Brighton & Hove City Council

POLICY & RESOURCES COMMITTEE ADDENDUM

4.00PM, THURSDAY, 24 JANUARY 2013

COUNCIL CHAMBER, HOVE TOWN HALL

ADDENDUM

POLICY & RESOURCES COMMITTEE	Agenda Item 109 Brighton & Hove City Council

Subject:		**Council Tax Base 2013/14**	
Date of Meeting:		**24th January 2013**	
Report of:		**Director of Finance**	
Contact Officer:	**Name:**	**Mark Ireland**	**Tel: 29-1240**
	Email:	**Mark.ireland@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that some relevant information required to calculate the tax base was not available.

1. SUMMARY AND POLICY CONTEXT:

1.1 The council tax base represents the amount that would be raised by the setting of a £1 council tax. It is a requirement of the Local Government Finance Act 1992 and associated regulations that the tax base is calculated for the purpose of setting the council tax in 2013/14 before 31st January 2013.

1.2 The purpose of this report is for Members to agree the tax base for 2013/14. Members will be aware that full Council has already made decisions on the council tax reduction scheme (previously council tax benefit) and also agreed amendments to council tax discounts and exemptions (notably for second and empty homes). Those decisions are reflected in the proposed tax base set out in this report.

2. RECOMMENDATIONS:

That Policy & Resources Committee:

2.1 Approves this report for the calculation of the council's tax base for the year 2013/14.

2.2 Agrees that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amounts calculated by Brighton & Hove City Council as its council tax base for the year 2013/14 shall be as follows:-

2.2.1 For Brighton and Hove whole – 79,781.90 (as detailed in appendix 1)

2.2.2 For the Royal Crescent Enclosure Committee – 30.85 (as detailed in appendix 2)

2.2.3 For the Hanover Crescent Enclosure Committee – 38.75 (as detailed in appendix 3)

2.2.4 For the Marine Square Enclosure Committee – 63.17 (as detailed in appendix 4)

2.2.5 For the Parish of Rottingdean – 1,456.99 (as detailed in appendix 5)

2.3 Agrees that, for the purposes of Section 35(1) of the Local Government Finance Act 1992, the expenses of meeting the special levies issued to the council by the Enclosure Committees shall be its special expenses.

2.4 Agrees that the Enclosure Committees and Rottingdean Parish are paid approximately £5,000 council tax reduction grant in total to ensure that they are no better or no worse off as a result of the introduction of the council tax reduction scheme for the reasons set out in paragraph 3.7.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

3.1 The tax base has been calculated in accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012. The detail of the calculation for the whole of Brighton & Hove is shown at appendix 1. This year the calculation has become much more complex because of the introduction of the council tax reduction scheme and changes to discounts and exemptions both of which were agreed by full Council on 13 December 2012 and need to be reflected in the calculation of the tax base.

3.2 The tax base is calculated by estimating how many properties there are in each tax band, determining what relevant discounts and exemptions apply and how much council tax will ultimately be collected. It is hard to make comparisons from last year because of the fundamental changes that have been made to the tax base, however, the overall position is very close to the assumptions made in the Budget Update report agreed by this Committee in November 2012.

3.3 The key changes to the tax base for 2013/14 are listed below:

- The forecast increase in the number of properties on the council tax register has been offset by a growth of 372 or 9% in the number of properties exempt because they are occupied solely by students.
- The estimates of the additional income generated by changes to discounts and exemptions agreed by Council come primarily from the abolition of the 10% discount for second homes and by limiting of the discount for empty and unfurnished dwellings to 6 weeks rather than 6 months. The level of income has been based on the latest forecasts for the number of relevant discounts awarded in 2012/13.
- The number of households eligible for discounts generated by the council tax reduction scheme is expected to remain at the same average levels experienced over the last year under the former council tax benefits scheme.
- The estimated collection rate has been reduced from 98.6% to 98.48% in line with the forecast set out in council tax reduction scheme report to this Committee in July 2012 reflecting that the income from households that have not previously paid council tax may be harder to collect. This will be closely monitored next year and reported to this Committee as part of the regular budget monitoring reports. Despite the proposed reduction the council is expected to maintain its upper quartile collection performance when compared to its nearest neighbours.

3.4 The resultant tax base proposed for 2013/14 is 79,781.90 which is a decrease from the 2012/13 tax base of 94,601.45 largely due to the discounts payable under the council tax reduction scheme. This is because previously council tax benefits was separately funded and not part of the tax base calculation. This loss of council tax income is offset by council tax reduction grant payable by the government as part of the council's grant settlement. Members will also be aware that the level of this grant represents a cut in long-term funding at a national level of 10% when responsibility for council tax benefit is transferred to local authorities and that the scheme has been designed so that the council will receive some transitional funding for one year only.

3.5 Full Council also agreed some discretionary discounts in December but these have to be excluded from the calculation of the tax base because the cost of awarding these discounts has to be met in full by the council and cannot be shared with the Police and Fire Authorities. Separate provision will be made in the 2013/14 revenue budget as part of the overall budget proposals coming to this Committee in February. The discretionary discounts are estimated to cost about £250,000 in 2013/14 and for example cover exceptional situations not covered by the proposals for empty dwellings such as flood or fire damage.

3.6 The regulations require a separate calculation to be carried out for parts of a local authority area where special expenses apply. Appendices 2, 3 and 4 show the details of the calculations for Enclosure Committees in Brighton which fall under this category. Each Enclosure Committee sets a levy for maintaining the enclosure gardens and this is recovered through an additional council tax charge to the enclosure residents. Appendix 5 shows the calculation for the Parish of Rottingdean.

3.7 The additional discounts generated by the council tax reduction scheme also have implications for the Enclosure Committees and Rottingdean Parish. In line with government guidance and what is likely to happen in the majority of councils across the country it is proposed that a small amount of council tax reduction grant is paid to each body to ensure that they are no better or no worse off as a result of the local scheme. It is estimated the total grant payable in 2013/14 will be just over £5,000.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

4.1 Extensive public consultation was carried out in relation to both the council tax reduction scheme and changes to discounts and exemptions. Details were shown in the reports to Council in December.

4.2 There are regular meetings between Strategic Finance and Revenues to discuss collection performance, monthly movements in tax base and the projections used for determining the tax base for the following year.

4.3 Sussex Police Authority and East Sussex Fire Authority have been kept informed of the latest tax base projections.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 The net impact of the proposed tax base on council tax income for 2013/14 less the discretionary budget referred to in paragraph 3.5 is very close to the forecast made in the November budget update report to this Committee.

5.2 The latest forecasts for the collection of council tax and the monitoring of discounts and exemptions in the current year 2012/13 show that the collection fund is likely to be in balance as anticipated.

Finance Officer Consulted: Mark Ireland Date: 16/01/2013

Legal Implications:

5.3 It is a requirement of the Local Government Finance Act 1992 that the Council determine the council tax base. This must be determined before 31 January 2013.

5.4 This is not a function reserved to Full Council by legislation and it is proper for this matter to be decided by this Committee as the calculation of the council tax base is within its terms of reference.

Lawyer Consulted: Sarita Arthur-Crow Date: 16/01/2013

Equalities Implications:

5.5 Equalities impact assessments were carried out for the council tax reduction scheme and changes to discounts and exemptions. These are set out in the December reports.

Sustainability Implications:

5.6 None.

Crime & Disorder Implications:

5.7 None.

Risk and Opportunity Management Implications:

5.8 There are greater risks to the forecasts because of the extensive changes made. Monitoring will be increased throughout the year to ensure that any issues are identified quickly and mitigation measures adopted. Members will be kept up to date through the regular budget monitoring reports.

Public Health Implications:

5.9 None.

Corporate / Citywide Implications:

5.10 These were considered by Council in December.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 The calculation of the council tax base is determined largely by regulation. Options relating to the council tax reduction scheme and changes to discounts and exemptions were considered by Council in December.

7. REASONS FOR REPORT RECOMMENDATIONS

7.1 It is a requirement of the Local Government Finance Act 1992 and associated regulations that the tax base is calculated for the purpose of setting the Council Tax in 2013/14 before 31st January 2013.

SUPPORTING DOCUMENTATION

Appendices:

1. Tax base calculation for the whole of Brighton and Hove

2. Tax base calculation for Royal Crescent

3. Tax base calculation for Hanover Crescent

4. Tax base calculation for Marine Square

5. Tax base calculation for Rottingdean Parish

Documents in Members' Rooms

1. None

Background Documents

1. Full Council on 13 December 2012 Agenda item 63 – Council Tax Support System – Final Scheme
2. Full Council on 13 December 2012 Agenda item 62 – Council Tax Discounts and Exemptions Reform
3. Policy & Resources Committee on 12 July 2012 Agenda item 25 – Council Tax Support System – Draft Scheme
4. Files held within Strategic Finance and the Revenues Team

Area:- Brighton and Hove (Whole) Appendix 1

Band: Range (£'k):	A entitled to disabled relief reduction	A <40	B 40-52	C 52-68	D 68-88	E 88-120	F 120-160	G 160-320	H >320	 Total
1. Number of dwellings on list	0	27,001	28,332	33,606	19,201	10,876	4,441	2,663	180	126,300
2. Estimate of number of dwellings not listed	0	18	146	88	29	16	10	2	0	309
3. Estimate of number of dwellings listed which will not be in band	0	(23)	(47)	(103)	(102)	(61)	(44)	(35)	(21)	(436)
4. Estimated exempt dwellings	0	(1,471)	(1,217)	(2,715)	(919)	(271)	(96)	(84)	(16)	(6,789)
5. Disabled relief dwellings from band above	23	47	103	102	61	44	35	21	0	436
6. Number of chargeable dwellings (sum lines 1 - 5)	**23**	**25,572**	**27,317**	**30,978**	**18,270**	**10,604**	**4,346**	**2,567**	**143**	**119,820**
7. Single person discounts	15	15,305	12,226	10,003	4,934	2,503	847	404	8	46,245
8. All but one resident disregarded	0	419	522	500	222	99	29	14	1	1,806
9. All residents disregarded	0	4	18	27	20	29	38	51	16	203
10. Class C discount up to 6 weeks	0	420	331	259	117	59	15	7	1	1,209
11. Class C discount up to 6 months	0	13	31	34	7	5	4	9	0	103
12. Class D discount	0	23	18	34	18	11	11	9	4	128
13. Council Tax Reduction (CTR)	0	7,081	5,900	4,549	1,455	421	111	35	0	19,552
14. Total number of appropriate percentage discounts (Lines 7&8x0.25)+(Line 9x0.50) +(Lines 10&11&12&13x1.0)	(3.75)	(11,470.20)	(9,475.60)	(7,515.53)	(2,895.80)	(1,160.75)	(379.30)	(189.59)	(15.25)	(33,105.77)
15. Aggregate of Lines 6+14	**19.25**	**14,101.80**	**17,841.40**	**23,462.47**	**15,374.20**	**9,443.25**	**3,966.70**	**2,377.41**	**127.75**	**86,714.23**
16. Ratio to Band D	0.5556	0.6667	0.7778	0.8889	1.0000	1.2222	1.4444	1.6667	2.0000	
17. Relevant Amount (Line 15xLine 16)	**10.69**	**9,401.20**	**13,876.64**	**20,855.53**	**15,374.20**	**11,541.75**	**5,729.68**	**3,962.35**	**255.50**	

Aggregate of Relevant Amounts	81,007.54
Collection Rate	98.48%
Adjustment (contributions in lieu)	5.67
TAXBASE	**79,781.90**

May contain minor rounding adjustments.

Area:- **Royal Crescent** **Appendix 2**

Band: Range (£'k):	A entitled to disabled relief reduction	A <40	B 40-52	C 52-68	D 68-88	E 88-120	F 120-160	G 160-320	H >320	Total
1. Number of dwellings on list	0	0	1	9	2	1	2	6	4	25
2. Estimate of number of dwellings not listed	0	0	0	0	0	0	0	0	0	0
3. Estimate of number of dwellings listed which will not be in band	0	0	0	0	0	0	0	0	0	0
4. Estimated exempt dwellings	0	0	0	0	0	0	0	0	0	0
5. Disabled relief dwellings from band above	0	0	0	0	0	0	0	0	0	0
6. Number of chargeable dwellings (sum lines 1 - 5)	**0**	**0**	**1**	**9**	**2**	**1**	**2**	**6**	**4**	**25**
7. Single person discounts	0	0	1	2	2	0	0	1	0	6
8. All but one resident disregarded	0	0	0	0	0	0	0	0	0	0
9. All residents disregarded	0	0	0	0	0	0	0	0	0	0
10. Class C discount up to 6 weeks	0	0	0	0	0	0	0	0	0	0
11. Class C discount up to 6 months	0	0	0	0	0	0	0	0	0	0
12. Class D discount	0	0	0	0	0	0	0	0	0	0
13. Council Tax Reduction (CTR)	0	0	0	0	0	0	0	0	0	0
14. Total number of appropriate percentage discounts (Lines 7&8x0.25)+(Line 9x0.50) +(Lines 10&11&12&13x1.0)	0.00	0.00	(0.25)	(0.50)	(0.50)	0.00	0.00	(0.25)	0.00	(1.50)
15. Aggregate of Lines 6+14	**0.00**	**0.00**	**0.75**	**8.50**	**1.50**	**1.00**	**2.00**	**5.75**	**4.00**	**23.50**
16. Ratio to Band D	0.5556	0.6667	0.7778	0.8889	1.0000	1.2222	1.4444	1.6667	2.0000	
17. Relevant Amount (Line 15xLine 16)	**0.00**	**0.00**	**0.58**	**7.56**	**1.50**	**1.22**	**2.89**	**9.58**	**8.00**	

May contain minor rounding adjustments.

Aggregate of Relevant Amounts	31.33
Collection Rate	98.48%
Adjustment (contributions in lieu)	0.00
TAXBASE	**30.85**

Area:- **Hanover Crescent** **Appendix 3**

Band: Range (£'k):	A entitled to disabled relief reduction	A <40	B 40-52	C 52-68	D 68-88	E 88-120	F 120-160	G 160-320	H >320	Total
1. Number of dwellings on list	0	3	9	10	12	2	7	2	0	45
2. Estimate of number of dwellings not listed	0	0	0	0	0	0	0	0	0	0
3. Estimate of number of dwellings listed which will not be in band	0	0	0	0	0	0	0	0	0	0
4. Estimated exempt dwellings	0	(1)	0	0	0	0	0	0	0	(1)
5. Disabled relief dwellings from band above	0	0	0	0	0	0	0	0	0	0
6. Number of chargeable dwellings (sum lines 1 - 5)	**0**	**2**	**9**	**10**	**12**	**2**	**7**	**2**	**0**	**44**
7. Single person discounts	0	1	3	3	2	0	1	0	0	10
8. All but one resident disregarded	0	0	2	0	0	0	0	0	0	2
9. All residents disregarded	0	0	0	0	0	0	0	0	0	0
10. Class C discount up to 6 weeks	0	0	0	1	0	0	0	0	0	1
11. Class C discount up to 6 months	0	0	0	0	0	0	0	0	0	0
12. Class D discount	0	0	0	0	0	0	0	0	0	0
13. Council Tax Reduction (CTR)	0	1	2	0	0	0	0	0	0	3
14. Total number of appropriate percentage discounts (Lines 7&8x0.25)+(Line 9x0.50) +(Lines 10&11&12&13x1.0)	0.00	(1.21)	(2.78)	(2.17)	(0.50)	0.00	(0.25)	0.00	0.00	(6.91)
15. Aggregate of Lines 6+14	**0.00**	**0.79**	**6.22**	**7.83**	**11.50**	**2.00**	**6.75**	**2.00**	**0.00**	**37.09**
16. Ratio to Band D	0.5556	0.6667	0.7778	0.8889	1.0000	1.2222	1.4444	1.6667	2.0000	
17. Relevant Amount (Line 15xLine 16)	**0.00**	**0.53**	**4.84**	**6.96**	**11.50**	**2.44**	**9.75**	**3.33**	**0.00**	

Aggregate of Relevant Amounts	39.35
Collection Rate	98.48%
Adjustment (contributions in lieu)	0.00
TAXBASE	**38.75**

May contain minor rounding adjustments.

Area:- Marine Square **Appendix 4**

Band: **Range (£'k):**	**A** entitled to disabled relief reduction	**A** **<40**	**B** **40-52**	**C** **52-68**	**D** **68-88**	**E** **88-120**	**F** **120-160**	**G** **160-320**	**H** **>320**	**Total**
1. Number of dwellings on list	0	65	25	24	3	2	0	2	0	121
2. Estimate of number of dwellings not listed	0	0	0	0	0	0	0	0	0	0
3. Estimate of number of dwellings listed which will not be in band	0	0	0	0	0	0	0	0	0	0
4. Estimated exempt dwellings	0	(1)	(1)	(2)	0	0	0	0	0	(4)
5. Disabled relief dwellings from band above	0	0	0	0	0	0	0	0	0	0
6. Number of chargeable dwellings (sum lines 1 - 5)	**0**	**64**	**24**	**22**	**3**	**2**	**0**	**2**	**0**	**117**
7. Single person discounts	0	35	12	9	1	0	0	0	0	57
8. All but one resident disregarded	0	0	0	0	0	0	0	0	0	0
9. All residents disregarded	0	0	0	0	0	0	0	0	0	0
10. Class C discount up to 6 weeks	0	0	0	0	0	0	0	0	0	0
11. Class C discount up to 6 months	0	0	0	0	0	0	0	0	0	0
12. Class D discount	0	0	0	0	0	0	0	0	0	0
13. Council Tax Reduction (CTR)	0	16	4	2	0	0	0	0	0	21
14. Total number of appropriate percentage discounts (Lines 7&8x0.25)+(Line 9x0.50) +(Lines 10&11&12&13x1.0)	0.00	(24.48)	(7.07)	(3.88)	(0.25)	0.00	0.00	0.00	0.00	(35.68)
15. Aggregate of Lines 6+14	**0.00**	**39.52**	**16.93**	**18.12**	**2.75**	**2.00**	**0.00**	**2.00**	**0.00**	**81.32**
16. Ratio to Band D	0.5556	0.6667	0.7778	0.8889	1.0000	1.2222	1.4444	1.6667	2.0000	
17. Relevant Amount (Line 15xLine 16)	**0.00**	**26.35**	**13.17**	**16.11**	**2.75**	**2.44**	**0.00**	**3.33**	**0.00**	

Aggregate of Relevant Amounts	64.15
Collection Rate	98.48%
Adjustment (contributions in lieu)	0.00
TAXBASE	**63.17**

May contain minor rounding adjustments.

Area:- **Rottingdean Parish** **Appendix 5**

Band: Range (£'k):	A entitled to disabled relief reduction	A <40	B 40-52	C 52-68	D 68-88	E 88-120	F 120-160	G 160-320	H >320	Total
1. Number of dwellings on list	0	132	146	187	349	340	283	127	10	1,574
2. Estimate of number of dwellings not listed	0	0	0	0	0	0	0	0	0	0
3. Estimate of number of dwellings listed which will not be in band	0	0	0	(1)	(6)	(2)	(1)	(2)	(1)	(13)
4. Estimated exempt dwellings	0	(5)	(5)	(1)	(7)	(2)	(2)	(3)	0	(25)
5. Disabled relief dwellings from band above	0	0	1	6	2	1	2	1	0	13
6. Number of chargeable dwellings (sum lines 1 - 5)	**0**	**127**	**142**	**191**	**338**	**337**	**282**	**123**	**9**	**1,549**
7. Single person discounts	0	64	75	71	115	107	73	16	2	523
8. All but one resident disregarded	0	0	0	1	4	4	0	0	0	9
9. All residents disregarded	0	0	0	2	0	0	2	2	1	7
10. Class C discount up to 6 weeks	0	1	4	2	2	1	1	1	0	12
11. Class C discount up to 6 months	0	0	0	1	0	0	0	0	0	1
12. Class D discount	0	0	0	1	1	0	0	1	0	3
13. Council Tax Requirement (CTR)	0	18	25	28	20	9	11	2	0	112
14. Total number of appropriate percentage discounts (Lines 7&8x0.25)+(Line 9x0.50) +(Lines 10&11&12&13x1.0)	0.00	(34.70)	(47.39)	(50.84)	(52.56)	(38.04)	(31.14)	(8.65)	(1.00)	(264.32)
15. Aggregate of Lines 6+14	**0.00**	**92.30**	**94.61**	**140.16**	**285.44**	**298.96**	**250.86**	**114.35**	**8.00**	**1,284.68**
16. Ratio to Band D	0.5556	0.6667	0.7778	0.8889	1.0000	1.2222	1.4444	1.6667	2.0000	
17. Relevant Amount (Line 15xLine 16)	**0.00**	**61.53**	**73.59**	**124.59**	**285.44**	**365.40**	**362.35**	**190.58**	**16.00**	

Aggregate of Relevant Amounts	1,479.48
Collection Rate	98.48%
Adjustment (contributions in lieu)	0.00
TAXBASE	**1,456.99**

May contain minor rounding adjustments.

POLICY & RESOURCES COMMITTEE	Agenda Item 110 Brighton & Hove City Council

Subject:		**Business Rates Retention forecast 2013/14**	
Date of Meeting:		**24th January 2013**	
Report of:		**Director of Finance**	
Contact Officer:	**Name:**	**Mark Ireland**	**Tel: 29-1240**
	Email:	**Mark.ireland@brighton-hove.gov.uk**	
Ward(s) affected:		**All**	

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) were that further relevant guidance from the Department for Communities and Local Government (CLG) that was required to calculate the business rates forecast had not been received.

1. SUMMARY AND POLICY CONTEXT:

1.1 Members will be aware that major changes to the funding of local government will be made from the 1 April 2013. These changes include the retention by councils of 50% of local collected business rates. There is therefore a new statutory requirement placed on all collection authorities to calculate how much business rates income each authority is likely to receive for the coming year. It must be stressed that whilst business rates provides a new source of funding to local authorities it is not additional income and replaces income previously received through government grant for general council services. It is also important to remember that the government continues to set business rates nationally.

1.2 The purpose of this report is for Members to agree the business rates forecast for 2013/14 as set out in the proposed NNDR1 2013/14 form (this represents the estimated business rates expected to be collected by the council next year) which needs to be sent to government and the fire authority by 31St January 2013.

2. RECOMMENDATIONS:

That Policy & Resources Committee:

2.1 Agree the business rates forecast with the amount to be retained of £49.235m as set out in the NNDR1 2013/14 form at appendix 1.

2.2 Note the technical issues relating to future successful business rate appeals and refunds raised in the response to the provisional grant settlement set out in appendix 2 and the potential impact on the budget.

2.3 Note the positive outcome of the independent review of the council's current systems for identifying changes to the rating list and informing the Valuation Office set out in paragraph 3.25 and the improvements suggested.

3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Business Rates Background

3.1 Business rates are a property tax based on the rateable value of each non-domestic property. Rateable values are determined by the Valuation Office Agency (VOA) and are mostly based on rental values. The current rateable value for Brighton & Hove is about £264m. The rating valuations are updated every 5 years although the next revaluation due in 2015 has been deferred by the government until 2017. Owners and tenants can appeal their rateable value at any time during a valuation period (i.e. they will be able to appeal their 2010 valuation at any time until 2017). The appeals process is also administered by the VOA and appeals can often take several years to resolve. Consultation with local business ratepayers representatives indicated that they expect the delay to the next revaluation to result in a significant increase in the number of local appeals lodged as this is the only way for businesses to reduce their rates bill from a valuation made at the peak of the market.

3.2 To calculate the bill for each property on the rating list, a multiplier is applied to the rateable value. The multipliers are set nationally and are index linked to the Retail Price Index. The standard multiplier for 2013/14 is 47.1p in the pound but a lower rate of 46.2p applies to small businesses with a rateable value of less than £18,000. The Autumn Statement extended further relief for small businesses into 2013/14 of up to 100% for those with a rateable value of £12,000 or less. It also increased the exemption for Empty Property Relief for newly built commercial properties from October 2013 which will be funded by the government outside the rate retention scheme.

3.3 Certain categories of occupation are entitled to relief against their annual rates bill for example charities receive mandatory relief of up to 80%. Local authorities may also provide relief on a discretionary basis for particular types of occupier (known as Localism Act discounts).

3.4 Until 1st April 2013 local authorities are responsible for billing and collection of business rates only with all the income passed on to the Treasury. Income from business rates varies significantly from one year to the next and is hard to predict.

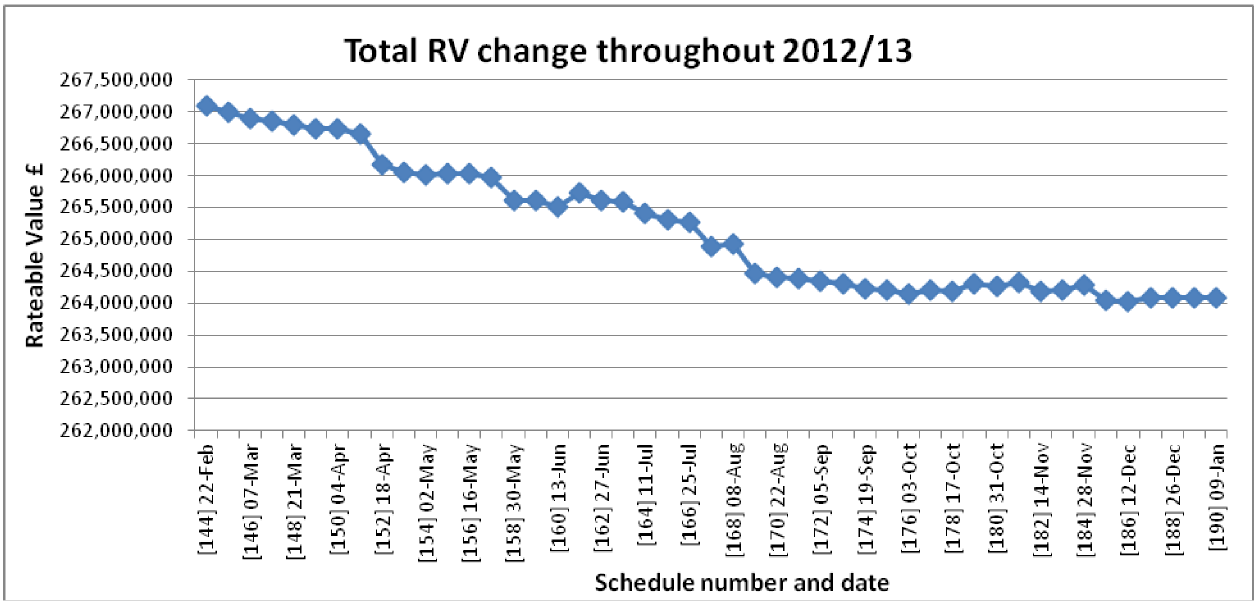
New Business Rates Retention System

3.5 From 1st April 2013 the new Business Rates Retention means that the council will continue to bill and collect business rates but will retain 49% of the income. Of the remainder 50% will be paid to the Treasury and 1% to East Sussex Fire Authority. This provides a new incentive for the council to grow local business rates income however the opportunities for this council are limited with the South Downs National Park on one side and the sea on the other. Members will also be aware that improving the local economy and increasing jobs does not necessarily create business rates income which is generated by new buildings.

3.6 The Treasury have determined the national aggregate of business rates income for all authorities taking into account their estimates of future successful appeals and refunds. This national total has been divided up between councils based on their proportion of the national business rates collected in 2010/11 and 2011/12. The Brighton & Hove City Council share is £50.079m and this figure is used in the determination of the amount of Government Grant the council will receive in 2013/14 and beyond.

Business Rates Monitoring in 2012/13

3.7 Since February last year officers have been monitoring the changes in rateable value notified by the VOA and all the different elements that make up business rates income. The chart below shows that rateable value has reduced by about £3m or 1.1% since February although the reduction seems to have levelled out since the beginning of August.



3.8 Each of the schedules has also been analysed to determine why the rateable value is changing. This analysis shows that the reduction is entirely due to successful rating appeals with a £3.3m reduction equivalent to about £315,000 or 0.12% reduction in rateable value per month. This reduction is more the double the national provision made by the Treasury of 0.05% per month.

3.9 Successful rating appeals not only reduce the ongoing rateable value of properties but also result in refunds in most cases going back to 1st April 2010 (the date of the last revaluation) and in some cases 1st April 2005. So in 2012/13 in most cases a successful appeal will result in business rates refunds for 2010/11 and 2011/12 as well. Monitoring of the business rates liability for the current year shows reductions of £3.9m in total of which £1.4m relates to the current year and £2.5m to earlier years (i.e. refunds).

3.10 It is therefore clear from the in-year monitoring that the most significant factors in determining forecasts of future business rates income are appeals and refunds.

Other factors to take into account are additions and deletions to the rating list and any significant changes to mandatory and discretionary reliefs.

Appeals and Refunds

3.11 The council does not have officers experienced in the appeals process and employs Wilks Head & Eve (WHE) to pursue business rate appeals against the rateable values of relevant council owned or occupied properties. WHE are therefore well placed to make professional judgements on the likely success of appeals already lodged and potential future appeals. They were appointed in November 2012 to undertake this work looking at properties with rateable values of more than £5,000.

3.12 The VOA sent data to the council on outstanding appeals at the end of November. The table below summarises that data which shows that one third of the current rateable value is under appeal. Based on a successful national appeals rate of 30% and an average reduction of 10% on each successful appeal this would mean an income reduction to the council of about £0.6m relating to existing 2010 list appeals. However this does not take into account local circumstances.

Information received from the VOA on 26 November 2012			
	Number of outstanding appeals	Rateable value of properties under appeal	% of total rateable value
2005 List	129	£15.4m	5.8%
2010 List	802	£87.8m	33.3%
Total	931	£103.2m	

3.13 WHE advise that the majority of outstanding 2005 appeals are related to air-conditioning in shops and will be withdrawn so no provision is proposed for these appeals. Their analysis of the 2010 list and the VOA information on outstanding appeals shows that successful appeals during 2013/14 are estimated to generate a reduction of about 1.18% in total rateable value. An estimate of 0.34% of total rateable value has also been made to cover the impact of successful appeals during the remainder of this financial year.

3.14 In addition businesses can lodge appeals for material changes of circumstance. These can arise for example due to:

- Alterations to the property or its use.
- A new development in the area.
- Redevelopment in the area of the property.
- Changes to roads and footpaths in the area.
- Changes to the way other property is occupied in the area.

A provision of 0.25% of total rateable value has also been made for 2013/14 to cover successful appeals of this nature bringing the total provision to 1.77% for the period up to 31st March 2014. These figures are broadly consistent with the level of successful appeals agreed over the last year.

3.15 In cash terms this means a reduction in the business rates income forecast for 2013/14 of £2.2m (the council's share being 49% or £1.1m). However, the successful appeals also generate refunds in the majority of cases relating to 2010/11, 2011/12 and 2012/13. These refunds are forecast to be £4.8m in total (the council's share being £2.4m). CLG guidance now indicates that the provision for appeals and refunds to be included in line 35 of NNDR1 should cover the council's estimated cost of appeals settled after 30 September 2012 and before 1 April 2014 so a total figure of £7m has been included.

3.16 Forecasts have also been made for the following 3 years i.e. the period up to the next revaluation due in 2017. These forecasts together with the forecast for 2013/14 show that the council's total estimated share of lost income due to successful appeals will be about £3m per annum by 2017 with £7.6m one-off refunds relating to pre 1st April 2013. Officers are currently considering how to reflect these numbers in the budget for 2013/14 and the medium term financial strategy and will include recommendations in the budget report to be considered in February.

3.17 The business rates retention system treatment of appeals and refunds as proposed raises challenging accounting issues where officers are awaiting regulations from CLG (expected before the end of this financial year) and guidance from CIPFA on how to reflect them in financial statements. Improvements could be made to reduce unfairness and help local authorities to develop risk mitigation measures. These are covered in the technical response on the provisional local government finance settlement submitted to CLG by the deadline of 15 January which is attached at appendix 2.

Additions and deletions to the rating list

3.18 Finance officers have met with officers from Planning, Economic Development and Revenues to assess what is currently happening regarding development within the city and what might happen in the future. In-year monitoring shows that the underlying rateable value of the city remains largely unchanged over the last year. It is anticipated that this will remain the position over the coming year with new developments being offset by deletions elsewhere for example the new rateable value from development of the new TKMaxx store on North Street may well be offset by other retail closures across the city.

3.19 However, there are 3 specific and significant developments where there is unlikely to be any immediate offset: the new Amex Offices (completed), Montefiore Private Hospital (completed) and The Keep (due to be completed in June). The rateable value of these properties has been estimated by WHE and has been adjusted for the part year effect of The Keep. These properties add an additional £4m to the rateable value in 2013/14 which has been included in line 33 of the proposed NNDR1. This additional rateable value creates additional income for the council of approximately £0.9m in 2013/14. Future forecasts will need to take account of the planning condition which requires demolition of the existing Amex Offices within 5 years.

Changes to mandatory and discretionary reliefs

3.20 Academies and free schools qualify for 80% charity relief whereas local authority maintained schools do not. The business rates payable by all the local authority maintained schools is about £1.8m in 2012/13 which will reduce if any of the schools transfer. Only Whitehawk Primary is due to become an academy during 2013/14 and the impact on business rates income is only £4,000 and therefore de minimis so no adjustment is proposed.

3.21 It has been assumed that budgets for all current discretionary reliefs will be maintained for future years. Local authorities have been given new powers to award further discretionary reliefs under the Localism Act. Previous reports to this Committee have indicated that the council should consider the use these new powers by setting aside a budget of £100,000 to encourage new businesses to grow and maintain their presence within the city. Consultation with local business ratepayers representatives will help develop local proposals which will come to a future meeting of this Committee. The new rules mean that the government will pick up 50% of the cost of this relief and therefore a provision of £200,000 has been included in line 18 of the proposed NNDR1.

Business rates forecast for 2013/14

3.22 The proposed NNDR1 is attached as appendix 1 to this report and shows the net yield from business rates to be £100.4m for next year. This is shared as follows:

- Central government (50%) £50.240m
- Brighton & Hove (49%) £49.235m
- East Sussex Fire Authority (1%) £1.005m

3.23 Members will note that the Brighton & Hove figure is £0.8m below the government assumed income of £50.079m due to the high level of anticipated successful local appeals.

Monitoring and reporting

3.24 As mentioned earlier in this report business rates income is hard to predict and volatile and therefore needs to be closely monitored as the year progresses. Officers have already established monitoring systems to review what has been happening since February last year and these systems will be maintained and expanded where appropriate. Frequent monitoring updates will be prepared for Members as part of the regular budget monitoring reports presented to this Committee.

Review of systems for the identification of changes to occupier and rateable value within the council

3.25 WHE met with and discussed the operation of current systems within Business Rates, Planning and Building Control which they assessed as by and large working very well and efficiently. They did recommend some improvements relating to improvement notices, gathering information from the web, liaison with highways and licensing, gathering further information from planning applications and the assessment of properties for charitable relief. These improvements should help the council to collect more business rates in the future.

4. COMMUNITY ENGAGEMENT AND CONSULTATION

4.1 The business community will be consulted about how best to introduce new Localism Act discretionary reliefs.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

5.1 Business rates income from 1st April 2013 forms an important new income stream to the council and it is important that the council takes measures to help maximise this income wherever possible. The information set out in this report will inform the amount of income that is assumed for next year within the 2013/14 and future years budgets.

5.2 The work carried out by WHE has been invaluable in determining the amounts to be set aside for appeals and refunds as well as their suggestions about how to improve our current systems set out in paragraph 3.25. The cost of that work has not been finally determined but will not exceed £25,500 and will be met from the monies set aside in the 2012/13 budget for transition to the new Local Government Finance system.

Finance Officer Consulted: Mark Ireland Date: 17/1/2013

Legal Implications:

5.3 It is a requirement of the Non-Domestic Rating (Rates Retention) Regulations 2013 that the council determine a business rates forecast and agree an NNDR1. This must be determined by 31 January 2013. This is not a function reserved to Full Council by legislation and it is proper for this matter to be decided by this Committee as the calculation of business rates is within its terms of reference.

Lawyer Consulted: Abraham Ghebre-Ghiorghis Date: 18/1/2013

Equalities Implications:

5.4 None.

Sustainability Implications:

5.5 None.

Crime & Disorder Implications:

5.6 None.

Risk and Opportunity Management Implications:

5.7 Business rates income is volatile and hard to predict so therefore needs close monitoring as set out in paragraph 3.24. The new system allows councils to spread the volatility risks with other councils by pooling. Brighton & Hove is not particularly reliant on business rates income from any one employer or any particular type of business so the risks here are lower. The government gave local authorities very little time to develop pools for 2013/14 and the council has not applied to become part of a local pool. This does not rule out becoming part of a pool in future years and officers will consider the merits of doing so.

Public Health Implications:

5.8 None.

Corporate / Citywide Implications:

5.9 The council has a new incentive to maintain and grow the business rates income generated by the city and needs to take this into consideration when making relevant decisions.

6. EVALUATION OF ANY ALTERNATIVE OPTION(S):

6.1 These are discussed within the body of the report.

7. REASONS FOR REPORT RECOMMENDATIONS

7.1 The council has a statutory duty to agree a NNDR1 form by the 31 January 2013.

SUPPORTING DOCUMENTATION

Appendices:

1. Proposed NNDR1 2013-14 form

2. Technical response to the Provisional Local Government Finance Settlement submitted to CLG on 15 January 2013

Documents in Members' Rooms

1. None

Background Documents

1. WHE report held in Strategic Finance
2. Other files held by Strategic Finance and the Revenue Team

Department for Communities and Local Government

NATIONAL NON-DOMESTIC RATES RETURN 1
NNDR1 2013-14

Please e-mail to : nndr.statistics@communities.gsi.gov.uk

Please enter your details after checking that you have selected the correct authority name.

Please check the figures shown in the cells with a blue border and enter your own figures if you disagree with those suggested.

A provisional version of the form should be returned to the Department for Communities and Local Government by
Monday 7 January 2013

The final version of this form, including a signed copy, must also be sent to the Department for Communities and Local Government by
Thursday 31 January 2013

Select your local authority's name from this list:

Check that this is your authority :	Brighton & Hove
Check that this is your E Code :	E1401
Local authority contact name :	Heather Bentley
Telephone number of local authority contact :	01273 291244
Fax number for local authority contact :	01273 291247
E-mail address of local authority contact :	heather.bentley@brighton-hove.gov.uk

Ver 1.3

1. Number of hereditaments on the rating list on 30 September 2012		9,463	
		£	
2. Aggregate rateable value on the rating list on 30 September 2012		264,201,864	
GROSS CALCULATED RATE YIELD			£
3. Enter line 2 x small business non-domestic rating multiplier (0.462)			122,061,261.17
MANDATORY RELIEFS			
Small business rate relief	£		
4. Additional yield generated to finance the small business rate relief scheme	2,028,236.41		
5. Cost of small business rate relief for properties within billing authority area	5,485,030.22		
6. Net cost of the small business rate relief (Line 5 minus Line 4)		3,456,793.81	
7. Cost of relief to charities		7,690,677.01	
8. Cost of relief to Community Amateur Sports Clubs		50,826.55	
9. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops		0.00	
10. Cost of relief for partly occupied premises		0.00	
11. Cost of relief for empty premises		3,543,983.64	
12. Total mandatory reliefs (Sum of lines 6 to 11)			14,742,281.01
DISCRETIONARY RELIEFS			
13. Cost of relief to charities		125,192.21	
14. Cost of relief to non-profit making bodies		66,204.66	
15. Cost of relief to Community Amateur Sports Clubs		2,562.61	
16. Cost of relief for rural general stores, post offices, public houses, petrol filling stations and food shops		0.00	
17. Cost of relief to other rural businesses		0.00	
18. Other Section 47 reliefs (Localism Act discounts)		200,000.00	
19. Total discretionary reliefs (Sum of lines 13 to 18)			393,959.48
20. Gross Rate Yield after reliefs (Line 3 minus lines 12 & 19)			106,925,020.68
21. Estimate of 'losses in collection'			748,475.14
22. Allowance for Cost of Collection			417,808.69
23. Special Authority Deductions - City of London Offset			0.00

NATIONAL NON-DOMESTIC RATES RETURN 1 2013-14 — Brighton & Hove

Ver 1.3

Section 2

Enterprise Zones

		£
24. Estimated level of discount to be awarded in 2013-14		0.00
25. Estimated value of non-domestic rates in the Enterprise Zone area in 2013-14	0.00	
26. Enterprise Zone baseline	0.00	
27. Total estimated value of business rates to be retained in 2013-14 (Line 25 minus line 26)		0.00
New Development Deals		
28. Estimated value of non-domestic rates in the New Development Deals area in 2013-14	0.00	
29. New Development Deals baseline	0.00	
30. Total estimated value of business rates to be retained in 2013-14 (Line 28 minus line 29)		0.00
Renewable Energy Schemes		
31. Total estimated value of business rates to be retained in 2013-14		0.00
32. Net Rate Yield excluding transitional arrangements and rate retention (Line 20 minus the sum of lines 21 to 23, 27, 30 & 31)		105,758,736.85
Rate retention adjustments		
33. Estimate of the change in rateable value between 1 October 2012 and 30 September 2013		4,000,000.00
34. Estimate of the change in receipts as a result in the change in rateable value (line 33 times the multiplier)		1,848,000.00
	%	
This equates to a percentage change of	1.51	
35. Local authority's estimate of adjustment due to appeals		7,127,000.00
36. Net Rate Yield excluding transitional arrangements but after rate retention adjustments (Line 32 plus lines 34 and minus line 35)		100,479,737.00
Section 3		
Transitional arrangements		
37. Addition revenue received because reduction in rates have been deferred	157,796.47	
38. Revenue foregone because increase in rates have been deferred	280,649.36	
39. Net cost of transitional arrangements (Line 38 minus line 37)		122,852.89
40. Net Rate Yield after transitional arrangements and rate retention (Line 36 minus line 39)		100,356,884.00

NNDR Summary for : Brighton & Hove

These figures show the percentage shares of the NNDR you estimate your authority will collect in 2013-14. They are based on line 36. See the *Tier Split* tab for full information

	£
Amount of NNDR to be paid to central government	50,239,869.00
Amount to be retained by Brighton & Hove under the rates retention scheme	49,235,071.00
Amount to be passed to East Sussex Fire Authority	1,004,797.00

Certificate of Chief Financial Officer

I certify that the entries in lines 3, 12, 19, 20, 36, 39 and 40 of this form are the best I can make on the information available to me and that the figures given in lines 1 and 2 used in the calculating the amount shown in lines 36 and 40 are, to the best of my knowledge and belief those shown in the rating list for my authority as at 30 September 2012, subject to any order made before 15 January 2013 under the Local Government Act 1972 implementing boundary changes. I also certify that the authority has made proper arrangements for securing efficiency and effectiveness in relation to the collection of non-domestic rates. I also certify to the best of my knowledge and belief that any amount included as legal costs in line 22 and discretionary relief in line 24 meet the conditions set out in the Non-Domestic Rating (Rates Retention) Regulations 2013.

Chief Financial Officer : ....

Date : ....

Ver 1.3

Appendix 2

Brighton & Hove City Council Consultation Response

Response to Provisional Local Government Finance Settlements for 2013/14 and 2014/15

In addition to our concerns about the significant reductions in funding proposed for each financial year and the serious impact this will have on the provision of local services, the council has 2 major technical concerns:

1. The lateness of the settlement, the way in which it was announced and the key information that is still missing in particular the capital grants.
2. The unfair treatment of future successful rating appeals and refunds within the new system.

Timing of the Settlement

The budgeting problems created by very late announcement on 19 December 2012 were further exacerbated by delays and errors in putting information on the CLG website. Only some of the files were uploaded and many of these were subsequently removed and re-uploaded on following days after the identification of errors. This has resulted in significant delays to the interpretation of data for budget purposes and some additional abortive workload trying to reconcile incorrect figures which has probably been replicated across the country. The council believes that the CLG team is under-resourced and this lack of staffing added to the delays and errors. The council urges that:

- a review of staffing levels within the Local Government Finance Division is carried out to avoid something similar happening in future.
- 2013/14 settlement data is published as soon as it is ready rather than waiting for the final settlement and that as a matter of urgency the capital grants figures are published as soon as possible.

Rating Appeals and Refunds

The council believes that the proposed business rate retention system needs to be amended to address significant unfairness in the current proposals.

Firstly, the issue of refunds arising from successful rating appeals for the period prior to 1 April 2013 should be met in full by the Treasury. The

Government has had the benefit of this income and councils should not have to pick up 50% of the cost of these refunds. Provision should be made by the Government and councils should be allowed to recover their actual refunds against this provision.

Secondly, whilst the council welcomes the provision that has been made in the calculation of the business rates aggregate for appeals and refunds, the use of this methodology will cause random resource winners and losers throughout the country that has nothing to do with the actions of individual councils, local choice or local service needs. For example the provision for successful appeals made by CLG is the equivalent of a reduction in rateable value of 0.05% per month with an ultimate reduction of 3.6% in rateable value. The experience in Brighton & Hove is very different with the rateable value reducing by 0.12% or £315,000 per month over the last year and work carried out on behalf of the council by Wilks Head & Eve shows this rate of reduction is likely to continue over the next 2 years. Consultation with the local business community has also indicated that the deferral of the next revaluation until 2017 could be disastrous for the local economy (because the 2010 revaluation was carried out at the peak of the local rental market) and substantially increase the number of appeals lodged. The council believes that the ultimate reduction in the rateable value for Brighton & Hove will be between 6% and 7% almost double the national provision. The amounts estimated for future ultimate reductions in the business rates cash retained by the council due to successful appeals are £3m in the ongoing baseline and £7.6m in refunds for the period prior to 1 April 2013. This means that the council is likely be one of the random resource losers from the way in which the new system is being introduced.

Thirdly, the whole appeals process is in need of urgent review with major concerns about the long delays in resolving appeals and the one-sided nature of the process with the over-whelming majority of appeals resulting in either no change or a reduction in rateable value. With councils taking 50% of the risks of the successful appeals but having no influence whatsoever on the outcome consideration needs to be given about how councils could mitigate this risk. An option would be to enable councils to appeal rateable values where they believe the values has been under-estimated. It seems highly implausible that the Valuation Office almost exclusively only makes over-estimation errors.

Fourthly, the timing, level and quality of information provided by the Valuation Office (VO) needs to be radically improved. In addition the VO frequently use data security arguments to avoid giving helpful relevant data to local authorities.

Date: 15 January 2013

Contact:
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Head of Strategic Finance & Procurement
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