

Brighton & Hove City Council

Strategy, Finance & City Regeneration Committee

Agenda Item 91

Subject: Council Tax Base and Business Rates Retention Forecasts
2024/25

Date of meeting: 25 January 2024

Report of: Chief Finance Officer

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Ward(s) affected: All

For general release

1. Purpose of the report and policy context

- 1.1 The council tax base represents the amount that would be raised by setting a £1 council tax on a band D property. 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 2024/25 before 31 January 2024.
- 1.2 There is a statutory requirement placed on all business rates collection authorities to calculate how much business rates income each authority is likely to receive for the coming year. Members will be aware there is considerable volatility in business rates income which makes it difficult to forecast, and the council is highly reliant on the data and decisions of the Valuation Office Agency (VOA).
- 1.3 The purpose of this report is to provide information to enable Members to agree the council tax base for 2024/25 and note the estimate income through the Business Rates Retention Scheme.

2. Recommendations

- 2.1 That Committee agrees the calculation of the council's tax base for the year 2024/25.
- 2.2 That Committee notes the collection rate assumed is 98.75%.
- 2.3 That Committee notes that no change to the Council Tax Reduction scheme is proposed for 2024/25 except that, in accordance with the policy agreed by full Council on 3 February 2022, earnings bands will be uplifted to reflect government changes to the National Living Wage as set out in paragraph 3.7.
- 2.4 That Committee 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 2024/25 shall be as follows:-

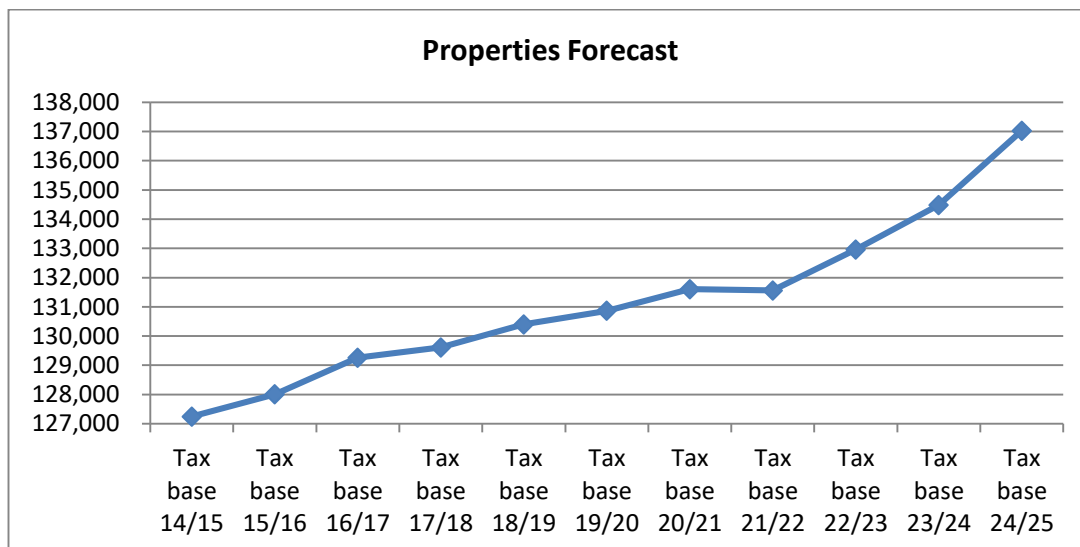
- 2.3.1 Brighton and Hove in whole – 93,574.4 (detail in appendix 1)
 - 2.3.2 Royal Crescent Enclosure Committee – 29.7 (detail in appendix 2)
 - 2.3.3 Hanover Crescent Enclosure Committee – 42.7 (detail in appendix 2)
 - 2.3.4 Marine Square Enclosure Committee – 69.5 (detail in appendix 2)
 - 2.3.5 Parish of Rottingdean – 1,706.2 (detail in appendix 2)
- 2.5 That Committee 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.
- 2.6 That Committee agrees that the Enclosure Committees and Rottingdean Parish are paid the required Council Tax Reduction Grant of c£4,000 in total, to ensure 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 3.13.
- 2.7 That Committee notes that the amount forecast to be received by the council in 2024/25 from its share of local business rates and section 31 Local Government Act 2003 compensation grants is £84.911m, based on the latest available data.
- 2.8 That Committee notes that the amount forecast to be received by the council in 2024/25 from its share of local Council Tax, including an Adult Social Care precept, is £185.100m based on latest available data.
- 2.9 That Committee delegates the agreement of the final business rates forecast and completion of the NNDR1 2024/25 form to the Chief Finance Officer following consultation with the Chair of this Committee and this will be reflected in the Budget report to this committee in February 2024.

3. Context and background information

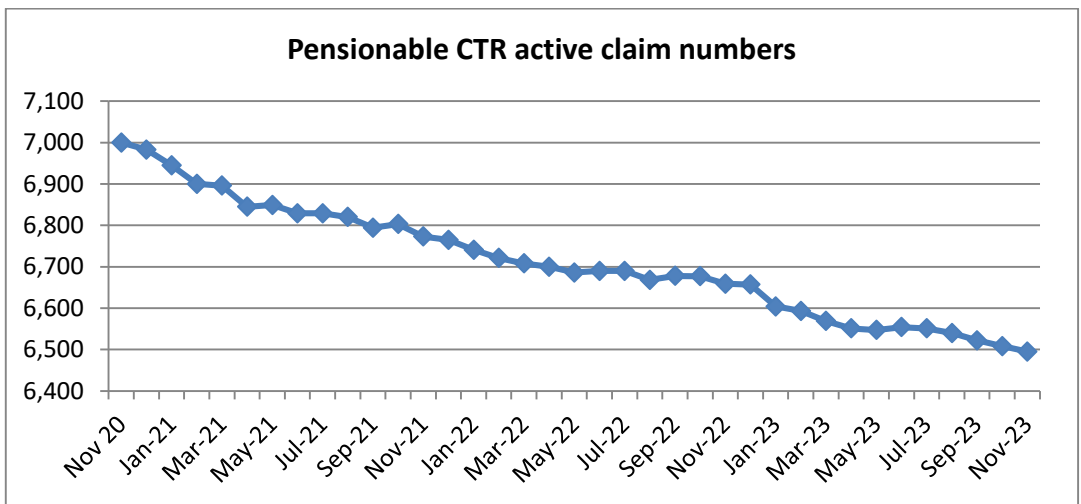
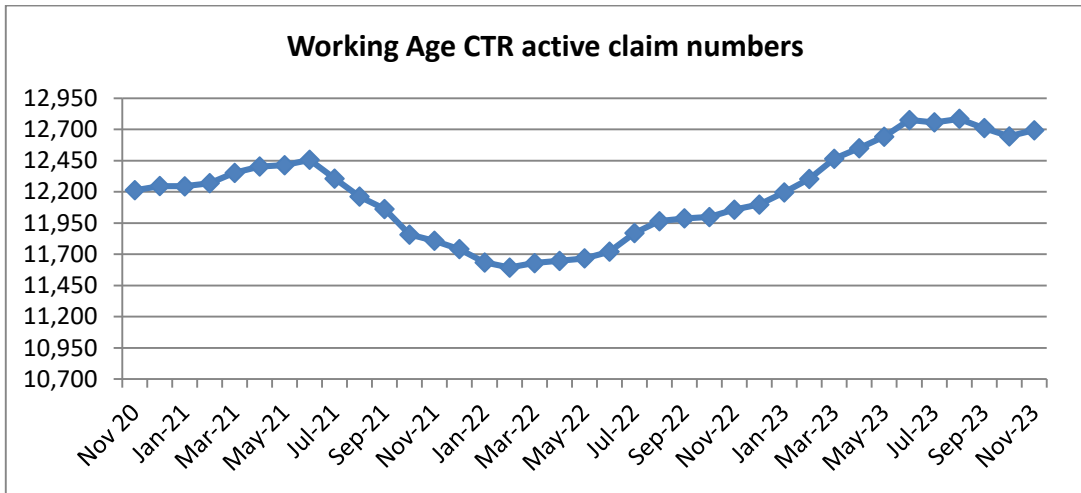
Council Tax

- 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 and Hove is shown at Appendix 1.
- 3.2 The tax base is calculated by estimating how many properties there will be in each tax band, determining what relevant discounts and exemptions apply, and how much council tax should ultimately be collected based on an expected collection rate.
- 3.3 The key changes to the proposed tax base for 2024/25 are set out below.
- 3.4 As of November 2023, there were 134,798 properties on the valuation list. It is forecast that 2,224 new properties will be added by March 2025 equivalent to a 1.6% increase in the housing stock of the city. The largest developments within this include 300 properties at Sackville Trading Estate, 229 flats in Preston Road, 216 properties at Ethel Street, 206 properties at Denman Place, 138 properties at Davigdor Road and 122 flats in New England Street. In addition there are student accommodation developments

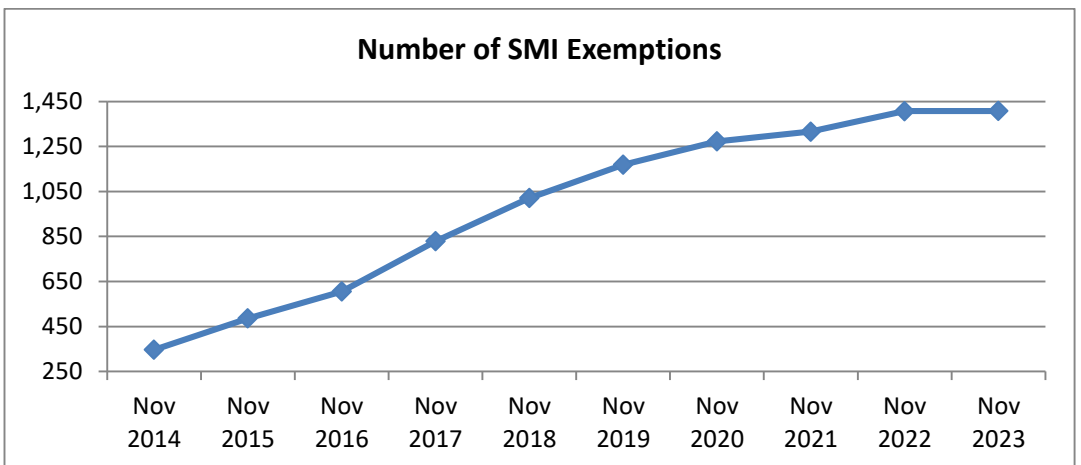
forecast to be added to the list by 31 March 2025 however their valuation is not straight forward and they will be exempt from council tax; they have been excluded from the estimates. The graph below shows the trend of properties over time.



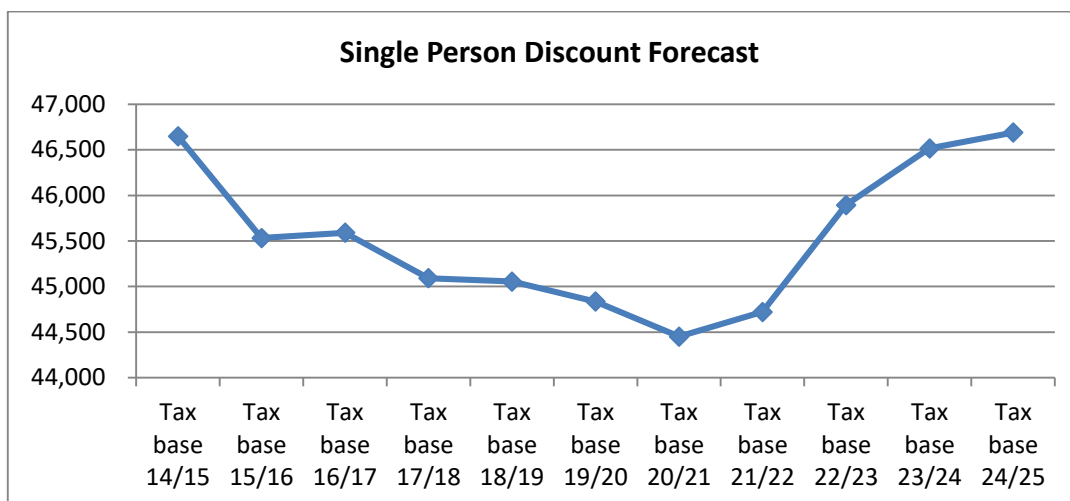
- 3.5 It is estimated that an average of 5,996 properties will be solely occupied by students (excluding halls of residence) during 2024/25. This is a significant increase compared with 2023/24 and is due to new student accommodation built within the city being added to the valuation list and the valuation methodology where individual bedrooms are now rated as separate properties. This means comparing growth in student properties across years is not on a consistent basis.
- 3.6 The overall number of working age claimants receiving CTR has plateaued in recent months. Within this is a greater proportion of claimants now receive universal credit and the average entitlement is reducing overall. The pensionable claimants receiving CTR have continued to decrease through 2023/24. The tax base forecast assumes working age and pensionable claimants will marginally reduce during 2024/25. The overall number of CTR claimants is c19,200 at present and the cost of this support to the council in 2024/25 is estimated to be £18.700m.
- 3.7 The current Council Tax Reduction Scheme (CTR) was approved by full Council in February 2022. No changes were made to the scheme, but the Council approved the uplifting of earnings band thresholds in line with the changes to the National Living Wage announced by government. Similarly, no changes are proposed for the 2024/25 CTR scheme but the earnings bands will be uplifted as per the full Council's earlier decision. Therefore, there is no requirement to consult on the scheme.



3.8 The number of exemptions for Severely Mentally Impaired (SMI) eligibility appears to be levelling out after many years of increases.



3.9 The proposed tax base for 2024/25 estimates the number of single person discounts (SPDs) to be 46,689.



3.10 Elsewhere on this agenda there is a report that highlights changes to the empty property premium. It introduces the premium after 1 year rather than the current 2 years from 1 April 2024. This change represents an increase to the tax base of which the council’s share is anticipated to be £0.500m and is included in this tax base projection.

3.11 The resultant tax base proposed for 2024/25 is 93,574.4 which is a 1.7% increase from the 2023/24 tax base of 91,986.3 for the reasons explained above and summarised in the table below.

	Tax base	Change
2023/24 tax base	91,986.3	
New properties and band changes	1,947.3	+2.1%
Increase to Empty Property Premium	417.6	+0.4%
Reduced CTR claimants	167.7	+0.2%
Net increase in exemptions	-821.9	-0.9%
Net increase in discounts	-122.6	-0.1%
2024/25 tax base	93,574.4	+1.7%

3.12 The regulations require a separate calculation for parts of a local authority area where special expenses apply. Appendix 2 show the summary calculation for Enclosure Committees in Brighton and Hove which fall under this category. Each Enclosure Committee sets a levy for maintaining the enclosure gardens, which is recovered through an additional council tax charge to the enclosure residents. Appendix 2 also shows the summary calculation for the Parish of Rottingdean.

3.13 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 considered fair to local residents it is proposed that the relevant proportion of council tax reduction grant is paid to each body to ensure they are no better or no worse off as a result of the local scheme. It is estimated the total grant payable in 2024/25 will be c£4,000 in line with previous years; the actual figure will depend on the tax level set by each body.

Business Rates Retention

- 3.14 From 2024/25 the business rates multipliers have been decoupled by government so that the small business multiplier and the standard multiplier can now be set at different rates. The government announced in the Autumn Statement that the small business multiplier is frozen for a further year and will remain at 49.9p whereas the standard multiplier is increasing in line with CPI to 54.6p per £1 rateable value. The government compensates local authorities for the lost income due to the freezing of multipliers through S31 compensation grants.
- 3.15 The Autumn Statement announced an extension to the retail, hospitality and leisure relief scheme that provides eligible, occupied, retail, hospitality, and leisure properties with 75% relief, up to a cash cap of £110,000 per business.
- 3.16 The entries for the NNDR1 return are still being reviewed as there is added complexity with the decoupled multipliers and rating appeals. The latest working forecast is that the net share of local business rates and section 31 Local Government Act 2003 compensation grants is £84.911m. Any amendment to this forecast will be included in the February budget report to this committee.

4. Analysis and consideration of alternative options

- 4.1 The calculation of the council tax base is determined largely by regulation and is based on the latest available information. The completion of the NNDR1 form is prescribed in the completion guidance notes from DLUHC.

5. Community engagement and consultation

- 5.1 There are meetings between Finance and Revenues teams to discuss and review collection performance, movements in the tax base and the projections used for determining the tax base for the following year.
- 5.2 The Police & Crime Commissioner for Sussex and the East Sussex Fire Authority have been informed of the latest tax base projections as it forms part of setting their council tax precept.
- 5.3 The council has a duty to consult representatives of business ratepayers on the council's overall budget and this consultation will take place before the February Strategy, Finance & City Regeneration Committee.

6. Conclusion

- 6.1 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 2024/25 before 31 January 2024 and this report enables the Council to fulfil that requirement.
- 6.2 The council has a statutory duty to agree a business rates forecast for 2024/25, set out a forecast surplus or deficit for 2023/24 and submit an NNDR1 form by the 31 January 2024.

7. Financial implications

- 7.1 The proposed tax base is estimated to generate £185.100m in 2024/25 based on a 4.99% council tax increase (including 2% adult social care precept). This sum will be reflected in the 2024/25 budget proposals to be presented to this committee and Budget Council in February 2024.
- 7.2 The assumed level of income through the Business Rates Retention scheme is £84.911m, an increase of £5.045m compared with 2023/24.
- 7.3 Any changes made to the final NNDR1 form including the council's share of any business rates collection fund deficit or surplus will be included within the budget forecast for 2024/25.
- 7.4 Overall the tax base estimates contained within this report generate £1.550m additional income compared to the assumptions presented to this committee in July 2023.

Finance officer consulted: James Hengeveld Date consulted: 12/01/24

8. Legal implications

- 8.1 Under the Local Government Finance Act 1992, the council must determine the Council Tax base applicable to Brighton & Hove. In respect of 2024/25, the base must be determined before 31 January 2024 as required by regulation 8 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 8.2 All other references to the legal framework for setting the council tax base are contained within the body of the report.
- 8.3 Under Part 2 of the Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 2013/452), the council must determine specified information relating to its business rates forecast and notify the Secretary of State and relevant precepting authorities of the amounts. In respect of the year commencing 1 April 2023, these amounts must be determined by 31 January 2024.
- 8.4 The calculation of the Council Tax Base and Business Rates Retention Forecasts are not functions reserved to Full Council by legislation or by local agreement and, as such, it is a matter to be determined by the Strategy, Finance & City Regeneration Committee.

Lawyer consulted: Elizabeth Culbert Date consulted: 12/01/24

9. Equalities implications

- 9.1 There are no equalities impacts as a result of agreeing the council tax and Business Rates Retention base.

10. Sustainability implications

- 10.1 None.

Supporting Documentation

1. Appendices

1. Tax base calculation for the whole of Brighton and Hove
2. Tax base calculation for enclosure committees and the parish of Rottingdean