

COUNCIL TAX BASE AND BUSINESS RATES FORECAST 2025/26

Reporting Officer: Corporate Director of Finance

SUMMARY

This report sets out the proposed Council Taxbase and Business Rates Forecast for 2025/26 in accordance with the legislation for approval by the Council. The Council is required to calculate both its Council Taxbase as at 30 November 2024 by 31 January 2025 and the Business Rates forecast for the forthcoming year by 31 January 2025.

RECOMMENDATIONS: That:

- a) **The report of the Corporate Director of Finance for the calculation of the Council Taxbase and the Business Rates Forecast be approved.**
- b) **In accordance with the Local Authorities (Calculation of Council Taxbase) (England) Regulations 2012 the amount calculated by the London Borough of Hillingdon as its Council Taxbase for 2025/26 shall be 105,422.**
- c) **Authority be delegated to the Corporate Director of Finance to submit the 2025/26 NNDR1 return to the Ministry of Housing, Communities and Local Government (MHCLG) and the Greater London Authority (GLA).**
- d) **The continuation of the Council's policy of passporting Government discounts and reliefs applied to Business Rates to the ratepayer be approved.**
- e) **Having due regard to the Review Of Working Age Council Tax Reduction Scheme for 2025/26 at Appendix 2 and the Equalities Impact Assessment at Appendix 2a, approve the following amendments to the Council's local Council Tax Reduction Scheme to reform the scheme with effect from 1 April 2025:**
 - i. **Align the vulnerable group percentage reduction with the rest of the scheme over a phased approach lasting 4 years.**
 - ii. **Remove the war widow pension group from the scheme.**
 - iii. **Remove Transitional Protection.**
 - iv. **Increase the minimum weekly award to £3.**
 - v. **Reduce the absence abroad to 4 weeks in line with Pensioner CTR scheme change.**
 - vi. **Cap the amount of Council Tax liability to be used in the calculation to Band D (non-vulnerable households only).**
 - vii. **Increase the non-dependant deduction from £8 to £10 per week.**
 - viii. **Introduce additional support for care leavers.**

COUNCIL TAXBASE

The calculation of the Council Taxbase is prescribed under the Local Authorities (Calculation of Council Taxbase) (England) Regulations 2012 and represents the equivalent number of Band D Properties within the Borough. The calculation of the Council Taxbase is based upon the following formula:

((H-Q+E+J)-Z) x (F divided by G)

Where:

H is the number of chargeable dwellings for the band on the relevant day less the number of exempt dwellings on that day;

Q is a factor to take account of the discounts to which the amount of council tax payable was subject on the relevant day;

E is a factor to take account of premiums, if any, to which the council tax payable, was subject on the relevant day;

J is the amount of any adjustment in respect of changes in the number of chargeable dwelling or premiums calculated by the authority;

Z is the total amount that the authority estimates will be applied as a result of the introduction of the Council Tax Reduction Scheme expressed as an equivalent number of chargeable dwellings in that band;

F is the number appropriate to that band which is used in determining the Band D equivalent (i.e., Band A = 6, Band B = 7, Band C =8, Band D = 9, Band E = 11, Band F = 13, Band G = 15 and Band H = 18;

G is the number applicable to Band D i.e., 9.

Table 1 sets out a summary of the Council Taxbase for 2025/26 including the estimated collection rate and allowance made for contributions in lieu of Council Tax in respect of Forces Barracks and Married Quarters. The detailed calculation is set out in Appendix 1 to this report.

Table 1: Total Number of Band D equivalent properties

Band	Number of properties
A	663
B	3,328
C	19,095
D	40,374
E	20,437
F	13,167
G	7,735
H	920
Total Equivalent	105,719
Equivalent number adjusted for the estimated collection rate (99%)	(1,057)
Plus, the contribution in Lieu of Council Tax in respect of Forces Barracks and Married Quarters	760
Council Taxbase for 2025/26	105,422

Changes in the Council Taxbase since 2024/25

In calculating the Council Taxbase for 2025/26, the authority has to estimate the various changes that will occur during the financial year, which are expected to result in a net increase of 754 Band D equivalent properties from the 2024/25 Taxbase.

Spend on the Council Tax Reduction Scheme (CTRS) has continued to track above pre-pandemic levels in 2024/25, while case load has been declining at a rate of 6% compared to 2% in 2023/24. The rise in spend is being driven by the relatively stable number of Pensioners receiving increased reductions from year to year in line with Council Tax increases, along with a rise in Working Age Vulnerable cases which are generally entitled to additional support compared to the Pensioner and Working Age

Other groups. The decrease in case load is due to fewer Working Age Other cases, where the unit cost for each case is lower than for the other two groups; however, there is a possibility that a proportion of these cases are moving into the Working Age Vulnerable category.

While current data indicates that this decline in case numbers will continue, based on the current spend we are projecting that the costs of the CTRS will also continue to rise. However, the proposals for revising the CTRS currently out for consultation are projected to reduce the overall cost of the scheme by around £1m in 2025/26, and therefore for planning purposes this has been factored into our projections. The Council will continue to closely monitor spend and demand for this service going forward.

Impact on 2025/26 General Fund Budget

The actual impact of the new Council Taxbase on Hillingdon's General Fund budget for 2025/26 is an increase of 754 Band D equivalents properties, increasing Council Tax revenue by £1,050k. This position will be compounded by the proposed increases in Council Tax and the Adult Social Care Precept. This position reflects the outlook presented within the draft budget considered by Cabinet on 12 December 2024.

Section 106 of the Local Government Finance Act 1992

It is noted that this report falls within the provisions of the Local Government Finance Act 1992. Any member who is two or more months in arrears with his/her Council Tax must declare the fact and not vote on the recommendations in this report.

BUSINESS RATES INCOME FORECAST

The Local Government Finance Act 2012 introduced a mechanism whereby local authorities retain a proportion of business rates as a revenue funding stream and as a result, the business rates income forecast for 2025/26 has a direct impact upon the Council's finances and is therefore submitted to Council for approval alongside the Council Taxbase.

For 2025/26 the Small Business Rate multiplier is being frozen at 49.9p with the standard multiplier set to increase to 55.5p. The freeze on the lower multiplier will be fully funded by the Government via an under-indexation grant paid to local authorities.

The Business Rates Income forecast for 2025/26 has been derived from the local rating list. Following allowance for the current levels of both mandatory and discretionary reliefs, the Council anticipates a gross yield of £405,774k made up of a combination of rate payers' liabilities and Section 31 Grant income paid by Government to fund national reliefs.

The Local Government Act 2012 permitted the retention of 30% of revenues generated by London Boroughs, with the remainder being split between Central Government (33%) and the Greater London Authority (37%). This retained sum is reduced through tariff and levy mechanisms, with Hillingdon's share of projected 2025/26 income amounting to £72,129k, which is made up of the baseline rates income of £51,887k plus retained growth of £20,242k.

The Council is required to submit a certified NNDR1 return, containing a more detailed analysis of this business rates forecast, to both MHCLG and GLA by 31 January 2025. A recommendation to delegate authority to the Corporate Director of Finance to submit this return is included in this report, with the return to be based on the latest available intelligence.

Impact on 2025/26 General Fund Budget

The £72,129k income retained by the Council will be reflected in the budget presented to Cabinet for approval in February 2025, an increase of £3,103k from 2024/25 due to the Council releasing much of the remaining benefit of the 2023/24 revaluation that was previously held back to fund appeals against the new list, with this position now more firmed up, but this will continue to be reviewed throughout 2025/26. This position reflects the outlook presented within the draft budget considered by Cabinet on 12 December 2024.

Proposed Retail Rate Relief

In the Autumn Statement the Chancellor announced her intention to introduce permanently lower multipliers for businesses within the retail, hospitality and leisure sectors with an RV under £500,000 from 2026/27, with interim support of 40% relief in 2025/26 of up to £110,000 per business. An estimate for the local cost of this scheme along with all other Government reliefs will be included in the NNDR1 returned to MHCLG on this basis. In line with other Government-directed discounts, the Council will be reimbursed for lost income through a Section 31 Grant.

COUNCIL TAX REDUCTION SCHEME

This report sets out eight changes to the Council Tax Reduction Scheme for working age households, with no impact from any proposed changes on pension age claimants as they are subject to separate nationally defined rules. As CTRS operates as a discount on Council Tax bills, the GLA bear the cost of the scheme against their share of the overall bill.

Over the four years since 2020/21, the cost of the overall scheme has grown by 13% or £1.4m with increased caseloads within the “vulnerable” category, in which eligible households receive a flat 90% discount regardless of income levels. Vulnerable status is determined by receipt of certain DWP benefits – (including Disability Living Allowance and Personal Independence Payments). The most significant proposals for reform of the CTRS are based around aligning levels of support for this group with those for other working age claimants which are aligned to income levels in order to better target support to the lowest income households.

Proposed reforms of the scheme are intended to meet two policy objectives, in the context of competing demands on finite funding available to support local services:

- i. Improving the targeting of support to those households in greatest need, and;
- ii. Reducing the administrative burden of the scheme to deliver efficiency savings within the Revenues & Benefits Service.

Having due regard to the Equalities Impact Assessment at Appendix 2a, it is recommended that Council approve the proposed reforms to the local Council Tax Reduction Scheme with a view to reforming the scheme with effect from April 2025:

- i. Align the vulnerable group percentage reduction with the rest of the scheme over a phased approach lasting 4 years.
- ii. Remove the war widow pension group from the scheme.
- iii. Remove Transitional Protection.
- iv. Increase the minimum weekly award to £3.
- v. Reduce the absence abroad to 4 weeks in line with Pensioner CTR scheme change.
- vi. Cap the amount of Council Tax liability to be used in the calculation to Band D (non-vulnerable households only).
- vii. Increase the non-dependant deduction from £8 to £10 per week.
- viii. Introduce additional support for care leavers.

The proposals recommended are projected to reduce the overall cost of the scheme by £1.2m in 2025/26, with circa £1.0m of the benefit accruing to Hillingdon and the remainder to the GLA. These projections are predicated on successful collection of the additional amounts to be billed from 1 April 2025.

FINANCIAL IMPLICATIONS

The forecasts outlined in this report for both Council Tax and NNDR revenues in 2025/26 were included within the draft budget published for public consultation in December 2024, with the recommendation in this report to delegate authority to the Corporate Director of Finance to submit an NNDR1 being on the basis of the position presented in this report, which mirrors the position presented to December Cabinet. Income collected during 2025/26 will be closely monitored and any variation from the projections outlined above captured through future refreshes of the Medium Term Financial Forecast process.

LEGAL IMPLICATIONS

The legal implications are contained in the body of the report.

BACKGROUND PAPERS: The Council's Budget: MTFF 2025/26 - 2029/30 - 12 December 2024.

Calculation of the Council Taxbase 2025/26

Appendix 1

CALCULATION OF 'H' (The number of chargeable dwellings on valuation list)	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H	Total
Number of properties in the valuation list as at 13.12.23	1,257	6,541	28,259	47,444	18,805	10,047	5,324	492	118,169
Exempt Properties	(71)	(301)	(642)	(964)	(472)	(326)	(475)	(8)	(3,259)
Properties re Disabled Persons relief - Drop a Band		(7)	(60)	(206)	(129)	(93)	(46)	(21)	(562)
Properties re Disabled Persons relief - Drop a Band	7	60	206	129	93	46	21		562
Value of 'H'	1,193	6,293	27,763	46,403	18,297	9,674	4,824	463	114,910
CALCULATION OF 'Q' (the value of discounts allowed)									
Equivalent number of properties entitled to single occupancy discount/ Disregard (i.e. actual number x 25%)	(118)	(879)	(2,856)	(2,436)	(934)	(468)	(182)	(7)	(7,880)
Equivalent number of properties entitled to 50% discount as all residents disregarded (i.e. actual number x 50%)	(1)	(13)	(20)	(13)	(8)	(7)	(12)	(3)	(76)
Empty Property Discount	0	0	0	0	0	0	0	0	0
Value of 'Q'	(119)	(892)	(2,876)	(2,449)	(942)	(475)	(194)	(10)	(7,956)
CALCULATION of 'E' (Any premiums payable on empty properties)									0
Calculation of Premiums applicable	10	18	71	57	16	23	11	7	213
Value of 'E'	10	18	71	57	16	23	11	7	213
CALCULATION OF 'J' (Expected adjustments to number of properties on valuation list)									
New properties added to valuation list since 13.12.22									0
Properties completed but not yet shown on valuation list	99	16	29	15	11	17	14	0	201
Properties known to be on valuation list but to be taken out of list as demolished	(5)	(1)	(2)	(14)	(5)	(4)	(5)	0	(36)
Assumed increase in no of properties over year	11	56	244	411	162	87	46	4	1,020

Estimated in year changes to discounts	(2)	(17)	(54)	(46)	(18)	(9)	(4)	(0)	(150)	
Estimate change in Empty Property Premium									0	
Estimated in year changes to exemptions	(1)	(5)	(11)	(18)	(8)	(6)	(8)	(0)	(56)	
Value of J	101	49	206	348	142	85	43	4	979	
Value of (H+Q+E+J)	1,185	5,469	25,164	44,359	17,514	9,307	4,685	464	108,147	
CALCULATION of 'Z' (Band adjustment due to Council Tax Reduction (CTR) Scheme)										
Equivalent Band reduction based upon estimated monetary values of Council Tax Support Grant	(206)	(1,288)	(3,986)	(4,314)	(858)	(207)	(47)	(4)	(10,910)	
Estimated in year changes	16	98	304	329	65	16	4	0	832	
Value of 'Z'	(190)	(1,190)	(3,682)	(3,985)	(793)	(191)	(43)	(4)	(10,078)	
Value of H+Q+E+J-Z	995	4,279	21,482	40,374	16,721	9,116	4,641	460	98,069	
Convert to band D equivalent properties (F/G) where G = 9 and F = number shown in column.	6	7	8	9	11	13	15	18		
Band D Equivalent properties by Band Value of ((H+Q+E+J)-Z)*(F/G)	663	3,328	19,095	40,374	20,437	13,167	7,735	920	105,719	
Collection rate allowance 2022/23	99.0%							1.0%		(1,057)
Estimated Collectable Band D Properties									104,662	
Ministry of Defence properties									760	
COUNCIL TAX BASE 2025/26									105,422	