

## **SECTION 5**

### **5. RESOURCES**

#### **Introduction**

5.1 This section sets out the extent of external support available to finance the council's expenditure including Revenue Support Grant, Retained Business Rates, Business Rates Top-up, Council Tax Freeze Grant, the New Homes Bonus, the requirements of the Greater London Authority, items in the Collection Fund and finally the calculation of council tax for 2013/14.

#### **External Support**

5.2 The date at which the Local Government Finance Settlement will be published is still to be announced and will finalise the provisional figures announced in December 2012.

#### *Spending Review/Autumn Statement*

The 2013/14 settlement was based on the Government's Spending Review in October 2010, covering the four years from 2011/12 to 2014/15. That had revealed that total contributions to local government (excluding schools, police and fire) would be reduced by 26% in real terms over this period, with cuts being front loaded and delivered mainly through a reduction in formula grant. The settlement announced on 19<sup>th</sup> December 2012 covers 2013/14 and 2014/15 and incorporates the impact of the December 2012 Autumn Statement. As part of the Chancellor's Autumn Statement the chancellor announced that local government would have to find a further 2% cut in funding equating to £445m nationally. This is in addition to the 6.5% reduction announced in the spending review and 1% reduction announced in the previous year's Autumn Statement and the additional £300m taken from the new homes bonus. The chancellor also announced there would be a one year spending review in 2015/16 followed by a further spending review for 2016/17 onwards.

#### *The national position*

5.3 The government has calculated the adjusted local government spending control total, which is referred to as the aggregate start-up funding assessment. This is £26.1bn in 2013/14 and £23.9bn in 2014/15. It has also determined that estimated aggregate business rates in England in 2013/14 will be £21.8bn of which £10.9bn will be the local share. For 2013/14 the total amount of RSG will be £15.2bn which will fall to £12.7bn in 2014/15.

### *The business rates retention system*

- 5.4 From April 2013, the Government is changing the way in which local government is funded through the introduction of the business rates retention scheme. Local government will now be able to benefit directly from supporting local business growth as they will be able to keep a proportion of any increases in business rates revenue.
- 5.5 This year's local government finance settlement is the first under the new arrangements. It will provide each local authority with its starting position under the business rates retention scheme. This includes the following elements, which will be fixed until the first reset that the Government intends will take place in 2020:
- Individual authority start-up funding assessment
  - Baseline funding level
  - Individual authority business rates baseline
  - Tariffs and top-ups

The system also retains elements of the existing system such as the revenue support grant (RSG) and specific grants. Details of the new system are included in Appendix G(iii).

- 5.6 A guide produced by the Department of Communities and Local Government to the Local Government Finance Settlement, which explains the system is available on their website at:

<http://www.local.odpm.gov.uk/finance/1314/plainenglishguide.pdf>

#### *Revenue Support Grant and Business Rate Funding 2013/14*

- 5.7 There are number of elements under the new system that need to be taken into account:
- Revenue Support Grant
  - Business Rates Top-up
  - Retained Business Rates
  - Council Tax Freeze Grant
  - New homes Bonus
- 5.8 For 2013/14 Brent's Start-up Funding based upon on its 2012/13 Formula Funding adjusted for grants is £193.135m of which government has determined that the proportionate share funded by the Revenue Support Grant (RSG) will be £115.978m. The remaining £77.157m is the government's notional baseline figure for business rates and the business rates top-up.

- 5.9 The position for Brent in 2013/14 is that it will receive a Business Rates Top Up of £46.534m. For 2014/15 the Business Rates Top Up will increase by RPI to £47.961m and continue to be increased by RPI for future years.
- 5.10 As part of the new system Brent has to estimate 2013/14 level of business rates and to budget for the retained business rates element for Brent and at the same time determine how much will need to be paid over to the GLA and central government. This is detailed in table 5.1

**Table 5.1 – Business Rates**

	<b>£m</b>
Retained Element – Brent (30%)	31.892
GLA Element (20%)	21.261
Central Government Element (50%)	53.154
<b>Total</b>	<b>106.307</b>

- 5.11 For 2013/14 Brent has estimated that the total value of business rates collected by the Authority will be £106.307m and that Brent's retained share will be £31.892m. The increase in the collectable figure is largely due to the estimated growth in business rates from the new Civic Centre and other developments around the Wembley Stadium area. This does not affect the business rate top up from the Government.

### **Limitation of Council Tax Increases/ Council Tax Freeze Grant**

- 5.12 The Localism Act 2011 allows the government to determine levels of council tax increase above which local authorities are required to seek approval via a local referendum. For 2013/14 this has been set at 2%. The recommended budget and council tax set out in chapter 4 will not breach this limit.
- 5.13 For 2013/14 and 2014/15 the government has set aside £450m so that every council can freeze their council tax in those years and an additional £100m for council tax support.. In the case of Brent this would be £1.053m, equivalent to a 1.3% increase in council tax. This grant would be received in 2013/14 and 2014/15.

### **New Homes Bonus**

- 5.14 The New Homes Bonus Grant was introduced in 2011/12. The objective was to provide an incentive to local authorities to increase housing supply in their area by providing a financial reward equal to the national average for the council tax band D for each new additional property (at Band D equivalent). This is currently £1,439, payable on a rolling basis for six years as a non ringfenced grant. Therefore councils receive a double benefit from each new home, with the additional council tax due plus the reward grant. There are

also payments for long term empty properties brought back in to use (or reductions if this number increases), and an additional payment for of £350 for each new affordable home.

- 5.15 The grant has largely been funded by taking money nationally out of the settlement funding with £500m from RSG in 2013/14 and £800m in 2014/15.
- 5.16 The grant for 2013/14 is based on changes in property numbers between September 2009 and September 2012. The cumulative figure for Brent to year 2 was £2.794m. During this period the increase in properties in Brent was slightly above the national average. However in year 3 there was a large increase in properties, partly due to around 600 student units coming in to rating (these are exempt from Council Tax, but do qualify for New Homes Bonus grant) As a result, Brent will receive £2.495m of grant for year 3. This is added to the £2.794m above, bringing the cumulative grant payable in 2013/14 to £5.289m. There were 1,814 new properties between September 2011 and September 2012.
- 5.17 The grant will be paid for six years and will be cumulative. The average figure for Brent for the first two years was approximately £1.4m. If this were to be replicated for each of the next three years, by year 6 the grant for Brent would be £9.5m (i.e.£1.4m multiplied by five, plus the £2.5m in year 3, which is unlikely to be replicated). From the seventh year, properties built in the first year would drop out from the calculation, and be replaced by those built in the seventh year.
- 5.18 With the developments in Wembley in particular there is a reasonable likelihood that Brent will see a continued increase in properties over this period, although less than in 2011/12.

### **The Collection Fund**

- 5.19 Whatever estimated eventual balance remains on the fund in respect of the under/over recovery of council tax must be added to, or subtracted from, the following year's council tax bills. Adjustments are shared with the GLA.
- 5.20 The Executive meeting on 10 December 2012 approved an estimated council tax surplus of £2.34m in 2012/13, of which the Council's share is £1.814m with the balance payable to the GLA.
- 5.21 For 2013/14 onwards Brent will be required to budget for business rates with 30% retained by the authority and with precepts of 50% to central government and 20% to the GLA applicable respectively. Brent will need to operate a collection fund for business rates in a similar way as council tax. No under/over recovery of business rates will need to be declared until 2014/15.

## The Council Tax Base

- 5.22 Council tax is a property based tax with classification of properties into 8 bands depending on the value of the property (see Appendix H(i)). Different rates of tax apply to each band so that properties in Band A will pay one-third of the tax of properties in Band H, the highest level. There are various reductions to the standard charge, for example where there is a single householder in residence in the property. Band D is the middle band and Band D equivalents are used to express the tax base of the authority.
- 5.23 From 2013/14 onwards the band D equivalent properties figure used to calculate tax base previously will need to be adjusted to take account of changes introduced in the 2012 Local Government Finance Act.
- 5.24 Under this Act, the previous scheme of Council Tax Benefit (CTB) has been replaced by a new Council Tax Support Scheme. Under CTB, local authorities basically received 100% subsidy on the actual cost of CTB granted. However under Council Tax Support the government will be giving a fixed annual grant which is designed to cover 90% of the previous cost of CTB (i.e. imposing a 10% cut in government subsidy). The result of this is that local authorities will have to fund this reduction (together with any further increases resulting from increases in the level of Council Tax, or from caseload changes) either from charging a proportion of Council Tax to previous recipients (excluding pensioners) or from cuts in other services or a combination of both. At the same time, authorities have been given the power to reduce or remove exemptions from Council Tax for uninhabitable or empty homes.
- 5.25 Members agreed the new Council Tax Support scheme, and the changes to exemptions, at the Special Council meeting on 10<sup>th</sup> December 2012. The effect of these decisions is to give an estimated adjusted tax base figure of 80,408 compared to 100,921 for 2012/13 were no adjustments applied. These figures assumed a 100% collection and have to be adjusted for an allowance for non-collection.
- 5.26 The regulations governing the new scheme prescribe a national framework for calculating entitlement for persons of pensionable age. To avoid any adverse impact on a small number of claimants in receipt of a war widows, war widowers or war disablement pensions a further decision is required and set out in Appendix G (iv).
- 5.27 A tax base of 77,191 adjusted equivalent Band D properties in 2013/14 was agreed by the General Purposes Committee on 22 January 2013. This assumes a collection rate of 96.0% will be achieved in respect of charges raised for 2013/14 (reduced from the 97.5% in 2012/13). The reduced collection rate takes account of the fact that over 22,000 households who up till now have been receiving part of full CTB will now be required to pay amounts of Council Tax which they previously received benefit for. It is inevitable that this will have an adverse effect on the overall collection rate.

## Calculating the Council Tax Level

5.28 The calculation of the council tax for Brent services is set out in Table 5.2 below. The calculation involves deducting Formula Grant from Brent's budget, deducting the surplus on the Collection Fund, and dividing by the tax base.

**Table 5.2 Calculation of Brent's Council Tax for 2013/14**

	<b>£'000</b>
Proposed Brent budget	284,301
Less Revenue Support Grant	(115,978)
Less Retained Business Rates	(31,892)
Less Business Rates Top up	(46,534)
Less Council Tax Freeze Grant	(1,053)
Less New Homes Bonus	(5,289)
Less Net Surplus on Collection Fund	(1,814)
<b>Total to be met from Council Tax for Brent Budget</b>	<b>81,741</b>
<b>Tax Base (Adjusted Band D equivalents)</b>	<b>77,191</b>
<b>Band D Council Tax (£)</b>	<b>£1,058.94</b>

## Greater London Authority (GLA)

5.29 The GLA came into existence on 3<sup>rd</sup> July 2000 and includes the London Fire and Emergency Planning Authority (LFEPA), the Metropolitan Police and Transport for London and from 2013/14 will levy a precept for both council tax and business rates.

5.30 Each financial year, the Mayor and Assembly must prepare and approve a budget for each of the constituent bodies and a consolidated budget for the authority as a whole.

5.31 The GLA's budget setting process is as follows:

- (a) The Mayor must prepare for each financial year a budget for each of the constituent bodies and a consolidated budget for the Authority as a whole.
- (b) The Mayor will then prepare a preliminary draft of his proposed consolidated budget for consultation with the Assembly.
- (c) After such and any other consultation, the Mayor determines the draft consolidated budget and presents it to the Assembly. The Assembly must approve this budget with or without amendment.
- (d) After the draft consolidated budget has been approved, with or without amendment, the Mayor shall prepare a final draft of his proposed consolidated budget for the next financial year. If at the time he presents the final draft budget to the Assembly, that final draft is different to the original draft, with or without amendments, the Mayor must present a written statement to the Assembly of his reasons for the

changes. This final draft must be presented and agreed before the end of February.

- (e) After considering the final draft, the Assembly must approve it with or without amendments. Any amendment must at this stage be agreed by two thirds of the members voting. The resulting budget will be the approved consolidated budget for the financial year.

5.32 The Mayor's initial budget based on a precept at Band D is £303.00 for 2013/14. This represents a reduction of £3.72 or 1.2%.

### **Setting the Tax**

5.33 The council is required to make certain calculations under sections 30, 33, 34 and 36 of the Local Government Finance Act 1992. These calculations are:

- The basic amount of council tax for both Brent Council and the GLA;
- The basic amount of council tax for each valuation band for both Brent and the GLA;
- The aggregate amount of council tax for each valuation band, which includes the basic amount for Brent and the GLA.

5.34 In accordance with these requirements, Members are asked to agree the calculations set out in the recommendations. The effect of a 0% increase in Brent Council's Band D council tax, which leaves council tax at the 2012/13 level of £1058.94, combined with the GLA precept reducing to £303.00, would be an overall decrease of 0.3%. The full calculation for each Band is included within the recommendations.

5.35 Any amendments agreed to the budget will require a recalculation to be undertaken.

### **Council Tax and NNDR Instalment Dates and Recovery Policy for Council Tax**

5.36 Appendix G (ii) sets out the council tax and NNDR instalment dates and the recovery policy for council tax which Members are asked to endorse.

5.37 The council has continued to promote payment by direct debit to improve overall collection. The instalment date for non-direct debit payers will be: at the 1<sup>st</sup> of the each month starting in April until the 1<sup>st</sup> January 2014, whilst direct debit payers can pay on the 1<sup>st</sup>, 12<sup>th</sup>, 17<sup>th</sup>, or 28<sup>th</sup> of the month. Both direct debit payers and non-direct debit payers currently make payments over a maximum of 10 instalments. From April 2013 council tax payers will be able to request to make payment over twelve monthly instalments.

5.38 Council tax collection rates have been improving and are now favourably comparable to other similar London Boroughs. At the end of December 2012, 84.7% of council tax due in 2012/13 was collected, up slightly from 84.5% in December 2011. The Council is set to achieve its target in-year collection of 96.2% of council tax due for 2012/13, although it will have to collect arrears in future years to achieve the overall target set of 97.5%.