

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.

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