as a major park or traffic island) or "local". Direct costs attributable to specific pieces of land within the parish area defined as "local" are allocated. These are predominantly the costs of the Grounds Maintenance contract. Certain costs of the Parks and Countryside Service are then apportioned to each Parish on the basis of population. The justification here is that this expenditure has, historically, been incurred in these Special Expense areas and population is deemed by the Council to be a fair method of allocation. These costs cover unforeseen events such as repairs and tree work. An element is added for inflation to arrive at the Special Expense.

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Staffordshire County Council offers parish and town councils the opportunity to carry out highway maintenance and grass cutting of highway verges by **agency agreement**. The County Council has produced two leaflets for Parishes and Town Councils explaining in detail how the arrangements work, covering their role, type of work involved, scale of payments and how to proceed if participation is desired. The agreement between the County and a participating parish uses s101 of the Local Government Act 1972 to devolve the powers to the parish.

These arrangements fall within the wider context of Staffordshire's Local Council Charter, agreed between the County Council and the local councils in the County. The Charter started off as a bilateral agreement but Staffordshire is now exploring its development into a tripartite charter between all three tiers: County Council, District/Borough Council and the local councils.

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Maidstone Borough Council - grant scheme

Maidstone is the county town of Kent, the largest county in the South East. The Borough Council has a total population of 142,000, with an area of 97,000 acres. With 75,000 inhabitants, Maidstone town is one of the largest towns in Kent. The Borough has a substantial rural area with a number of attractive market towns and villages. There are 35 Parish Councils and 6 Parish Meetings in the Borough. As the County Town, Maidstone is the administrative centre and home to Kent County Council, Maidstone Borough Council, Kent Police and the Kent Fire Authority.

Maidstone has a **Concurrent Functions Scheme** to ensure equity of treatment for Council Tax payers in the case of a number of functions which it provides in urban areas which are made available in whole or part by Parish Councils in its rural areas. A scheme has existed since local government reorganisation in 1974 and a comprehensive review was undertaken in conjunction with Parish Councils in 1991. This produced a simpler, more equitable scheme which is aimed at redressing the imbalance of concurrent functions whilst allowing Parish Councils discretion on the nature and level of service provided.

The majority of the scheme's resources are allocated to Parishes in an annual lump sum to be spent on services concurrent to both authorities. Parish Councils have total discretion as to where resources are spent on concurrent functions. Nearly 30 service areas have been identified as concurrent ranging from open spaces, play-schemes and car parking, to subsidies for uneconomic post or telecommunications services and tourism encouragement. Costs incurred in administering concurrent functions are included. The pattern of distribution is partly decided on the basis of population, as this is seen as the only readily available proxy for the need to spend on services. A block allocation is given (currently £1,936) to each Parish with a further amount per head of population (currently £5.18); around 20% of the annual total resources are retained each year to fund a small number of large items on a bid basis. These resources are often allocated as a percentage of the bid, are prioritised towards smaller parishes and towards schemes which meet the needs identified in the Corporate Plan eg. Community Safety, Youth Provision and Playground improvements.

All the above arrangements were managed by a Concurrent Functions Sub-Committee on behalf of the Council's Policy & Resources Committee. Since the introduction of Cabinet style arrangements, the Strategic Leader is responsible for the Concurrent Functions scheme. The Director of Finance and Housing administers the Concurrent Function Scheme and the Village Hall Grant Scheme.

In 2002/2003 the level of resources available were as follows:-

	£
Concurrent Functions Block Grant	354,800
Concurrent Functions One-Off Schemes including Playground Improvements	91,730
Village Hall Grants	30,390
Additional resources added to scheme in 2001/02	25,000
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Total	501,920
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(This represents approximately 3% of MBC's total net revenue budget)

A **Best Value Pilot Study** of the Scheme was conducted in 1999, which indicated a high level of satisfaction among the Parishes, that the scheme had stimulated activity within parishes and that they were not relying totally on grants for this. The Kent Association of Parish Councils commented that the Maidstone arrangements were extremely fair and equitable and constituted best practice. The study confirmed that the arrangements fulfilled the Council's original aim of ensuring equality of local taxation throughout the Borough and that the comparative scale of expenditure was reasonable.

The overall relationship with Parish Councils, of which the Concurrent Functions scheme is only a part, includes a Parish Chapter, an Annual Parish Conference, periodic consultations and other grants (both Revenue and Capital) for specific purposes.

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Nottinghamshire County Council – Parish Partnerships

Nottinghamshire has 152 parish councils, 8 town councils and 40 parish meetings. Nottinghamshire remains a two-tier structure with seven District Councils outside of the City of Nottingham which was given unitary status in April 1998. The population of Nottinghamshire is 745,000 (this excludes the City of Nottingham).

Concurrent functions carried out by parishes in one area and by the principal authority in another area are not problematic. Nottinghamshire County Council has encouraged decentralised service delivery so that different areas with different characteristics and wishes can be treated individually.

In working with parishes, Nottinghamshire County Council has defined a number of services suitable for devolution. These include grass verge maintenance, non-illuminated sign maintenance, bus shelter cleaning and street lighting fault identification. A restraining factor is avoiding the delegation of functions that risk the safety of the general public and the people involved, particularly electrical tasks. Therefore the County Council stipulates that the contractor:

- undertakes a risk assessment for each activity
- must have public service liability
- must meet Nottinghamshire County Council standards including health and safety
- must have an operative(s) capable of doing the work safely

For grass-cutting the County Council stipulates that the level of work done must at least equal the level which it supplies i.e. 4 cuts and 1 trim per year. Parish Councils normally take this on as they want more frequent cuts and all that have taken it on provide more than the standard. The Council gives the parish council exactly what it would spend on grass-cutting. In Newark and Sherwood District, for example, there are eight parishes with this arrangement, and they are paid a total of £10,800 per annum. The order for this arrangement is issued in April and the parish council invoices the County Council in November. Once these arrangements are in place, they tend to continue for a period of years. One parish in Newark does bus shelter cleaning and weed control as well.

In addition all parishes receive a monthly newsletter direct, detailing programmed maintenance work, planned highway improvements, details of public transport changes/improvements and other initiatives within a district area. A number of arrangements have been established where parish representatives meet quarterly with highway managers to discuss all aspects of service delivery and work parishes undertake on our behalf. Finally a number of parishes have snow wardens who advise the County Council about local winter maintenance needs.

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