COUNCIL TAX BASE AND BUSINESS RATES FORECAST 2026/27

Reporting Officer: Corporate Director of Finance

SUMMARY

This report sets out the proposed Council Taxbase and Business Rates Forecast for 2026/27 in accordance with the legislation for approval by the Council. The Council is required to calculate both its Council Taxbase as at 30 November 2025 as well as the Business Rates forecast for the forthcoming year by 31 January 2026. The taxbase for 2026/27 is estimated to be 107,349 Band D Equivalent Properties – an increase of 1,927 on the 105,422 agreed in January 2025 for the year 2025/26

RECOMMENDATIONS: That:

a) **Having due regard to the Review of Working Age Council Tax Reduction Scheme [*CTRS*] for 2026/27 at Appendix 2 and the Equalities Impact Assessment at Appendix 2a, the following amendment to the Council's local Council Tax Reduction Scheme to reform the scheme with effect from 1 April 2026 be approved:**
   i. **Apply the standard £10.00 non-dependant deduction across all schemes including the vulnerable scheme (unless the non-dependant is a student when no deduction is taken);**
   ii. **Reduce the maximum award from 80% to 75% across the vulnerable scheme as part of our phasing in of aligning the vulnerable scheme with the standard scheme; and**
   iii. **Increase the non-dependant deduction from £10.00 to £12.00 per week;**

b) **the introduction a Council Tax Premium at an additional 100% on properties designated as second homes from 1st April 2026 be approved;**

c) **the Council Tax Taxbase for 2026/27 be approved as 107,349 Band D equivalent properties, calculated in accordance with the Local Authorities (Calculation of Council Taxbase) (England) Regulations 2012; and**

d) **authority be delegated to the Corporate Director of Finance to submit the 2026/27 NNDR1 return by 31st January 2026 to the Ministry of Housing, Communities and Local Government [*MHCLG*] and the Greater London Authority [*GLA*].**

Reasons for recommendations

1. The Welfare Reform Act 2012 and Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a locally determined Council Tax Reduction Scheme. The Council has discretion to vary the level of support offered to working-age claimants. Changes to the scheme were made in 2025/26 and the February 2025 Budget and Council Tax report (approved by Council on 27th February 2025) proposed further changes to the scheme in 2026/27. Recommendation a) sets out those changes to the existing 2025/26 CTRS scheme.

2. The Levelling-up and Regeneration Act 2023 allowed for a Second Homes Premium (additional charge) on second homes of up to 100% with effect from April 2024 – subject to 12 months' notice of a council's intention to implement such a premium. The February

2025 Budget Setting and Council Tax included a proposal to implement an additional 100% premium on properties designated as second homes from the start of 2026/27 and accordingly an advert notifying residents of this future intention was placed in local media in March 2025. Recommendation b) allows those proposals to be implemented.

3. The Local Authorities (Calculation of Council Taxbase) (England) Regulations 2012 require Billing Authorities to calculate the Council Tax Taxbase for the forthcoming year and to notify preceptors and levying bodies of that determination by 31st January each year. The regulations prescribe that the appropriate figure must be calculated using the Valuation List and Council Tax records as at 30 November. Recommendation c) allows for this statutory requirement to be met.

4. As the Billing Authority, the Council is also required to determine the estimated yield for the Business Rate yield for the forthcoming year (and any surplus/deficit on current year budgets. This is actioned by completion of the Ministry of Housing, Communities and Local Government's [*MHCLG*] NNDR1 return and has to be certified by the Corporate Director of Finance and submitted by 31st January to both MHCLG and the GLA (who respectively retain 33% and 37% of the net Business Rate yield). Recommendation d), as in previous years seeks approval for delegated authority to approve and submit these calculations.

Alternative options considered / risk management

5. The Council has discretion to amend the changes proposed to the CTRS and implementation of the Second Homes Premium. Any such changes would however have the potential to adversely impact the budget assumptions set out in the Draft 2026/27 Budget and Medium-Term Financial Strategy [*MTFS*] approved in December 2025 and published for stakeholder consultation.

6. The Council has statutory and regulatory responsibilities to approve the calculations of the Council Tax Taxbase and Business Rate estimates by 31st January.

Supporting Information

<u>Executive Summary</u>

7. This report sets out calculations for the 2026/27 budget with regard to the Council Tax Taxbase and incorporates proposed changes to the local Council Tax Reduction Scheme [*CTRS*] and the introduction of a 100% Premium for Second Homes – both of these changes were planned when the 2025/26 Budget and Medium-Term Financial Strategy [*MTFS*] were approved in February 2025.

8. The Welfare Reform Act 2012 and Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a locally determined CTRS which is effectively now a type of Council Tax discount. The Council has discretion to determine its own scheme for working-age claimants. This report seeks approval to amend the scheme, the changes outlined in the February Budget and Council Tax Setting report in February 2025.

9. The proposed changes to the CTRS have been included as proposals in the 2026/27 Budget and MTFS report considered and approved by Cabinet in December 2025.

10. Powers to charge a Second Homes Premium were introduced by government in 2024, but with a required 12-month notice period of intent to levy this premium were only

available to councils from 2025/26. The Council included the intention to levy this charge in its 2025/26 Budget Setting and MTFS report and having publicised its intention in local media intends this 100% premium for April 2026.

11. The Council is required to determine its 2026/27 Taxbase by 31st January and to notify the Greater London Authority [GLA] as a major preceptor by that date. The calculation of the Taxbase incorporates the impact of the CTRS and proposed changes to both it and the Second Homes Premium outlined above.

12. The taxbase, expressed as an equivalent number of Band D properties, has been calculated to rise by 1,927 from 105,422 in 2025/26 to **107,349** in 2026/27 – a rise of 1.8%. The impact of this increase will increase the income for the Council by £2.818m (1,927 Band D Properties x the Council's own local element of the 2025/26 Band D charge £1,462.00).

13. The Council is also required to estimate its 2026/27 Business Rate yield (as well as a forecast of the 2025/26 outturn position) and notify the Ministry of Housing, Communities & Local Government [*MHCLG*] and the GLA of those calculations by 31st January.

14. Hillingdon has seen the highest increase in draft property rateable values as a result of the Valuation Office Agency's [*VOA*] revaluation exercise, which is due to come into force in April 2026. In particular, the Heathrow Airport valuation has risen by 353% (from £210m to £951m). Officers are modelling the potential implications that appeals against the new valuations may have on the final calculations and how these interact with the government's localised business rate system Safety Net and Levy arrangements.

15. Modelling to determine the business rates forecast is made more complex this year by not only the revaluation itself, but also the introduction of new Multiplier classes (Retail, Hospitality and Leisure [RHL] properties); new Transitional Relief arrangements; as well as a new Multiplier for Large Properties (those with a new rateable value in excess of £500,000). A final version of the Draft Valuation List is expected imminently and will be used in completing the final NNDR1 return by 31st January.

<u>Local Council Tax Reduction Scheme</u>

16. Prior to April 2013, support for Council Tax was provided through the national Council Tax Benefits scheme. Since that date, local authorities in England have been responsible for administering their own Council Tax Reduction Schemes. This followed the UK Government decision to abolish Council Tax Benefit and an announcement in the 2010 Spending Review to localise Council Tax Support and to reduce expenditure on this benefit by 10% - local authorities being provided with 90% of the remaining expense through Revenue Support Grant [*RSG*]. That funding has been eroded by the general reduction in RSG funding through the years of austerity and takes no account of changes in demand levels.

17. The Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 state councils must make reductions for certain classes of pensioners. No other groups are required to receive reductions under the Regulations. Since April 2013 local authorities have been required to publish and implement a scheme setting out Council Tax Support in their area.

18. The Council operates its own CTRS and made changes to the scheme (approved in the January 2025 Council Tax Taxbase report) to apply for 2025/26 and also in the February

2025/26 Budget and Council Tax Setting Report of the same year approved 2026/27 budget changes predicated on further changes to the scheme.

19. This report details those further changes to the scheme to be introduced from April 2026 as below:
    I. Apply the standard £10.00 non-dependant deduction across all schemes including the vulnerable scheme (unless the non-dependant is a student when no deduction is taken);
    II. Reduce the maximum award from 80% to 75% across the vulnerable scheme as part of our phasing in and aligning the vulnerable scheme with the standard scheme; and
    III. Increase the non-dependant deduction from £10.00 to £12.00 per week.

20. Consultation on the proposed changes has taken place and in total 26 responses for each of the proposed changes were received. Of those and in total, 57 (73%) either disagreed or strongly disagreed, with the remainder supporting or expressing no opinion.

21. Officers have undertaken an equalities impact assessment which is attached as Appendix 1 providing detailed analysis of those responses.

<u>Second Homes Premium</u>

22. The Levelling-up and Regeneration Act 2023 became law on 26 October 2023. The legislation allows for a Second Homes Premium (additional charge) on dwellings occupied periodically (commonly referred to as "second homes") of up to 100%. The ability to charge a Second Homes Premium technically came into effect on 1 April 2024, although there is a legislative requirement to delay implementation for 12 months before the premium can be implemented. Central government have advised that this delay is to "give property owners a chance to respond, for example by selling or letting their properties".

23. Guidance from MHCLG was issued in November 2024 regarding exclusions to properties to be exempt from any Second Homes Premium and include:
    - Dwelling which is or would be someone's sole or main residence if they were not residing in job-related armed forces accommodation
    - Annexes forming part of, or being treated as part of, the main dwelling
    - Dwellings being actively marketed for sale (12 months limit)
    - Dwellings being actively marketed for let (12 months limit)
    - Unoccupied dwellings which fell within exempt Class F and where probate has recently been granted (12 months from grant of probate/letters of administration)
    - Job-related dwellings
    - Occupied caravan pitches and boat moorings
    - Seasonal homes where year-round, permanent occupation is prohibited, specified for use as holiday accommodation or planning condition preventing occupancy for more than 28 days continuously
    - Empty dwellings requiring or undergoing major repairs or structural alterations (12 months limit)

24. Council in approving the 2025/26 Budget and MTFS in February 2025 approved the charging of a 100% Second Homes Premium to commence in the financial year 2026/27. Notices were placed in local media in March 2025 notifying residents of this future change in accordance with the regulations.

25. Consultation on the proposed changes has taken place and in total 12 responses were received. Of those responses, 4 strongly disagreed with the remainder either agreeing or not offering an opinion.

26. Officers have undertaken an equalities impact assessment which is attached as Appendix 2 providing details of those responses.

<u>The Council Tax Taxbase 2026/27</u>

27. It is a statutory requirement that local authorities determine their council tax base by 31 January for the following financial year. The tax base calculation is specified in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 and ensures the calculation takes account of Local Council Tax Support schemes (LCTS). These regulations specify the formulae for calculating taxbase.

28. The purpose of this calculation is to set the Council's taxbase and not the council tax itself. The council tax will be set at a full meeting of the Council in February.

29. The council tax base is defined as the number of Band D equivalent properties in a local authority's area. This report sets the Council's taxbase including changes to the LCTS scheme and Second Homes Premium discussed earlier in this report.

30. The authority is required to calculate for the whole of its area the "relevant amounts" (defined in paragraph 4 of the Regulations and summarised below) for each valuation band. The total of the "relevant amounts" for each band is then multiplied by the estimated collection rate. The product of applying the estimated collection rate to the total relevant amount is then adjusted by an estimate of the payment in lieu to be paid by the secretary of State for Defence for dwellings occupied by Armed Forces (assumed not to be subject to any bad debt provision). The result of this calculation is the authority's tax base for the whole of its area.

<u>Summary of Statutory Calculation</u>

$((H – Q + E + J) – Z) \times (F / G)$

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

** 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.*

31. The full and statutory calculation is set out in Appendix 3 but is summarised in the table below:

Table 1- Summary of 2026 / 27 Taxbase Calculation:

		2025/26	2026/27	Change	
		(No.s)	*(No.s)*	*(No.s)*	(%age)
H	Number of Chargeable Dwellings	114,910	115,723	813	1%
Q	Less Council Tax Discounts	(7,956)	(7,873)	83	(1%)
E	Premiums on Empty Properties / Second Homes	213	278	65	31%
J	Adjustment for Expected Changes to the above	979	997	18	2%
		108,146	109,125	979	1%
Z	Reduction due to Council Tax Reduction Scheme	(10,078)	(8,939)	1,139	(11%)
		98,068	100,186	2,118	2%
		Band D Equiv's	*Band D Equiv's*	Band D Equiv's	
	Adjusted to Band D Equivalents	105,719	107,666	1,947	2%
	Allowance for Non-Collection (1%)	(1,057)	(1,077)	(20)	2%
	Ministry of Defence Properties (Band D Equiv')	760	760	-	-
		105,422	107,349	1,927	2%

32 The net increase of 1,927 Band D equivalent properties summarised in the table above would result in increased income to the Council of £2.818m (based on Hillingdon's own share of the 2025/26 Band D charge - £1,462.00).

33 The GLA are a Major Preceptor with regard to Council Tax. The total Band D charge for 2025/26 is £1,952.38 – comprising £1,462.00 for Hillingdon (74.9%) and £490.38 for the GLA (25.1%). As for the Council itself the above increase in Taxbase will deliver additional income to the GLA.

Business Rates

34 Business Rates (otherwise referred to as National Non-Domestic Rates [*NNDR*]) are collected under a national scheme which sets both the rateable value of a property (determined by the Valuation Office Agency [VOA]) and the Multiplier (the rate poundage applied against the rateable value to determine the business rate charge). Councils who are Billing Authorities administer the billing and collection of income under these national parameters.

35 Prior to 2017, business rate income was pooled by central government and redistributed back to local authorities as part of the Local Government Finance Settlement. However, since 2017 local councils have retained a share of business rates which they keep. Currently Hillingdon retains 30% of net business rate yield (the GLA 37%) and MHCLG 33%) but is subject to a Tariff which effectively means Hillingdon only effectively retains around 12% locally.

36 The Valuation Office have undertaken a triennial revaluation of business rate properties to be applied for the next three years from 2026/27. Everything else being equal, this revaluation is intended to be fiscally neutral – overall rises in total rateable value being

offset by a proportionate change in the national NNDR multipliers. Whilst overall neutral, increases across regions and at the local level mean that regional shifts do occur – with the East Midlands seeing a rise of 16% compared to London seeing a rise of 22% - the national average being 19%. The position for Hillingdon is particularly acute with an average rise across the Borough of 102% - this is almost exclusively driven by the new valuation for Heathrow Airport which sees its valuation rise from £210m to £951m, a rise of 353% and will mean that the airport alone will account for 55% of the gross rateable value across Hillingdon.

37 In addition to the changes in rateable value, government has introduced two new classes of business property – Retail, Hospitality and Leisure [*RHL*] premises and larger business properties (with a rateable value in excess of £500,000) which will both have their own new Multipliers. In addition, a new Transitional Relief scheme is being introduced with regard to phasing increases caused by the revaluation over future years.

38 Billing Authorities are required to prepare and submit annual estimates of future year expected business rate budgeted income, discounts, exemptions, provisions and expected future changes (as well as an updated expected in-year outturn position) by 31st January each year to both MHCLG and precepting bodies (in our case the GLA).

39 The calculations required to complete the above estimates are largely driven by the direct copying of data from the revenues system. Those systems are however still being updated and tested by software suppliers and the final Valuation List from the VOA is being loaded.

40 The complexity around completing this year’s estimates largely revolves around identifying a suitable appeals provision for potential challenges by business rate payers against their draft valuations. We are consulting with others (including the GLA) over a quantum that should be estimated for appeals.

41 Work is incomplete at this stage on that assessment and members are asked to delegate authority to the Corporate Director of Finance to authorise and submit the relevant returns when that work is completed by 31st January.

Financial Implications

42 This is a Corporate Finance report, and corporate financial implications are noted throughout.

Legal Implications

43 The Local Government Finance Act 1992 mandates that councils must set a balanced budget. This involves ensuring that projected expenditures do not exceed projected revenues. The 1992 Act sets out what the Council has to base its budget calculations on and requires it to set its budget with regard to the advice of its Chief Financial Officer (the Section 151 Officer).

44 Sections 25 to 28 of the Local Government Act 2003 impose duties on the council in relation to how it sets and monitors its budget. These provisions require the council to make prudent allowance for the risk and uncertainties in its budget MTFS and regularly monitor its finances during the year.

45 Section 25 also requires the council's Section 151 Officer to make a report to full Council when it is considering its budget and Council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals, so that members will have authoritative advice available to them when they make their decisions.

46 This report deals with the preparation of a draft budget and the consultation that must follow on the same. Cabinet is then scheduled to meet on 19 February 2026 to settle the draft budget that it wishes to present to Council on 26 February 2026 for adoption.

Background papers: Report to Cabinet (23rd December 2025) Draft Budget 2026/27 and MTFS – For Consultation