

Appendix 2 – Taxbase, Function and Funding Changes

Council tax base and collection fund

This Committee is required to agree the council tax base for 2013/14 by the end of January and a detailed report will be presented for consideration to the January meeting. This will incorporate the final effects of the local Council Tax Support Scheme and agreed changes from the technical reform to council tax discounts and exemptions.

The proposed changes arising from the council tax discounts and exemption reform report are detailed in a report elsewhere on the agenda. The proposal to remove the 10% discount on second homes and replace the current 6 month class C exemption on empty and unfurnished properties with a 6 week 100% discount will increase the taxbase for 2013/14. The council's share of the additional council tax raised from these changes is currently estimated at about £1m and the final amount will be confirmed when the taxbase is proposed on 17 January 2013.

Council tax collection performance remains on target this year. The growth in properties as a result of new property developments is expected to be offset by a continuing growth in the number of properties occupied solely by students and therefore exempt from paying council tax. So the assumption that the taxbase will not increase from current levels will be maintained for planning purposes ahead of the final calculation of the taxbase.

The collection fund is the account into which all council tax and council tax benefit is paid and the year-end forecast remains unchanged with a breakeven position forecast at 31 March 2013. The final estimate of the collection fund position will be calculated on 15 January 2013 and any change from a breakeven position will be reported in the February budget report.

Business Rates

With the localisation of business rates from 1 April 2013 it is necessary for each authority to estimate the amount of business rates to be collected in 2013/14. The monitoring and estimating of business rates is a new local responsibility which transfers financial risks to the council. It 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.

There are a large number of successful rating appeals estimated nationally to be 30% of all appeals lodged. The Valuation Office Agency (VOA) determines both the original valuation and the appeals process with no involvement from the council. The VOA has so far failed to produce promised statistical releases to help councils assess the impact of appeals. The charts at the end of this appendix show that over the first 7 months of this financial year the rateable value of the city has fallen consistently due to successful appeals. The 2013/14 forecast not only has to take into account the in-year impact of potential successful appeals but also

cover refunds for 2010/11, 2011/12 and 2012/13. Specialist advice will be provided by Wilks Head & Eve who currently support the council with rating appeals on council owned properties. They have also been commissioned to identify options to maintain and increase the rating list in future years and these will be set out in the January taxbase report.

A very provisional estimate for business rates has been made for the resource forecasts shown in this report. It has been assumed that business rates will decline in 2013/14 and 2014/15 as a result of successful appeals, although the full effect of successful appeals will be significantly mitigated by some new large business developments in the city due to come on stream over the next 6 months. It should also be noted that some key decisions relating to the retention scheme have not yet been made by CLG which adds further uncertainty when assessing the overall financial impact.

The final estimate will need to be signed off by the council in order to meet a 30 January statutory deadline for notifying the CLG and East Sussex Fire Authority. A separate report will go to this committee on 17 January 2013 giving details of the final estimate for 2013/14 and how this impacts on the 2013/14 budget.

Schools Funding

For 2013/14 the Dedicated Schools Grant (DSG) will be split into 3 notional blocks: schools, early years and high needs. In 2013/14 these will be calculated based on local authorities' planned 2012/13 budgets. The blocks will not be ring-fenced but the DfE will continue to ring-fence the DSG as a whole. The Schools Block will be calculated using pupil numbers from the October School Census. The Early Years block will continue to be funded on the January count. The High Needs block will cover funding for education provision for high needs pupils and students from birth to 25, in line with the proposals set out in the Green paper on SEN and Disability.

To dampen the changes in budgets that will be experienced by some schools as a result of the new, simplified local formulae in mainstream schools and to give schools sufficient time to plan for the effects of any budget reductions, the DfE will continue the Minimum Funding Guarantee (MFG) at minus 1.5% per pupil in 2013/14 and 2014/15. Funding for the Pupil Premium will increase from £1.250bn nationally in 2012/13 to £1.875bn in 2013/14.

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 third tranche is expected to be announced in December 2012. 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 £0.969m per annum for 6 years from 2013/14, of this £0.758m is from new properties, £0.191m from a reduction in long term empty properties and £0.020m from affordable homes delivered.

Given the size of the budget gap it is proposed that the estimated third tranche allocation of £0.969m, less £0.400m previously allocated, is used to support the 2013/14 budget. The first 3 tranches will be generating approximately £2m per annum income for the council in 2013/14 and, assuming similar amounts for the next 3 tranches, approximately £4m per annum in 2016/17. The Government has funded NHB by top-slicing local authority funding and the loss of funding to Brighton & Hove by 2016/17 is estimated to be £12m per annum. The council is therefore a significant net loser of funding from the introduction of the NHB which is redistributing grant funding from low housing growth areas to high growth areas.

Public Health funding

From 1 April 2013 the council will receive a ring-fenced public health grant to fund new public health responsibilities. The formula to distribute the grant still needs to be finalised by the Department of Health and actual allocations for 2013/14 are due to be published by the end of 2012. Estimates of baseline public health spending for 2012/13 have been assessed by Health at £18.988m. The Council is engaged with Health to ensure that the resources associated with all Public Health responsibilities are identified, reflect agreed strategies, and are used to inform updated Department of Health data gathering.

Police Commissioner

The Police and Crime Commissioner was elected on 15 November and will take responsibility for commissioning some aspects of community safety. There are a number of grant streams currently available to councils and community safety partnerships that are due to come to an end in March 2013. The planned intention is that Police and Crime Commissioners will then in 2013/14 receive a designated but unringfenced grant for commissioning community safety and other activity, however the details have not yet been confirmed. Until any changed funding arrangements are confirmed, the council and partnership community safety planning strategy for 2013/14 has been developed on the basis that grants will be rolled forward for a further year. Grant allocations are due to be published at the end of 2012 and the impact on the Council's responsibilities and funding will be assessed at that time.

BRIGHTON & HOVE CITY COUNCIL – BUSINESS RATES MONITORING 2012/13

