

London Borough of Enfield

Council

Meeting Date 28th January 2021

Subject: Council tax and business rate base

Cabinet Member: Councillor Mary Maguire

Executive Director: Fay Hammond

Key Decision: KD 5243

Purpose of Report

1. This report recommends the 2021/22 Council Tax base, including an increase in the Empty Homes Premium and the 2021/22 Business Rate base

Proposal(s)

2. That Council:
 - A Agree to increase the empty homes premium for council tax for dwellings empty for more than 10 years from 200% to 300% effective from the 1st April 2021.
 - B Pursuant to this report and in accordance with the Local Authorities (Calculation of the Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Enfield as its Council Tax Base for 2021/22 shall be 92,965 Band D equivalents.
 - C Agree the Ministry of Housing, Communities and Local Government NNDR1 Business Rate base return for 2020/21 as set out in Appendix B.

Reason for Proposal(s)

3. The council tax and business rate tax bases must be agreed and notified to the Secretary of State and any precepting authorities (the Greater London Authority in London) by the 31st January of each financial year.

Relevance to the Council Plan

4. Council tax and business rate income helps fund essential Council services. The change to the Empty Homes Premium will help encourage property

owners to bring empty property back into use which will increase the supply of available residential property in the borough.

Background

5. The council agrees the council tax and business rate income annually in January to allow precepting authorities to agree the council tax precept for 2021/22

Main Considerations for the Council

Council tax long term empty dwellings.

6. The Local Government Finance Act 2012 introduced discretion for billing authorities to vary some existing council tax discounts and exemptions from the 1st April 2013.
7. The Act introduced a new discretionary power to levy an empty homes premium of up to 50% on a dwelling that is unoccupied and substantially unfurnished for a continuous period of at least two years.
8. Enfield agreed to the 50% levy to help encourage property owners to ensure the housing stock is effectively utilized. The levy, used in conjunction with the Council's Empty Homes Policy, discourages 2nd home ownership and encourages owners to bring empty dwellings into use quickly. The increase fell on council taxpayers owning 2nd homes, empty dwellings, and mortgages in possession. Given the chronic shortage of available housing in the borough the overall impact of the change was positive as it helped those disadvantaged by the fact that demand for housing is greater than supply and the cost of housing homeless families in temporary accommodation is currently borne by the council tax payer at large. On the 1st November 2018 the Government amended Section 11B of LGFA 1992 (higher amount for long-term empty dwellings: England) to allow discretion to increase the levy to:
 - For the financial year beginning on 1 April 2019 the levy to increase from 50% to 100% (Implemented in 2019/20)
 - For the financial year beginning on 1 April 2020 the levy for dwellings empty for more than 5 years 100% to 200%
 - For financial years beginning on or after 1 April 2021 the levy for dwellings empty for more than 10 years will increase from 200% to 300%
9. This report seeks approval to increase the levy for dwellings empty for more than 10 years will increase from 200% to 300% from the 1st April 2021. The estimated gross increase in income per annum is £35k.
10. In accordance with The Council Tax (Empty Dwellings) Act 2018 members are recommended to raise the existing empty homes premium from the 1st April 2021 by an additional 100% to 300% for dwellings empty for more than 10 years.

2021/22 Council tax base

11. The council tax base is calculated in accordance with The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012. The tax base is expressed in terms of “Band D Equivalents” (i.e. a property in Band A is equivalent to 2/3rds of a Band D property and a property in Band H is 2 Band D Equivalents). A table showing the calculation of the tax base is given below. The figures are based upon information in existing Council Tax records with adjustments taking into account the effect of estimated changes between now and March 2022.

12. The collection percentage used in the calculation of the tax base in previous years is as follows: -

Years	Collection Percentage
1993/95	95.00%
1995/97	95.50%
1997/01	97.00%
2001/02	97.50%
2002/04	97.75%
2004/13	98.00%
2013/18	96.79%
2018/19	97.06%
2019/20	98.00%
2020/21	98.00%

13. The estimated collection percentage is based upon experience to date and an estimate for collection of council tax from taxpayers affected by the reduction in benefit support. Due to the COVID pandemic, the overall collection percentage for 2021/22 is estimated to be 96.00%, a 2% reduction when compared to 2020/21. This reduction is based on the current impact on council tax collection and the likely impact to the economy and local unemployment rates of the pandemic.

14. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 extends from one to three years the period over which local authorities can repay deficits in their local tax collection funds which have accrued during financial year 2020/21 as a result of the economic impact of the coronavirus pandemic. Any under or over achievement of the collection rate including prior years' arrears will be reflected in the overall position on the Council's Collection Fund and potentially has an impact on the revenue budget in future years. These calculations and assumptions result in a Band D Equivalent Tax Base for 2021/22 of 92,965 properties, a decrease of 4,761. The main changes between the 2020/21 and 2021/22 tax bases are summarised as follows:

- New Property – up to October 2020, 624 new properties had been assessed. In November 260 properties were removed from the list relating to Cormorant and Merlin House. After this is taken into account a net increase of 366 properties have been allowed for.

- Council Tax Support – Based on Government unemployment estimates for next year an increase of 2,786 band D equivalents has been made. This is calculated by estimating the likely increase in unemployment for both council taxpayers that are currently furloughed and for other employed working age council taxpayers. When added to the increase in costs of the scheme for 20/21 the overall additional cost of council tax support for 21/22 is likely to exceed £6.6M.
 - Council tax collection – the 2% reduction in collection reduces the taxbase by 1,938 band D equivalents.
15. MHCLG have now published the provisional allocations of the £670m local council tax support funding for 2021-22. London boroughs are due to receive £91.9m in grant – the GLA will receive £25m based on its 2020-21 Band D share by borough – making a total of £116.9m for London overall. The grant is intended to manage the additional cost pressures of the extra LCTS cases and thus the downwards pressure on council taxbases and council tax income on local authority budgets which result. Enfield's share is £6.3m, the highest amount in London, indicating the high LCTS caseload in the borough and the growing consequential financial pressures attached.
16. The Council must decide the tax base by the 31st January 2021 prior to setting the council tax for 2021/22.
17. Pursuant to this report and in accordance with the Local Authorities (Calculation of the Tax Base) (England) Regulations 2012, the amount calculated by the London Borough of Enfield as its Council Tax Base for 2021/22 shall be 92,965 Band D equivalents – see Appendix A for property breakdown by band.

2020/21 Business rate base

18. The Local Government Finance Act 2012 introduced the business rates retention scheme (BRRS) in 2013 and the local council tax reduction scheme (the replacement for Council Tax Benefit). This BRRS scheme sees the move away from the central pooling of business rates to the sharing of risk and reward between central and local Government. The local share will be split with the Greater London Council and London boroughs so the GLA will receive 37% and Enfield 30% of business rate income. The NNDR1 return is used to report the estimate of Enfield's business rate base to Ministry of Housing, Communities and Local Government (MHCLG) – See Appendix B.
19. The Spending Review confirmed the business rates holiday for Retail, Hospitality and Leisure businesses would end in March, which is worth £3 billion for London businesses (£45m for Enfield). If the current business rate relief scheme is not extended, there could be significant reductions in business rates collected from businesses in these sectors. The Central London office sector is also experiencing a significant increase in the number of Material Change of Circumstances appeals, which represents a significant further risk to potential revenues collected next year, with the office sector generating nearly £4.5 billion a year: almost half of London's business rates.

20. Every month the ONS produces insight into the economic impact of Covid19 on businesses, this national information has been used to inform the forecast position on business rates base in Enfield for 2021/22. This is very difficult to forecast due to the impact of various lockdowns on different sectors. Across all businesses the data sets out that 2%/3% of businesses across all sectors have permanently ceased trading. Further that across all industries 32% had less than 3 months cash; the hospitality industry being most adversely impacted where this figure increases to 52%. Across all industries, of businesses not permanently stopped trading: 15% had no or low confidence that their business would survive the next three months. The data also indicates that the size of business impact on resilience: of businesses with less than 50 employees - 20% have temporarily ceased trading, compared to 10% of businesses in excess of 50 employees.
21. For each sector of business rates an assumption has been made regarding the economic impact on business rates next year; assuming that no additional rate relief is given to the retail and hospitality sectors. In total, an overall reduction of 11% in collectible business rates has been assumed. However, within this overall % reduction a number of assumptions have been made: there has been no change in collection made for more resilient sectors and larger retailers such as supermarkets, in contrast to an assumed reduction in the business rate base for retail and the hospitality sectors, in particular small businesses and a generic assumption about the overall economic position on the total base. In addition, a review of the top 30 business rate payers in the borough has been undertaken to gain assurances around the likelihood of failure of any one single business significantly impacting on business rate income.
22. This assessment has resulted in a prudent assumption that a £4m loss to the Council in business rates will impact in 2021/22, however, this remains an estimate. Any under or overestimate compared to the assumed business rate base will be monitored throughout the year and reported via the quarterly budget monitor; the accounting on business rates means that the final position is then becomes a brought forward position to the following financial year. Should the Government subsequently announce any further rate reliefs this will strengthen the council's position.
23. The Council agrees the non- domestic rating income estimate for 2021/22, excluding collection fund adjustments at the end of 2022-23 of £104,721,980 in accordance with the calculation in the NNDR1 return shown. Enfield's rate retention share will be £31,416,594 based on a 30% allocation.
24. The Government has announced that the multiplier for 2021/22 has been frozen at 2020/21 levels.

Financial Implications

25. The financial implications of the business rate and council taxbase proposal are reflected in the medium-term financial plan. The band D equivalent figure of 92,965 represents a reduction of 4,761 properties when compared with the 2020/21 council tax base representing a reduction of income of £6.817m at 21/22 Band D council tax level.

Legal Implications

26. The legislative provisions relevant to the recommendations are set out within this report. This report recommends the 2021/22 Council Tax base, including an increase in the Empty Homes Premium and the 2021/22 Business Rate base. Pursuant to The Local Government Finance Act 2012 (as amended by subsequent regulations) a billing authority has a power to set discounts on dwellings of a kind set out in regulations. Billing authorities will also be able to charge an 'empty homes premium' in respect of dwellings which have been empty for various periods of time.

Workforce Implications

N/A

Property Implications

N/A

Options Considered

This decision relates to statutory returns which must be agreed by the 31st January

Conclusions

The council tax and business rate base have been calculated in accordance with statutory guidance and included in the council's medium term financial plan

Report Author: Geoff Waterton
Head of Service
Geoff.waterton@enfield.gov.uk

Date of report

Appendices

Appendix A – The Council taxbase

Appendix B – The NNDR 1 Government return