

Brighton & Hove City Council

Policy & Resources Committee

Agenda Item 104

Subject: Council Tax Base and Business Rates Retention Forecasts 2023/24

Date of meeting: 19 January 2023

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 2023/24 before 31 January 2023.
- 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). This is particularly challenging for 2023/24 where all Business Rated properties have been revalued.
- 1.3 The purpose of this report is to provide information to enable Members to agree the council tax base for 2023/24 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 2023/24.
- 2.2 That Committee notes the collection rate assumed is 98.75%.
- 2.3 That Committee notes the only change to the Discretionary Council Tax Reduction Scheme agreed at Council on 3 February 2022 is 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 2023/24 shall be as follows:-

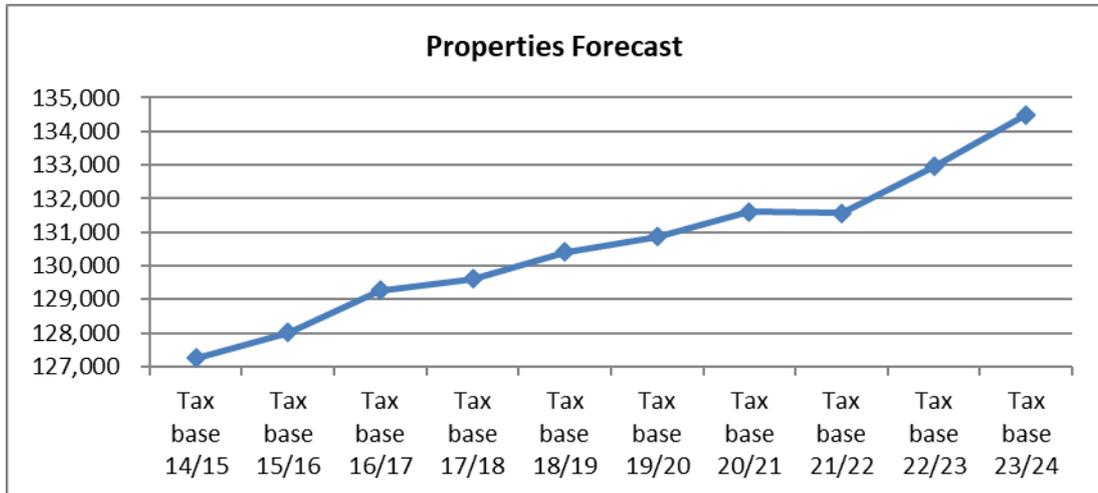
- 2.3.1 Brighton and Hove in whole – 91,986.3 (detail in appendix 1)
 - 2.3.2 Royal Crescent Enclosure Committee – 29.7 (detail in appendix 2)
 - 2.3.3 Hanover Crescent Enclosure Committee – 41.5 (detail in appendix 2)
 - 2.3.4 Marine Square Enclosure Committee – 69.1 (detail in appendix 2)
 - 2.3.5 Parish of Rottingdean – 1,666.6 (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 3.11.
- 2.7 That Committee notes that the amount forecast to be received by the council in 2023/24 from its share of local business rates and section 31 Local Government Act 2003 compensation grants is £79.868m, based on the latest data.
- 2.8 That Committee delegates the agreement of the final business rates forecast and the NNDR1 2023/24 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 2023.

3. Context and background information

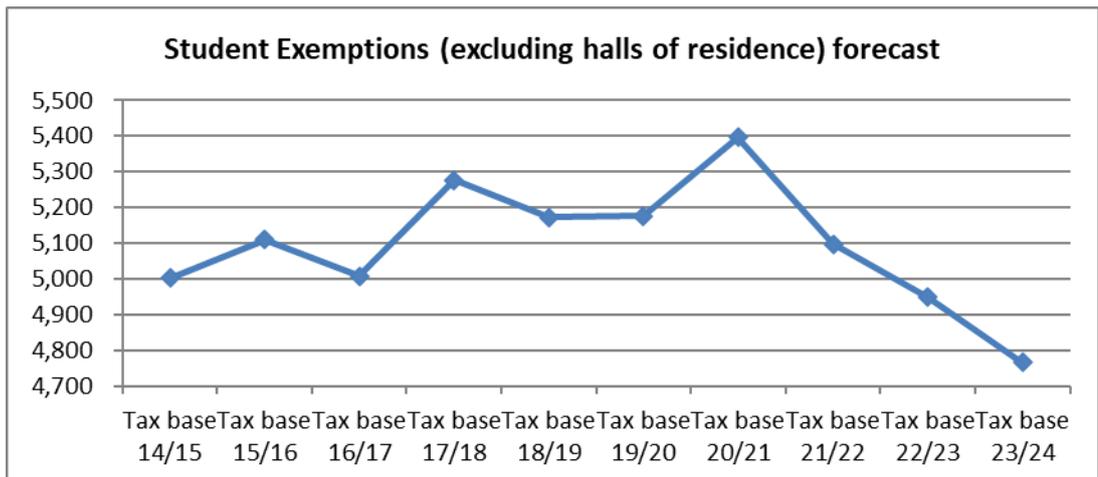
Council Tax

- 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, allowing for expected collection rates.
- 3.3 The key changes to the proposed tax base for 2023/24 are set out below.
- 3.4 As of November 2022, there were 132,529 properties on the valuation list. It is forecast that 1,956 new properties will be added by March 2024 equivalent to a 1.5% increase in the housing stock of the city. The largest developments within this include 242 properties at Denham Place, 216 properties at Ellen Street, 159 properties at The Furlong, 156 properties at Lyon Close, 143 properties at School Road, 104 properties at Belgrave

Training Centre site, 100 properties at Kings House and 168 new properties at the Edward Street Quarter development. In addition, there are student accommodation developments forecast to be added to the list by 31 March 2024 however their valuation is not straight forward and as they will be exempt from council tax, they have been excluded from the estimates. The graph below shows the trend of registered properties over time.



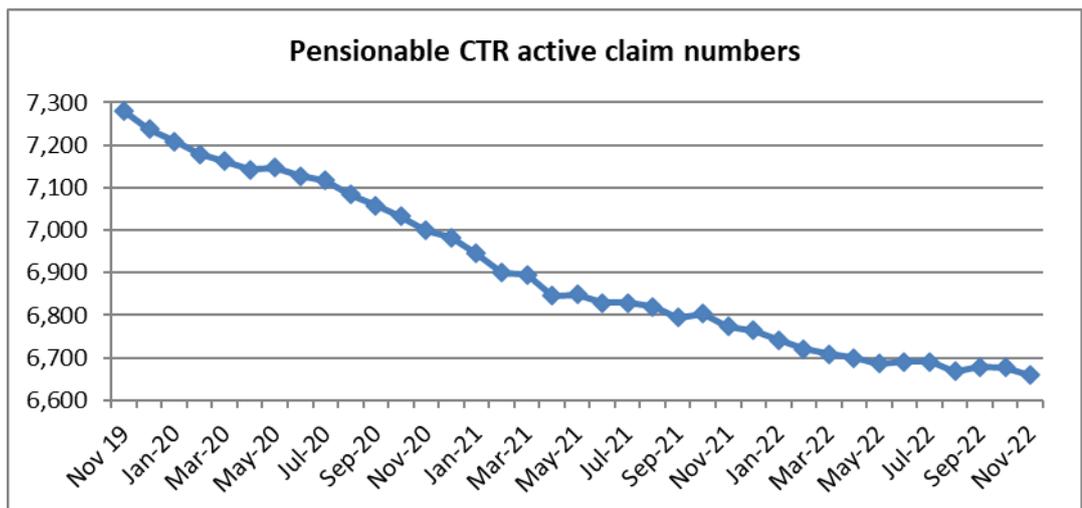
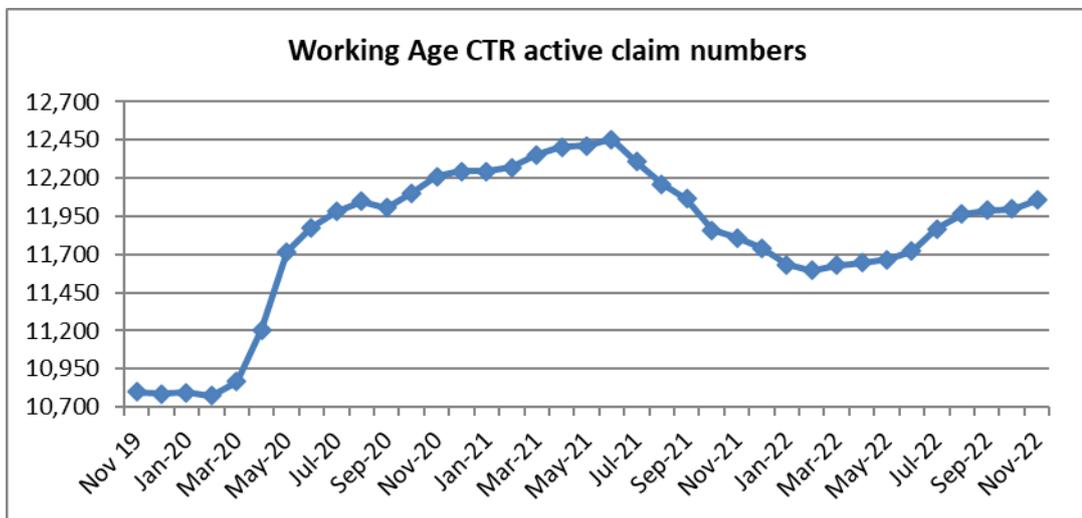
3.5 It is estimated that an average of 4,766 properties will be solely occupied by students (excluding halls of residence) during 2023/24. This is a decrease compared with 2022/23 and is assumed to be due to the increase in the numbers of halls of residence being built within the city. The universities have a significant increase in units on campus either completed or in progress as well as a number of private sector student halls of residence. It is expected that these developments will continue to reduce the number of other housing properties solely occupied by students. The graph below shows the number of student exempt properties forecast in the tax base.



3.6 The number of working age claimants receiving Council Tax Reduction (CTR) has increased continually through this financial year when it was forecast to reduce. There are 251 more claimants in November 2023 compared to November 2022. The pensionable claimants receiving CTR have continued to decrease through 2022/23 but at a slightly lower level

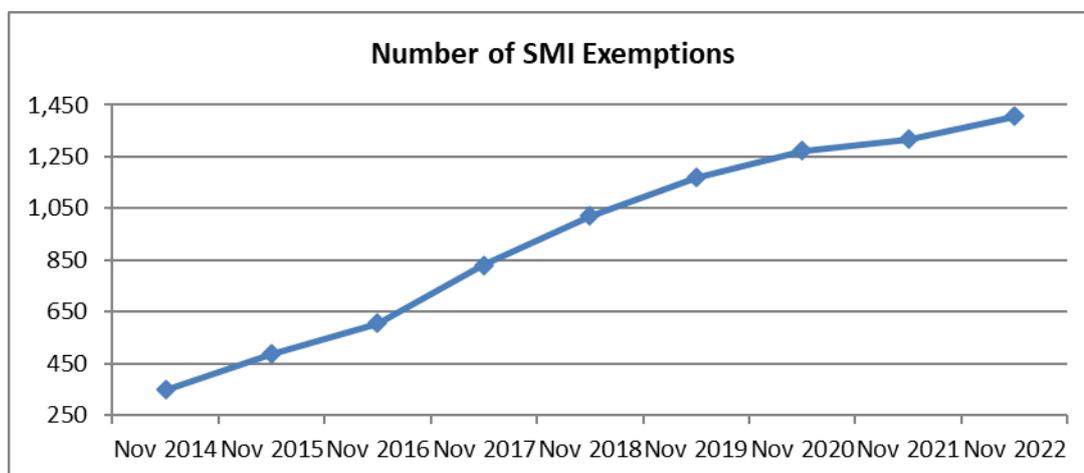
than previous years as shown in the graph below. Prior to the pandemic, CTR claimant numbers were reducing year on year; the pandemic saw an increase of 15% and this short term increase has mostly disappeared. However working age claimant numbers have been increasing since February 2022 although the average award has been reducing. Therefore the tax base forecast assumes that the total cost of claimant awards will remain at an average of the current level through to March 2024.

- 3.7 The current Discretionary Council Tax Reduction Scheme (DCTR) was approved at Council in February 2022 and there are no proposed changes to the scheme apart from uplifting the earnings band thresholds in line with the changes to the national living wage announced by government. Therefore, there is no requirement to consult on the scheme.
- 3.8 Budget Council in February 2023 will set the Budget and Council Tax for 2023/24 and this will incorporate the DCTR scheme with the amended thresholds.

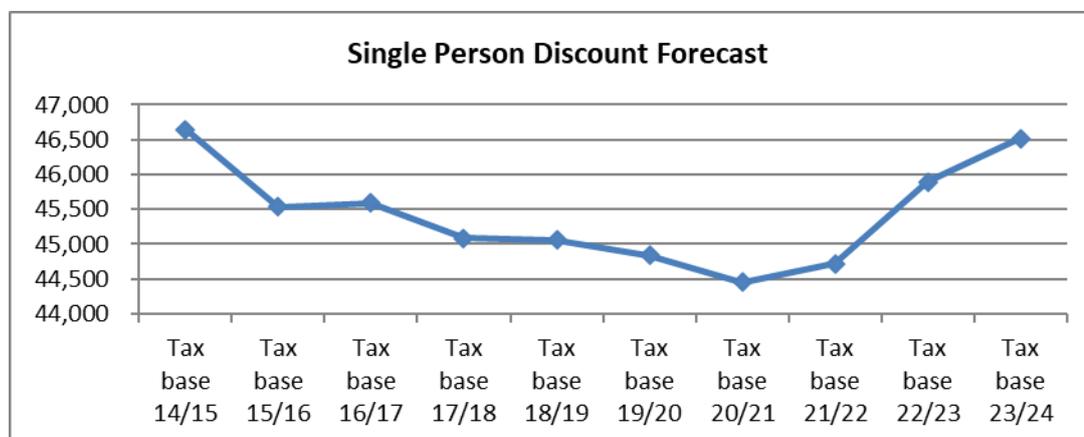


- 3.9 The number of exemptions for Severely Mentally Impaired (SMI) eligibility continue to increase. An SMI exemption is a 100% discount and therefore with the introduction of the minimum contribution for working age claimants under CTR, it is beneficial for eligible claimants to be appropriately

classified. Since there was no difference to the discount level previously, it is likely SMI was under reported. The changes in the numbers of CTR claimants and SMI exemptions have been reflected in the proposed tax base. SMI exemptions are shown in the graph below.



3.10 The proposed tax base for 2023/24 assumes a higher level of single person discounts (SPDs) compared to last year but is lower than the 46,544 currently on the system. The council’s revenues service are in the process of ensuring eligibility is correctly applied through data matching to verify the number of adults within a household and this is anticipated to reduce the SPD awards. This will be alongside an assumed increase in SPD’s for new properties. SPD trends are shown below.



3.11 The resultant tax base proposed for 2023/24 is 91,986.3 which is a 0.9% increase from the 2022/23 tax base of 91,204.0 for the reasons explained above and summarised in the table below.

	Tax base	Change
2022/23 tax base	91,204.0	
Increased CTR claimants	-321.4	-0.4%
Net increase in exemptions	-127.1	-0.1%
New properties and band changes	1,346.0	+1.5%
Net increase in discounts	-115.2	-0.1%
2023/24 tax base	91,986.3	+0.9%

- 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 2023/24 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 For 2023/24, all business rates properties are being revalued for a new 2023 rating list. The last time properties were revalued for a revised list was 2017. The government intends to revalue properties on a 3-year cycle from now on. Revaluation causes changes to the overall tax amount to individual businesses as well as the amount retained locally however, for councils the government adjusts the amount retained locally through a topup/tariff system with the aim of ensuring councils are no better or worse off. Therefore the income from the Business Rates Retention Scheme is assumed not to be affected by the revaluation.
- 3.15 The business rates multipliers have been frozen for a further year and will remain at 49.9p and 51.2p per £1 rateable value. The government compensates local authorities for the lost income due to the freezing of the multipliers through S31 compensation grants. Previously the compensation has always been based on the RPI rate however the government will be basing the compensation on the CPI rate for 2023/24 which is 10.1%.
- 3.16 The Autumn Statement announced a retail, hospitality and leisure relief scheme that will provide eligible, occupied, retail, hospitality, and leisure properties with 75% relief, up to a cash cap of £110,000 per business. There was also an announcement on a new supporting small business (SSB) relief scheme which will cap bill increases at £600 per year for any business losing eligibility for small business rate relief or rural rate relief at the 2023 revaluation. The scheme also provides support for those previously eligible for the 2022/23 SSB scheme and facing large increases in 2023/24 but in those cases for one further year only.
- 3.17 As with previous revaluations, the government will include a transitional relief scheme to support rate payers facing large changes in their liabilities.
- 3.18 The entries for the NNDR1 return are still being reviewed as there is added complexity with a new rating list, rating appeals and retail relief entitlement. The latest working forecast is that the net share of local business rates and section 31 Local Government Act 2003 compensation grants is £79.868m.

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 best information available at this time. 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 collection performance, movements in the tax base and the projections used for determining the tax base for the following year.
- 5.2 The Police and 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 Policy & Resources 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 2023/24 before 31 January 2023 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 2023/24, set out a forecast surplus or deficit for 2022/23 and submit an NNDR1 form by the 31 January 2023.

7. Financial implications

- 7.1 The proposed tax base is estimated to generate £173.289m in 2023/24 based on a 4.99% council tax increase (including 2% adult social care precept). This sum will be reflected in the 2023/24 budget proposals to be presented to this committee and Budget Council in February 2023.
- 7.2 The assumed level of income through the Business Rates Retention scheme is £79.868m, an increase of £8.436m compared with 2022/23.
- 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 2023/24

Name of finance officer consulted: James Hengeveld Date consulted:
05/01/23

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 2023/24, the base must be determined before 31 January 2023 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 2023.
- 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, are matters to be determined by the Policy & Resources Committee.

Name of lawyer consulted: Liz Woodley Date consulted 05.01.23

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