

Brighton & Hove City Council

Cabinet

Agenda Item 106

Subject: **Council Tax Base and Business Rates Retention Forecasts 2026/27**

Date of meeting: **Thursday, 22 January 2026**

Report of: **Cabinet Member for Finance & City Regeneration**

Contact Officer: **Name: Haley Woppard, 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 2026/27 before 31 January 2026.
- 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). In addition, the process for estimating the business rates income for 2026/27 is more complex than previous years. This is as a result of the combination of a new valuation list effective from 1 April 2026, as well as a number of changes to the business rates system, outlined further in paragraphs 3.16 to 3.20.
- 1.3 The purpose of this report is to provide information to enable Members to agree the council tax base for 2026/27 and note the changes to the Business Rates Retention Scheme. The income through the Business Rates Retention Scheme will be included in the General Budget Report to February Cabinet.

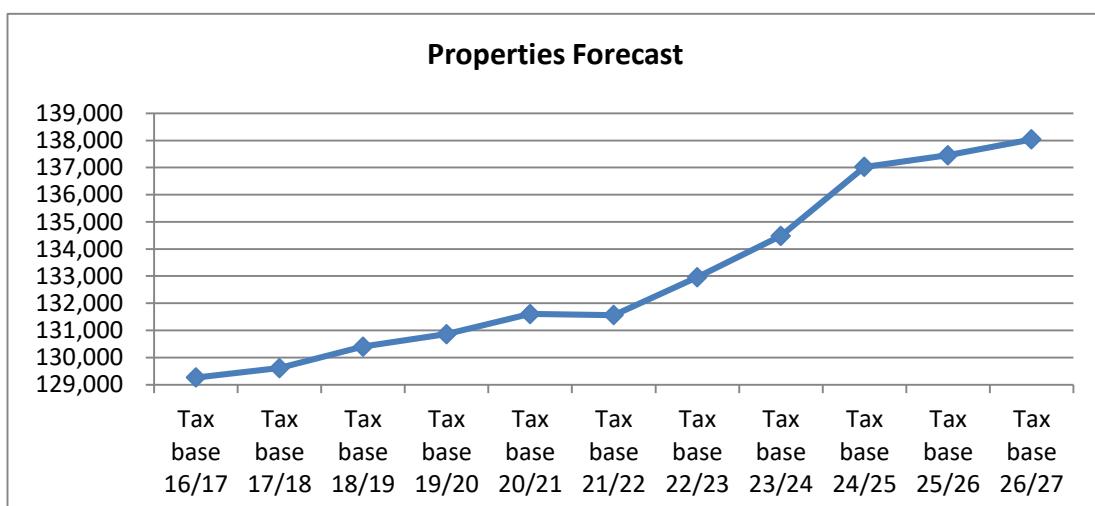
2. Recommendations

- 2.1 That Cabinet agrees the calculation of the council's tax base for the year 2026/27.
- 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 2026/27 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 2026/27 shall be as follows:-
 - 2.4.1 Brighton and Hove in whole – 96,316.1 (detail in appendix 1).
 - 2.4.2 Royal Crescent Enclosure Committee – 29.7 (detail in appendix 2).
 - 2.4.3 Hanover Crescent Enclosure Committee – 41.1 (detail in appendix 2).
 - 2.4.4 Marine Square Enclosure Committee – 73.7 (detail in appendix 2).
 - 2.4.5 Parish of Rottingdean – 1,775.2 (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£5,000 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 3.15.
- 2.7 That Cabinet notes that the amount forecast to be received by the council in 2026/27 from its share of local Council Tax, including Adult Social Care precepts, is £210.010m based on latest available data.
- 2.8 That Cabinet delegates the agreement of the final business rates forecast and completion of the NNDR1 2026/27 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 2026.
- 2.9 That Cabinet notes that the amount forecast to be received by the council in 2026/27 from its share of local business rates and section 31 Local Government Act 2003 compensation grants is £58.442m, based on the provisional local government finance settlement.

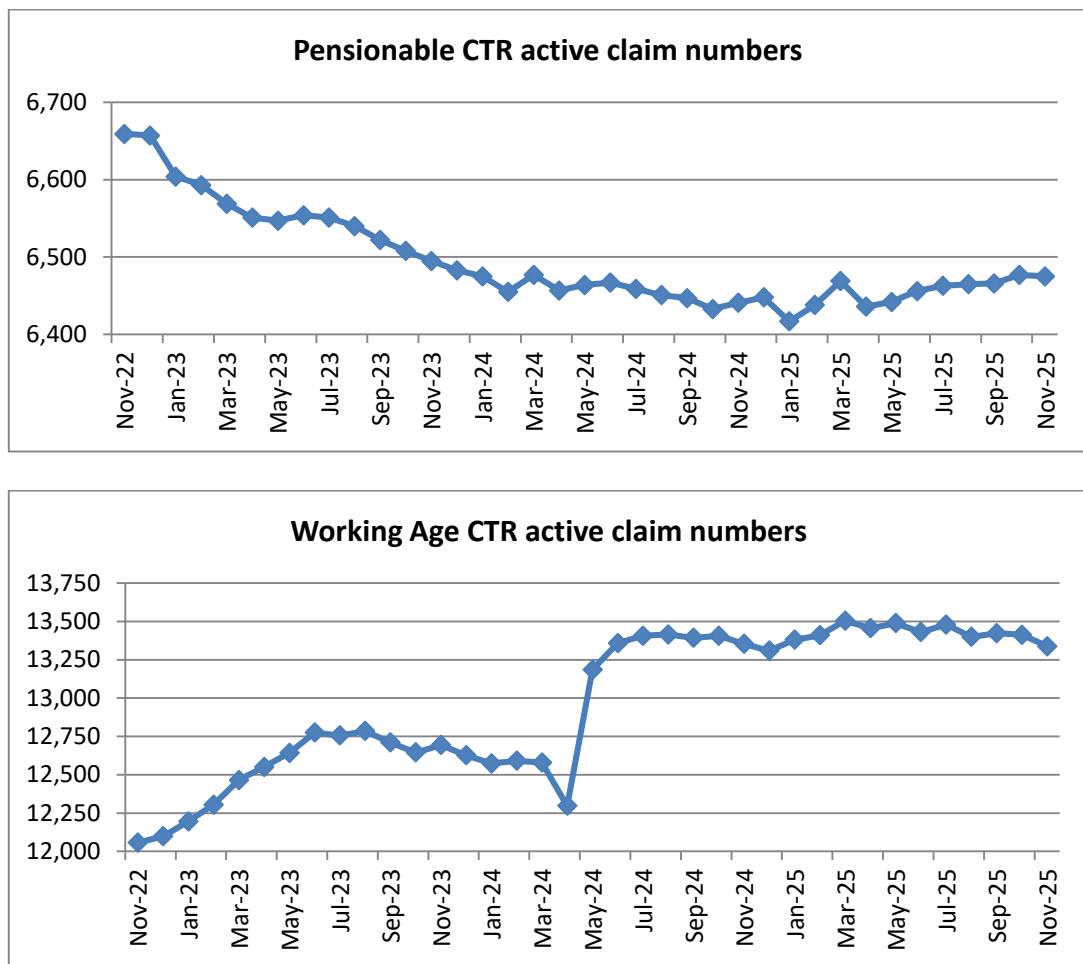
3. Context and background information

Council Tax

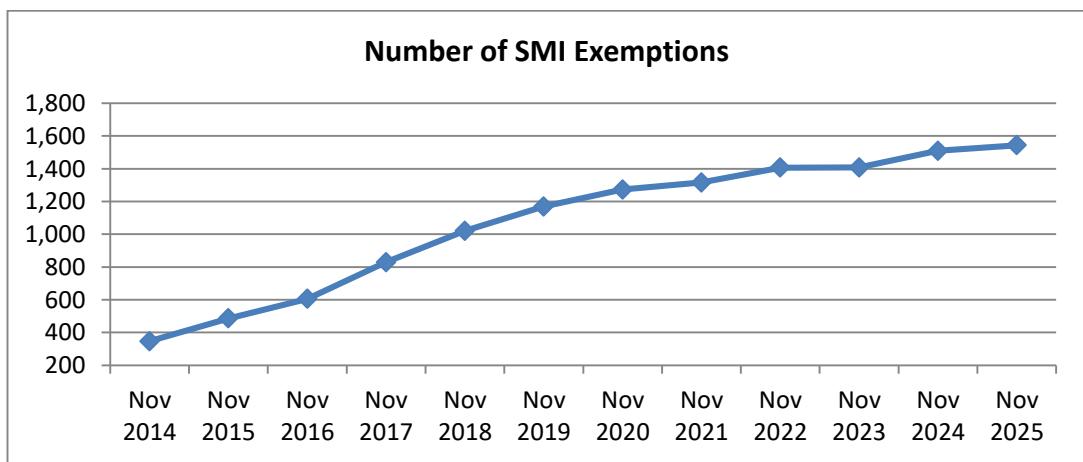
- 3.1 The tax base has been calculated in accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012. The detail of the calculation for the whole of Brighton and Hove is shown at Appendix 1.
- 3.2 The tax base is calculated by estimating how many properties there 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 2026/27 are set out below.
- 3.4 As of November 2025, there were 136,509 properties on the valuation list. It is forecast that 1,528 new properties will be added by March 2027 equivalent to a 1.1% increase in the housing stock of the city. The largest developments within this include Moda development (Sackville), Goldstone Apartments, Saunders Park View, The Cliffs in Ovingdean and Davigdor Road. The graph below shows the trend of properties over time.



- 3.5 It is estimated that an average of 7,082 properties will be solely occupied by students (including halls of residence) during 2026/27 which is a reduction of 118 on 2025/26. The reduction reflects forecast vacancies in purpose-built student accommodation.
- 3.6 The overall number of working age claimants receiving CTR has gradually reduced from the peak point in March 2025 of 13,505 to 13,337 claimants. The pensionable claimants receiving CTR have slightly increased during 2025/26 and are now at 6,475. The tax base forecast assumes working age and pensionable claimants will remain at current levels and the cost of this support to the council in 2026/27 is estimated to be £21.318m.
- 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 2026/27 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 has increased at a much slower pace over the last few years, with a small increase of new awards during 2025/26.



3.9 The proposed tax base for 2026/27 estimates the number of single person discounts (SPDs) to be 46,775, based on the 2025/26 forecast plus the proportion of discounts that relates to new properties.



3.10 In November 2025 there are 1,000 properties being charged the empty property premium, which has been used in the tax base for 2026/27. The council's share of the empty property premium is forecast to be £2.038m. The table below shows the November 2025 split across the different percentage bands.

Chargeable % for empty property premium	Number
100% on empty for over 1 year, up to 5 years	928
200% on empty for over 5 years, up to 10 years	64
300% on empty for over 10 years	8
Total empty property premiums	1,000

3.11 The first year of the 100% second home premium charge has seen the number of properties in receipt of this charge reduce as updated information has been received and any applicable exceptions awarded. However, the Taxbase in 2025/26 was set prudently, with an assumption that only 60% of the properties eligible for the charge would remain eligible due to the expectation of potential behavioural changes and updated circumstances from owners.

3.12 The number of properties in receipt of the charge at November 2025 is 1,320. It is assumed that this will reduce further due to the expectation of continued potential changes in circumstances and behavioural changes. The taxbase assumes a reduction to 1,094 properties in receipt of the charge. The council's share of second home premium is anticipated to be £2.251m and is included in this tax base projection.

3.13 The resultant tax base proposed for 2026/27 is 96,316.1 which is a 1.2% increase from the 2025/26 tax base of 95,160.3 for the reasons explained above and summarised in the table below.

Element	Tax base
2025/26 tax base	95,160.3
New properties and band changes	668.2
CTR claimants	-63.4
Net change in exemptions	192.0

Net change in discounts	-18.1
Empty Property Premium	138.6
Second Home Premium	238.5
2026/27 tax base	96,316.1

3.14 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.

3.15 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 2026/27 will be c£5,000 in line with previous years; the actual figure will depend on the tax level set by each body.

Business Rates Retention

3.16 The Business Rates Retention system (BRR) was initially implemented in 2013/14 and was designed to be regularly reset to redistribute growth of business rates income across local authorities. However due to complexity, this hasn't happened. The government has decided a full Business Rates Reset, alongside the Fair Funding Review (FFR). This results in the redistribution of all accumulated growth within the Business Rate system based on the measure of each authority's need. Thereby providing a new Baseline Funding Level (BFL) for business rates for 1 April 2026 with the opportunity to retain growth until the next reset.

3.17 The latest working forecast is that the Council's net share of local business rates retained will be £58.442m in line with the council's BFL set in the provisional local government finance settlement.

3.18 The BRR is being implemented in 2026/27 alongside a number of other changes to business rates that include:

- From 1 April 2026 a new valuation list reflecting rateable value changes since the last revaluation in 2023.
- Replacement of Retail, Hospitality and Leisure (RHL) relief with two lower business rates multipliers for RHL properties with rateable values below £500,000.
- Introduction of new High-value non-domestic rating multiplier for rateable values £500,000 and above.
- The five multipliers were confirmed in the Autumn Budget as follows:
 - Small business RHL multiplier: 38.2p
 - Small business non-domestic rating multiplier: 43.2p

- Standard RHL multiplier: 43.0p
- Standard non-domestic rating multiplier: 48.0p
- High-value non-domestic rating multiplier: 50.8p
- A redesigned Transitional Relief scheme covering three years to support ratepayers facing large bill increases at the revaluation.
- Introduction of a Supporting Small Business Scheme (SSB relief) for 2026/27 to provide support for businesses where their Business Rates bill will increase within the new ratings list, and where they will lose some or all of their small business rates relief or rural rate relief.
- Ratepayers who do not receive Transitional Relief or the Supporting Small Business scheme will be charged a 1p supplement for 2026/27 only.
- Extending the Small Business Rates Relief (SBRR) grace-period from one to three years, meaning businesses will now remain eligible for SBRR on their first property for three years after expanding into a second property.

3.19 This report would ordinarily include an estimate of the retained Business Rates income including the Section 31 grants receivable for the coming financial year to be included in the NNDR1 return. However, the entries for the NNDR1 return for 2026/27 are still being compiled as system updates have been required to reflect the significant changes noted above. In addition, there is added complexity to interpret those within the changed scheme workings for the level of business rates retained. The NNDR1 form will be completed by the statutory deadline of 31 January 2026. This report recommends delegation of the final business rates forecast and the NNDR1 submission to the Chief Finance Officer.

3.20 The implications of the business rates forecast and any further technical updates around the BRR scheme 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 £210.010m in 2026/27 based on a 4.99% council tax increase (including 2% adult social care precept). This sum will be reflected in the 2026/27 budget proposals to be presented to Cabinet and Budget Council in February 2026. This generates £0.708m additional income compared to the assumptions presented to Cabinet on 11 December 2025.

6.2 The assumed level of income through the Business Rates Retention scheme is set in line with the Baseline Funding Level (BFL) set in the provisional Local Government Finance Settlement (LGFS) at £58.442m. This value may change in the Final LGFS, expected in early February. However, the government are providing a 100% Safety Net on BFL, therefore any change will not result in a pressure to the Council. The final figures in the NNDR1 form including the council's share of any business rates collection fund deficit or surplus will be included within the budget forecast for 2026/27 and reported to Cabinet and Budget Council in February 2026.

Finance officer consulted: Haley Woollard Date consulted: 08/01/26

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 2026/27, the base must be determined before 31 January 2026 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 2026, these amounts must be determined by 31 January 2026.

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: 12/01/26

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 2026/27 before 31 January 2026 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 2026/27, set out a forecast surplus or deficit for 2025/26 and submit an NNDR1 form by the 31 January 2026.

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

