Appendix 2 – Council Taxbase, Business Rates and New Homes Bonus Grant

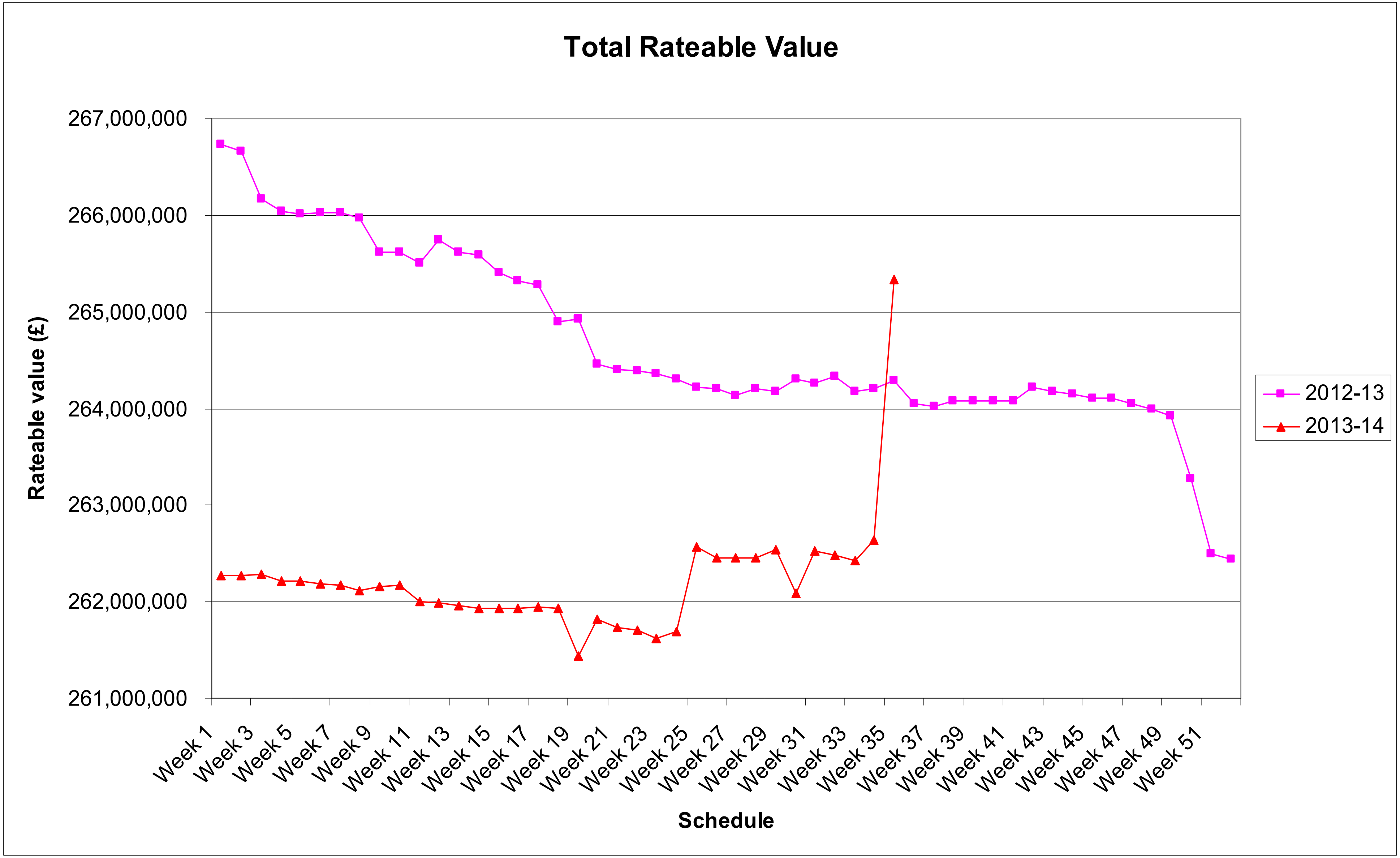
Council tax base and collection fund

This Committee is required to agree the council tax base for 2014/15 by the end of January and a detailed report will be presented for consideration to the January meeting. This will incorporate any changes to council tax property discounts agreed at this meeting based on a detailed report elsewhere on the agenda.

The fall in the numbers in receipt of council tax reduction (CTR) is forecast to produce a significant in year surplus on the collection fund which when added to the actual surplus for last year totals £1.7m of which the council's share is £1.5m. However, in year council tax collection performance is currently about 1% below target. This is consistent with the performance of other unitary councils who have experienced a 0.9% reduction so far this year. The January report will need to address whether this reduction might impact on ultimate collection. At this stage it has been assumed that increased council tax from new property developments will to be offset by a continuing growth in single person discounts and student exemptions. Overall the projected taxbase for 2014/15 is higher due to the fall in CTR and a revision to the forecast impact of changes in other discounts. The higher taxbase will generate additional income to the council of about £1.1m next year.

Business Rates

Business rates has a much greater degree of volatility than council tax due to uncertainties surrounding properties coming off and being added to the rating list and the impact of successful appeals by businesses against their rateable value set at the last valuation in 2010 and in a few cases the 2005 list. Monitoring during 2012/13 showed a fairly consistent pattern of reductions in rateable value throughout the year due to successful appeals by businesses and landlords. However, the pattern is very different so far in 2013/14 with an overall increase in rateable value and fewer successful appeals. The table below shows the movement in rateable value in each year. Although it is forecast that the council will receive more business rates than expected due to a more buoyant business rates base and a lower provision for successful appeals, this income (approximately £4m of which the council's share is £2m) will be offset pound for pound by a reduction in safety net grant. Therefore there are no additional resources in 2013/14.



Total Rateable Value
267,000,000
266,000,000
265,000,000
264,000,000
263,000,000
262,000,000
261,000,000
Rateable value (£)
Week 1
Week 3
Week 5
Week 7
Week 9
Week 11
Week 13
Week 15
Week 17
Week 19
Week 21
Week 23
Week 25
Week 27
Week 29
Week 31
Week 33
Week 35
Week 37
Week 39
Week 41
Week 43
Week 45
Week 47
Week 49
Week 51
Schedule
2012-13
2013-14

Approximately 20% or £52m of the current rateable value of the city remains under appeal. The Valuation Office Agency (VOA) determines both the original valuation and the appeals process with no involvement from the council. The VOA has only recently provided the council with detailed statistical information on settled and outstanding appeals allowing insufficient time to compare the individual provisions made in the budget with the actual settlements so far this year. It is hoped to complete this work for the January meeting. Full provision for the impact of all future appeals and the backdated refunds will be made in the 2013/14 accounts and specialist advice will be sought on the appropriate provisions to make when the accounts are closed.

A provisional estimate for business rates has been made for 2014/15 which is £2m higher than the previous forecast. This increase reflects a number of issues all of which are hard to quantify:

- The key large developments included in the original forecast for Amex House (included in the above graph), Montefiore Hospital and The Keep will be added to register more or less as expected.

- There has been an unpredicted underlying growth (excluding appeals) in the rateable value of the city which based on developments currently in the pipeline is likely to continue.

- Reductions in rateable value due to successful appeals in 2013/14 have on average been settled at a 20% lower reduction than 2012/13.

- A work programme is currently being developed which will improve and update the existing business rates register to ensure that businesses within the city are being fairly and equitably treated. This programme will for example try to ensure that all businesses that should be paying business rates are on the register and those who claim charitable relief or discounts or exempts are properly entitled to them.

This forecast will be refined for the January report when the business rates forecast has to be agreed.

New Homes Bonus Grant

The New Homes Bonus (NHB) is a funding incentive for local authorities largely to facilitate the creation of new homes in their area and bring empty homes back into use. The provisional funding allocation for the fourth tranche is expected to be announced in December 2013. This will be based on two sets of data available to Government in October: increases in effective stock from council tax base returns and additional affordable homes from official statistics on affordable homes enhancements. Using the October data available it is expected that the council could receive circa £0.680m extra in 2014/15, of this £0.554m is from new properties, £0.112m from a reduction in long term empty properties and £0.014m from affordable homes delivered. The body of the report explains why this should be treated as one-off funding in 2014/15 because the Government intend to top-slice local authority NHB allocations in 2015/16 to create the Local Growth Fund.