

Introduction

The council along with other local authorities is experiencing significant grant reductions resulting in substantial savings needing to be made across council services. This submission from Brighton & Hove City Council focusses on 3 key areas which demonstrate the difficulties and unfairness of the current finance system depending on the individual circumstances of a council and its demography.

The Council Tax Reduction scheme, Housing Benefit Administration and Concessionary Fares are examples of services the council has to provide. Both Council Tax reduction and Concessionary Fares are statutory responsibilities required by government where government funding has been rolled into Revenue Support Grant (RSG) and Business Rates Retained (BRR). In both cases the initial new burden funding allocations rolled in have been lower than the full cost being transferred leading to a first year shortfall. This shortfall is being compounded each year by the fact that the combined net resources from RSG and BRR are diminishing dramatically without any, or limited, ability to change the scope of the ongoing cost of these services. In addition Housing Benefit administration is funded from a specific unringfenced grant that does not meet the cost of the service.

The combined shortfall from these 3 examples is £10.2m in 2014/15 rising to an estimated £22.9m by 2019/20. The impact of this funding shortfall is that the underlying reduction in combined RSG and BRR is much greater than the headline figure as some services costs cannot statutorily be reduced.

This means that councils need to achieve greater savings from an increasingly limited element of the budget. In particular this includes adult and children's social care services which accounts for a large proportion of the councils spend and where costs are increasing due to demand.

1 Council Tax Reduction (CTR) - The transfer from Council Tax Benefit (CTB) to CTR through function and funding changes.

From 1st April 2013 government transferred the CTB funding to cover CTR discounts into RSG and the Business Rates baseline net of a national 10% reduction.

With 60% of funding being transferred into RSG this element of the funding is subject to the substantial year on year funding reductions. This is mitigated in part by the growth in the councils share of business rates but even after allowing for this growth, the level of resources transferred and the impact of the reductions in RSG over time, there is a considerable gap in resources for this new burden placed on councils.

Table 1 below shows how the anticipated funding overall for CTR decreases against the anticipated spend (RSG element diminishes and the business rates increases)

TABLE 1 – Forecast of CTR funding to 2019/20

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
	<u>£m</u>							
CTR awarded ^a	24.534	22.351	22.019	22.459	22.908	23.366	23.833	24.310
Estimate of BHCC share	20.890	19.086	18.804	19.180	19.563	19.954	20.353	20.760
	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Funding for CTR:	<u>£m</u>							
RSG - 60% ^b		11.306	9.237	6.618	4.667	3.095	1.647	0.309
Business Rates - 40% ^c		7.521	8.210	8.478	8.648	8.661	8.972	9.305
Total CTR funding	20.890	18.827	17.447	15.096	13.315	11.756	10.619	9.614
Anticipated shortfall in CTR funding		0.259	1.357	4.084	6.248	8.198	9.734	11.146
Funding as % of BHCC share of CTR	100.0%	98.6%	92.8%	78.7%	68.1%	58.9%	52.2%	46.3%

Notes:

- Anticipated spend in future years assumes a 2% council tax increase but no change in demand;
- RSG funding diminishes in line with the forecast total RSG funding decrease;
- CTR initial funding represented 14.56% of the business rates baseline funding level in 2013/14. Therefore future years have been based on 14.56% of the forecast business rates figure (includes top up grant and s31 business rates grants).

The table demonstrates that by 2019/20 the shortfall in funding for this new burden will be £11.1m.

In addition to the shortfall in resources, those claimants that are of pensionable age are fully protected and are not subject to a minimum contribution (currently 8.5% for working age claimants). Therefore the total cost of pensionable claimants CTR are a fixed commitment out of the available funding.

Table 2 below is based on Table 1 information and shows the CTR liability split between pensionable and working age claimants. The available funding is applied to the protected pensionable claimants first with the remaining resources available for the working age liability.

TABLE 2 – Forecast of CTR funding with pensionable protected at 100% to 2019/20

	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
	<u>£m</u>						
Estimate of BHCC share of pensionable	7.634	7.522	7.672	7.825	7.982	8.141	8.304
Estimate of BHCC share of working age @ 8.5%	11.452	11.282	11.508	11.738	11.972	12.212	12.456
Total Estimate of BHCC share	19.086	18.804	19.180	19.563	19.954	20.353	20.760
Funding from government for 'protected' pensionable	7.634	7.522	7.672	7.825	7.982	8.141	8.304
Therefore funding left for working age	11.193	9.925	7.424	5.490	3.774	2.478	1.310
% Funding of BHCC share - pensionable	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
% Funding of BHCC share - working age	97.7%	88.0%	64.5%	46.8%	31.5%	20.3%	10.5%

Table 2 demonstrates that the new burden of CTR, taking into account the protected pensionable claimants, will leave only £1.3m resources against a liability of working age claimants of £12.4m. This means that if the council were to amend the local scheme to be cost neutral with the funding provided for the new burden, the minimum contribution would need to be 90% instead of the current 8.5% and would no longer support those in need.

Conclusion

The transfer of the funding of the new burden of CTR to local authorities through RSG creates a significant year on year pressure that cannot reasonably be mitigated by increasing the minimum contribution level of working age claimants. The protection of pensioner claimants has not been appropriately funded by government as the council has no powers to vary their level of CTR.

The shortfall in funding for this one new burden is so significant it has a substantial effect on the council's resource position with very limited options to mitigate it. This therefore leads to higher savings needing to be made in other areas across the council.

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