

## SECTION 5

### 5. RESOURCES

#### Introduction

- 5.1 This section sets out the extent of external support available to finance the council's expenditure, the requirements of the Greater London Authority, items in the Collection Fund and finally the calculation of council tax for 2012/13.

#### External Support

- 5.2 The Local Government Finance Settlement was published on 31 January 2012 and confirmed the provisional figures announced in December 2011.

#### *Spending Review*

The 2012/13 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 grant system*

- 5.3 The current system of distributing Formula Grant known as the Four Block Model was introduced in 2006/07. The 2012/13 financial year will be the final one under the current system prior to the localisation of business rates in April 2013.
- 5.4 The Four Block Model consists of the following elements:
- A Relative Needs Block (RNB) calculated using Relative Needs Formulae (RNF) – unlike Formula Spending Shares which were used under the previous system, this does not provide an assessment of total need to spend. It is simply a way of equalising for differences in need;
  - A Relative Resource Amount (RRA) - again, unlike the former system in which the resource adjustment was based on an Assumed National Council Tax (ANCT), this adjustment is based on relative resource need and not the amount a council might be expected to raise in council tax if it set its council tax at the ANCT;
  - A Central Allocation (CA) – this is an amount that is distributed per head of population and is used to distribute the balance of Revenue Support Grant and National Non-Domestic Rate income left after the calculations of the RNB and RRA allocations;
  - A Floor Damping Block (FDB) – this is a self-financing block which is used to provide a limit to the level of decrease/increase in grant for all

authorities (although this varies between types of authority) by scaling back gains by authorities that have grant increases above the floor.

- 5.5 The current settlement includes “banded floors” to reflect that some areas of the country are much more reliant on central government grant than others. These tend to be more deprived communities, with more significant social challenges and less ability to raise council tax receipts and so have a greater reliance on central government for their funding. Local authorities vary considerably in the proportion of their budget requirement that is financed by formula grant or council tax. So for social services authorities and shire district councils, the government set four floors. Authorities within these groups would be divided into four bands according to the extent to which they relied on formula grant to finance their budget requirement in 2010-11. The highest floor – representing the smallest reduction – would apply to the most dependent band of authorities and the lowest floor to the least dependent. The table below details the bands applicable to social services authorities for 2012/13. Brent has been included in Band 1.

Band	
1 - Most Dependent	7.4%
2	8.4%
3	9.4%
4 – Least Dependent	10.4%

- 5.6 As part of the 2011/12 settlement there had been a rationalisation of the grants that local authorities receive. The number of grants was reduced from over a hundred down to around a dozen with in most areas the ring-fencing restrictions on their use being removed. As result of the rationalisation area based grants have disappeared entirely with only non specific grants remaining. Many of these grants have either been rolled into formula or included within other specific grants. Though a fair proportion have been deleted altogether. Details of the remaining grants are included in appendix D(iv).
- 5.7 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.communities.gov.uk/finance/1213/simpguid.pdf>

*The national position*

- 5.8 The estimated distributable amount of business rates in England in 2012/13 will be £23.1bn. This exceeds the adjusted Formula Grant total within the Spending Review (£22.9bn). As the government is legally required to redistribute all business rates raised back to local government, it has decided that funding allocated to pay for the second year of the 2011/12 Council Tax freeze should be included in Formula Grant in 2012/13. This funding has not been subject to the floor scaling referred to above so the Council Tax Freeze Grant remains separately identifiable.

5.9 The overall national reduction in formula grant for 2012/13 against the adjusted 2011/12 total is 7.3%.

*Brent's external funding*

5.10 The calculation of Brent's formula grant for 2012/13 is set out in Table 5.1 below.

**Table 5.1 - Formula Grant Calculation**

	<b>£m</b>
<b>Formula Grant 2011/12</b>	<b>165.911</b>
Adjustment - Private Sewers	(0.096)
Adjustment - Academies	(0.755)
<b>Adjusted Formula Grant 2011/12</b>	<b>165.060</b>
Floor Reduction (7.4%)	(12.215)
Add 2011/12 Council Tax Freeze Grant	2.575
<b>Formula Grant 2012/13</b>	<b>155.420</b>

5.11 Details of the make-up of Brent's Formula Grant are in Table 5.2 below.

**Table 5.2 Make-up of Brent's Formula Grant**

	<b>2011/12 £m</b>	<b>2012/13 £m</b>
Grants Rolled In	16.750	16.692
Relative Needs Amount	140.232	122.928
Relative Resources Amount	(38.621)	(35.871)
Central Allocation	34.947	31.019
Floor Damping	12.603	18.078
Council Tax Freeze Grant		2.575
<b>Total Formula Grant</b>	<b>165.911</b>	<b>155.420</b>

**Limitation of Council Tax Increases**

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 2012/13 these have been set as:

- 4% for police authorities, and single purpose fire & rescue authorities;
- 3.75% for the City of London;
- 3.5% for other principal authorities.

5.13 For 2012/13 the government has set aside £676m so that every council can freeze their council tax in 2012/13 and receive a grant equivalent to a 2.5%

increase in funding. In the case of Brent this would be £2.575m. This grant would be received in 2012/13 only.

### **The Collection Fund**

- 5.14 The Collection Fund accounts for all monies relating to the council tax for Brent in 2012/13, the Greater London Authority (GLA) precept in 2012/13, and arrears of both council tax and community charge.
- 5.15 Whatever balance remains on the fund in respect of the under/over recovery of council tax or community charge must be added to, or subtracted from, the following year's council tax bills. Adjustments in respect of community charges are added to the council's part of the bill only, while council tax adjustments are shared with the GLA.
- 5.16 The Executive meeting on 12 December 2011 approved an estimated council tax surplus of £1.0m in 2011/12, of which the Council's share is £774k with the balance payable to the GLA. The community charge account is estimated to be in balance, so no adjustment needs to be made for this.

### **The Council Tax Base**

- 5.17 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.
- 5.18 A tax base of 98,398 equivalent Band D properties in 2012/13 (compared to 97,252 in 2011/12) was agreed by the General Purposes Committee on 24 January 2012. This assumes a collection rate of 97.5% will be achieved in respect of charges raised for 2012/13 (unchanged from 2011/12).

### **Calculating the Council Tax Level**

- 5.19 The calculation of the council tax for Brent services is set out in Table 5.3 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 5.3 Calculation of Brent's Council Tax for 2012/13**

	<b>£'000</b>
Proposed Brent budget	260,392
Less Formula Grant	(155,420)
Less Net Surplus on Collection Fund	(774)
<b>Total to be met from Council Tax for Brent Budget</b>	<b>104,198</b>
<b>Taxbase (Band D equivalents)</b>	<b>98,398</b>
<b>Band D Council Tax (£)</b>	<b>£1,058.94</b>

### **Greater London Authority (GLA)**

- 5.20 The GLA came into existence on 3<sup>rd</sup> July 2000. Before 2000/01 the London Fire and Civil Defence Authority (LFCDA), now the London Fire and Emergency Planning Authority (LFEPA), and Metropolitan Police had set budgets which acted as precepts on the Collection Fund and were reflected in the overall council tax payable by residents. These two bodies, and several other London wide bodies, such as Transport for London and the London Research Centre (to which Brent historically paid subscriptions), are now absorbed into the GLA which issues one overall precept.
- 5.21 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.
- 5.22 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.

5.23 The Mayor's initial budget was based on a precept at Band D is £309.82 for 2012/13. This represents a 0% increase (the Olympic levy also remains at £20 at Band D).

### **Setting the Tax**

5.24 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.

5.25 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 2011/12 level of £1058.94, combined with the GLA precept remaining at £309.82, would be an overall increase of 0%. The full calculation for each Band is included within the recommendations.

5.26 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**

5.27 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.

5.28 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 2013, 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 will have to make payments over a maximum of 10 instalments.

5.29 Council tax collection rates have been improving and are now favourably comparable to other similar London Boroughs. At the end of January 2012, 92.7% of council tax due in 2012/13 was collected, up slightly from 92.3% in January 2011. The Council is set to achieve its target in-year collection of 96% 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%.