

Brighton & Hove City Council

Cabinet

Agenda Item 137

Subject: Council Tax Base and Business Rates Retention Forecasts 2025/26

Date of meeting: Thursday, 23 January 2025

Report of: Cabinet Member for Finance & City Regeneration

Contact Officer: Name: Haley Woollard, Deputy Chief Finance Officer

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Ward(s) affected: (All Wards)

Key Decision: Yes

Reason(s) Key: Expenditure which is, or the making of savings which are, significant having regard to the expenditure of the City Council's budget, namely above £1,000,000 and is significant in terms of its effects on communities living or working in an area comprising two or more electoral divisions (wards).

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 2025/26 before 31 January 2025.
- 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 2025/26 and note the estimate of income through the Business Rates Retention Scheme.

2. Recommendations

- 2.1 That Cabinet agrees the calculation of the council's tax base for the year 2025/26.
- 2.2 That Cabinet notes the collection rate assumed is 98.75%.

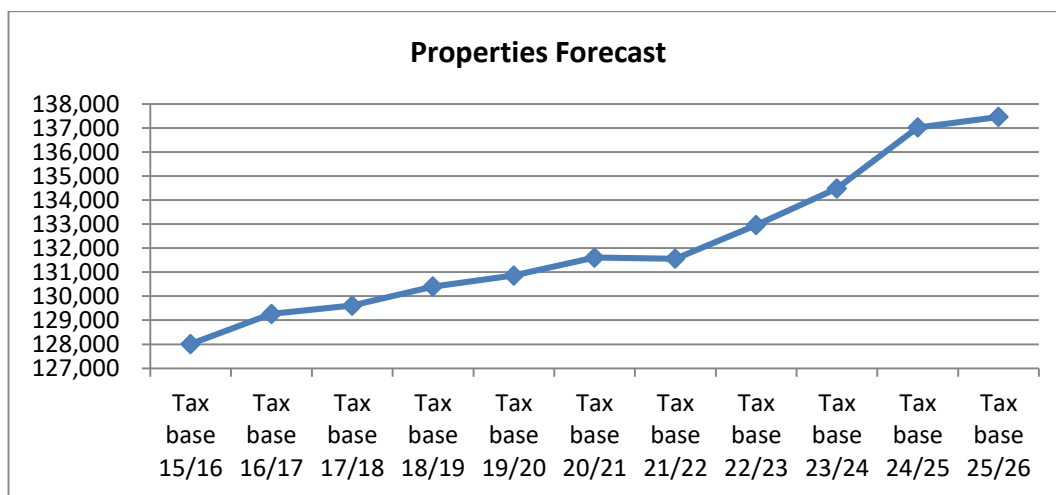
- 2.3 That Cabinet notes that no change to the Council Tax Reduction scheme is proposed for 2025/26 except that, in accordance with the policy agreed by full Council on 3 February 2022, earnings bands will be uplifted to reflect government changes to the National Living Wage as set out in paragraph 3.7.
- 2.4 That Cabinet 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 2025/26 shall be as follows:-
- 2.3.1 Brighton and Hove in whole – 95,160.3 (detail in appendix 1).
 - 2.3.2 Royal Crescent Enclosure Committee – 29.5 (detail in appendix 2).
 - 2.3.3 Hanover Crescent Enclosure Committee – 39.9 (detail in appendix 2).
 - 2.3.4 Marine Square Enclosure Committee – 72.2 (detail in appendix 2).
 - 2.3.5 Parish of Rottingdean – 1,785.8 (detail in appendix 2).
- 2.5 That Cabinet 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 Cabinet 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 because of the introduction of the Council Tax Reduction Scheme for the reasons set out in paragraph 3.14.
- 2.7 That Cabinet notes that the amount forecast to be received by the council in 2025/26 from its share of local business rates and section 31 Local Government Act 2003 compensation grants is £86.520m, based on the latest available data.
- 2.8 That Cabinet notes that the amount forecast to be received by the council in 2025/26 from its share of local Council Tax, including Adult Social Care precepts, is £197.623m based on latest available data.
- 2.9 That Cabinet delegates the agreement of the final business rates forecast and completion of the NNDR1 2025/26 form to the Section 151 Chief Financial Officer following consultation with the Cabinet Member for Finance & City Regeneration and this will be reflected in the General Fund Budget report to Cabinet in February 2025.

3. Context and background information

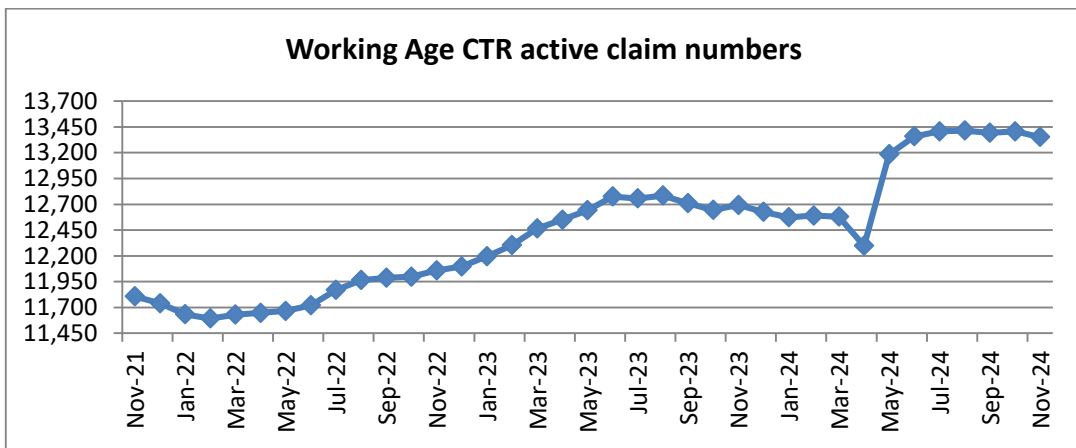
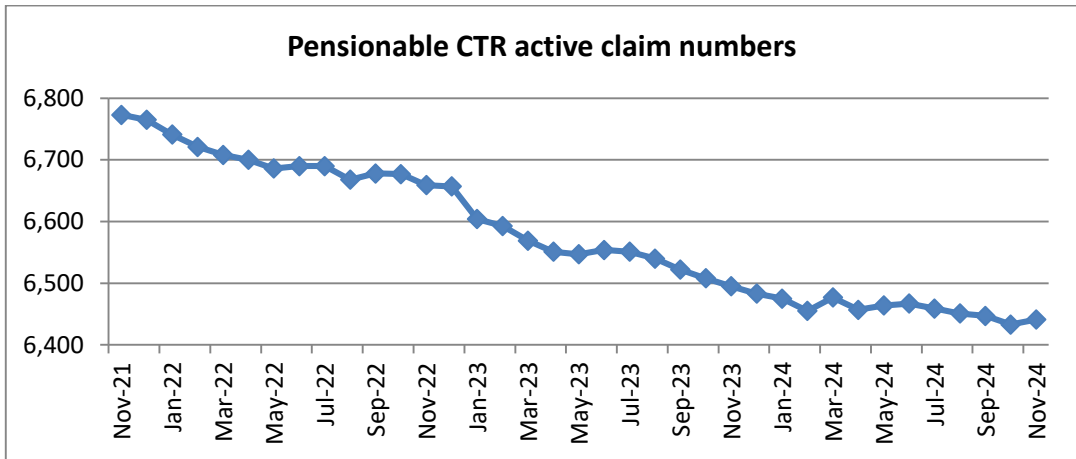
Council Tax

- 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.

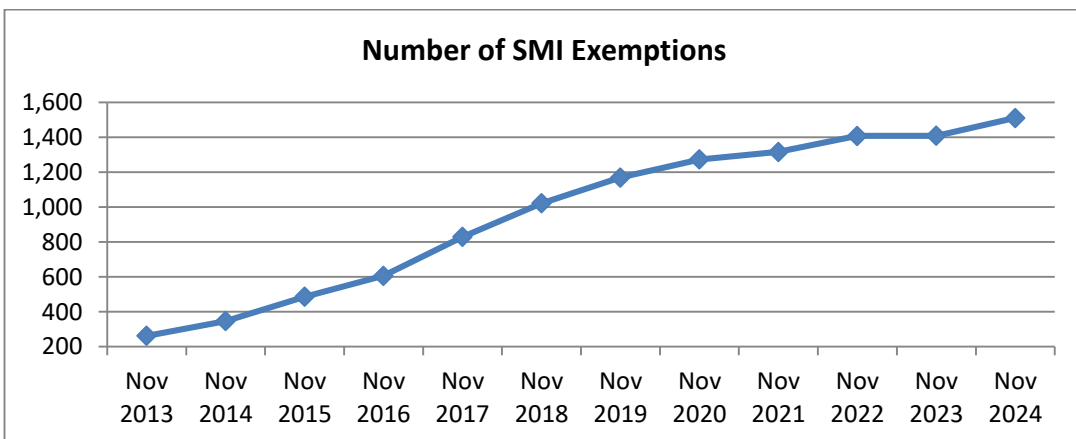
- 3.3 The key changes to the proposed tax base for 2025/26 are set out below.
- 3.4 As of November 2024, there were 135,990 properties on the valuation list. It is forecast that 1,466 new properties will be added by March 2026 equivalent to a 1.1% increase in the housing stock of the city. The largest developments within this include Sackville Trading Estate, Preston Road, Davigdor Road, Newtown Road, Saunders Park View, Coombe Farm and Lyon Close. In addition, there are student accommodation developments forecast to be added to the list by 31 March 2026, however their valuation is not straightforward and they will be exempt from council tax; they have therefore been excluded from the estimates. The graph below shows the trend of properties over time.



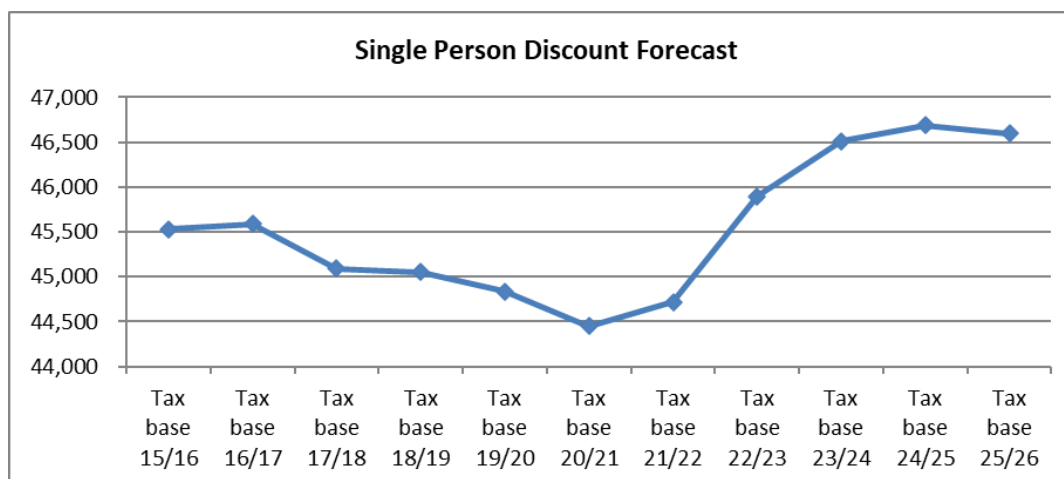
- 3.5 It is estimated that an average of 7,200 properties will be solely occupied by students (including halls of residence) during 2025/26.
- 3.6 The overall number of working age claimants receiving CTR has plateaued in recent months. Within this a greater proportion of claimants now receive universal credit and the average entitlement is reducing overall. The pensionable claimants receiving CTR have been decreasing through 2024/25 but have seen a small increase in November 2024. The tax base forecast assumes working age and pensionable claimants will remain at current levels. The overall number of CTR claimants is c19,800 at present and the cost of this support to the council in 2025/26 is estimated to be £20.168m.
- 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 2025/26 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 whilst appearing to have levelled off by November 2023 has seen a further increase of 102 in the last year.



3.9 The proposed tax base for 2025/26 estimates the number of single person discounts (SPDs) to be 46,595.



- 3.10 The empty property premium charges are estimated to raise a similar amount to the current financial year amounting to £1.649m. The table below shows the November 2024 split across the different percentage bands.

Chargeable % for empty property premium	Number
100% on empty for over 1 year, up to 5 years	872
200% on empty for over 5 years, up to 10 years	54
300% on empty for over 10 years	8
Total empty property premiums	934

- 3.11 From 1 April 2025 the council is implementing a 100% second home premium charge, previously agreed by full council on 1 February 2024. There are allowable exceptions to the premium and with potential behavioural changes it is anticipated for the purpose of the tax base that 60% of the current second homes will attract the additional premium charge. This change represents an increase to the tax base of which the council's share is anticipated to be £1.642m and is included in this tax base projection.
- 3.12 The resultant tax base proposed for 2025/26 is 95,160.3 which is a 1.7% increase from the 2024/25 tax base of 93,574.4 for the reasons explained above and summarised in the table below.

Element	Tax base
2024/25 tax base	93,574.4
New properties and band changes	690.4
Second Home Premium	781.1
Increase to Empty Property Premium	194.0
CTR claimants	-273.3
Net change in exemptions	118.5
Net change in discounts	75.1
2025/26 tax base	95,160.3

- 3.13 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.

- 3.14 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 2025/26 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

- 3.15 The government announced in the Autumn Budget that the small business multiplier is to be frozen for a further year and will remain at 49.9p whereas the standard multiplier is increasing in line with CPI to 55.5p per £1 rateable value. The government compensates local authorities for the lost income due to the freezing of multipliers through S31 compensation grants.
- 3.16 The Autumn Budget announced that the retail, hospitality and leisure relief scheme will be extended for one year for 2025/26 with the same eligibility but with a reduced level of relief at 40%, and up to a cash cap of £110,000 per business.
- 3.17 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 £86.520m. Any amendment to this forecast will be included in the February budget report to Cabinet.

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 MHCLG.

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 February Cabinet.

6. Financial implications

- 6.1 The proposed tax base is estimated to generate £197.623m in 2025/26 based on a 4.99% council tax increase (including 2% adult social care precept). This sum will be reflected in the 2025/26 budget proposals to be presented to Cabinet and Budget Council in February 2025.
- 6.2 The assumed level of income through the Business Rates Retention scheme is £86.520m, an increase of £1.610m compared with 2024/25.
- 6.3 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 2025/26 and reported to Cabinet and Budget Council in February 2025.
- 6.4 Overall the tax base estimates contained within this report generate £0.448m additional income compared to the assumptions presented to Cabinet on 26 September 2024.

Finance officer consulted: Haley Woollard Date consulted: 07/01/25

7. Legal implications

- 7.1 Under the Local Government Finance Act 1992, the council must determine the Council Tax base applicable to Brighton & Hove. In respect of 2025/26, the base must be determined before 31 January 2025 as required by regulation 8 of The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 7.2 All other references to the legal framework for setting the council tax base are contained within the body of the report.
- 7.3 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 2025, these amounts must be determined by 31 January 2025.
- 7.4 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 Cabinet.

Lawyer consulted: Elizabeth Culbert Date consulted: 08/01/25

8. Equalities implications

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

9. Sustainability implications

9.1 None.

10. Conclusion

10.1 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 2025/26 before 31 January 2025 and this report enables the Council to fulfil that requirement.

10.2 The council has a statutory duty to agree a business rates forecast for 2025/26, set out a forecast surplus or deficit for 2024/25 and submit an NNDR1 form by the 31 January 2025.

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