

London Borough of Enfield

Council

Meeting Date 25th January 2023

Subject: Council Tax and Business Rate Base
Cabinet Member: Councillor Tim Leaver
Executive Director: Fay Hammond

Key Decision: 5486

Purpose of Report

This report recommends the 2023/24 Council Tax base and the 2023/24 Business Rate base including a 75% rate relief for the retail, hospitality, and leisure sector.

Proposals

That Council:

1. Note, 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 2023/24 shall be 95,962 Band D equivalents.
2. Pursuant to regulation, agrees the non- domestic rating income estimate for 2023/24, excluding collection fund adjustments, of £120,896,463. In accordance with the calculation in the NNDR1 return shown. Enfield's rate retention share will be £36,268,939 based on a 30% allocation.

Reason for Proposals

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 are two of the major sources of income that fund essential Council services.

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 2023/24.

Main Considerations for the Council

2023/24 Council Tax base

6. The Council Tax base is calculated in accordance with The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
7. 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 equivalent to double Band D). A table showing the calculation of the tax base is attached in Appendix A. The figures are based upon information in existing Council Tax records with adjustments considering the effect of estimated changes between now and March 2024.
8. In his Autumn Statement, the Chancellor of the Exchequer announced that the core Council Tax increase limit was increased from 1.99% to 2.99% for 2023/24, with Adult Social Care precept limit increased from 1% to 2%. This gives local authorities the option of increasing Council Tax by a maximum of 4.99% in 2023/24, beyond which a local referendum would be required.
9. The local discretionary increase in the council tax premium on long-term empty homes from 1 April 2023 to March 2024 will remain unchanged. The premium remains at the maximum permitted 300% premium effective for dwellings empty for at least 10 years:
 - 100% for those dwellings empty for 2 years and less than 5 years;
 - 200% for dwellings empty for at least 5 years but less than 10 years; and
 - 300% premium for dwellings empty for at least 10 years
10. In this report Council is asked to agree the council tax base and assumed collection rate upon which we will estimate our council tax income for next year's budget. We are recommending a reduction of 407 in band D equivalent dwellings to use as the 2023-24 council tax base to 95,962 (96,369 in 2022-23). This reflects the following notable changes:
 - The reduction incorporates a lower collection rate for 2023/24 of 95.75%, compared to 96.9% in 2022/23, reflecting how the economy has deteriorated significantly in the last 12 months and current collection forecast for 2022/23.
 - Increased focus on reviewing all discounts including single person, students and second homes.
 - An increased emphasis on inspections and monitoring of newly built or extended properties.
11. Council previously approved the schedule of discounts and exemptions in the table below, which remains unchanged and will continue to be effective for

2023-24. This is including the premium applicable for long-term empty dwellings which was agreed to be applied at previous Council meetings (February 2019 and February 2021).

Type of Councils Discounts	Local/Statutory	Discount /Premium
Single person discount	Statutory	-25%
All persons in the household disregarded	Statutory	-50%
Second Home discount	Local	0%
Empty property (unoccupied but furnished)	Local	0%
Empty unfurnished property for greater than 2 years and less than 5 years-continuing premium	Local	+100%
Empty unfurnished property for at least 5 years but less than 10 years	Local	+200%
Empty unfurnished property for at least 10 years-continuing premium	Local	+300%

12. The Council's discretionary rate relief policy and Council Tax Discretionary policies are being reviewed and updated to ensure a consistent approach to assessment and audit of applications and award of relief/discounts across all eligible cases.

Council Tax collection rate

13. The collection percentage used in the calculation of the tax base in previous years and proposed for 2023/24 are as follows: -

Council Tax Year	Collection rate
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%
2021/22	96.00%
2022/23	96.90%
2023/24 (proposed)	95.75%

14. The last financial year has seen significant changes shaping a very different focus on collection with greater challenge to the Council's priorities. Whilst focusing on supporting our residents and businesses following the pandemic, we are now in addition facing a Cost-of-Living crisis with the need to manage unprecedented external challenges as the economy recovers from a global pandemic.

15. More support and extended payment arrangements are now offered as well as increased engagement before arrears cases become too great to deal with. For those that we need to recover through the courts and pass to the

enforcement agents for collection we are increasing the engagement at each stage.

16. For 2023/24 the overall collection percentage is estimated at 95.75%. This reflects current conditions and the impact that the rise in interest rates, and associated cost-of-living crisis is having on the wider economy and individual households.
17. The cost-of-living crisis means we are seeing some residents struggling to pay their Council Tax, with a considerable proportion of these people falling into arrears for the first time. Support and sign posting are crucial during this time, with considerable numbers reaching out currently. Council Tax Support Claimants represent 27.7% of the tax base, having a lower rate of collection than non-CTS households, however we are finding that it is not only these residents that are asking for support but also residents that are working and require debt advice.

Council Tax Support

18. The current cost of Council Tax Support (CTS) is £38.75m which includes an estimated number of Band D Equivalents if the scheme is to remain unchanged for 2023/24 of 22,450.
19. Proposals to amend the Council Tax Support Scheme will be considered at Cabinet in February 2023 and considered at Council subsequently. If agreed this would equate to an increase equivalent to 832 Band D Properties compared to the taxbase for 2023/24 as recommended in this report.

Homes for Ukraine

20. New Council Tax regulations came into force on 12 April 2022. The regulations ensure that if the property's resident receives a single person discount, it will be unaffected by persons joining the household under the Homes for Ukraine scheme as they will be disregarded. The Council Tax system already treats other groups in this way, such as students and people who are severely mentally impaired.
21. There is also provision in the new regulations for certain properties exempt from Council Tax to retain the exemption awarded if occupied by Ukrainian persons. The impact of this change on the tax base is insignificant.
22. In conclusion, 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 2023/24 shall be 95,962 Band D equivalents – see Appendix A for property breakdown by band.
23. If the proposed CTS scheme is agreed in February, the Council Tax base would reflect a Band D equivalent of 96,794. See Appendix B for property breakdown by band.

2023/24 Business Rate base

24. The Local Government Finance Act 2012 introduced the business rates retention scheme (BRRS) in 2013. 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 is split between the Greater London Authority and London boroughs, so the GLA receives 37% and Enfield 30% of business rate income. The NNDR1 return is used to report the estimate of Enfield's business rate base to DLUHC – See Appendix C.

Business Rate Revaluation

25. The Local Government Finance settlement, announced late December, confirmed Government's intention to proceed with a modified revaluation adjustment for the implementation of the 2023 business rates revaluation, using the methodology consulted on in September 2022. To preserve the growth incentive and minimise turbulence, the Government has stripped out any gains or losses resulting purely from the revaluation or transfers to the central list by making an amended technical adjustment to 2023/24 tariffs or top-up allocations (baseline funding levels will remain unaffected).
26. Enfield has seen a 17.9% increase in its total rateable value, from £276m (before applying the multiplier, which broadly halves the value for collectable rates prior to further adjustments such as bad debt) as at the 2017 list, to £326m for the 2023 valuation list. This exceeds both outer London (11.3%) and national (7.3%) averages, with material increases for businesses classified as commercial (£28.7m) and industrial (£10.8m). As a result, the amount of top-up grant Enfield will see in 2023/24 has reduced year on year.
27. This above average increase is however highly likely to lead to an equivalent proportion of appeals, and this has been anticipated with an appeals provision for 2023/24 of £4.5m, as advised by Analyse Local, experts in this field who assist local authorities to fulfil their obligation in preparing a sound and prudent estimate of its business rate income for the forthcoming financial year. Additional doubtful debt is likely to be another ramification, and hence the collection rate for 2023/24 has been prudently estimated at 93.7% (compared to 92.5% in 2022/23)
28. To help businesses adjust to the revaluation of their properties, which takes effect from April 2023, the Chancellor announced a £1.6 billion Transitional Relief scheme to cap bill increases for those who will see higher bills. This limits bill increases for the smallest properties to 5%, medium sized properties to 15% and the largest properties to 30% in the first year. They have also legislated for the increases for the following two years of the list which will also include inflation increases which are not present in this first year. Businesses seeing lower bills because of the revaluation will benefit from that decrease in full straight away, as the Chancellor abolished downwards transitional relief caps. Small businesses who lose eligibility for Small Business Rate Relief because of the new property revaluations will see their bill increases capped at £50 a month through a new separate scheme; Supporting Small Business (SSB) worth over £500 million.

29. The Chancellor announced a £13.6 billion package of support for business rates payers in England. To protect businesses from rising inflation the multiplier will be frozen in 2023-24 while relief for 230,000 businesses in retail, hospitality and leisure sectors is also increased from 50% to 75% in 2023-24. This new relief for eligible retail, hospitality and leisure properties provides 75% relief on rates bills up to £110,000 rateable value per business.
30. The government has frozen the business rate multipliers at 49.9p (small business multiplier) and 51.2p (standard multiplier) for 2023/24, and this is reflected within the s31 grants for cap compensation.
31. Detailed business rating valuations were released in mid-December, which means there has been limited time before finalising this report.

Prior years deficit

32. There is a deficit for the NNDR element of the collection fund, brought forward from prior years, broadly a Covid19 issue, of £3.155m. This is held within the collection fund and reduces funds available for 2023/24 accordingly.

Retained business rates

33. In summary the non- domestic rating income estimate for 2023/24, excluding collection fund adjustments, is £120,896,463 in accordance with the calculation in the NNDR1 return shown. Enfield's rate retention share will be £36,268,939 based on a 30% allocation.

Financial Implications

34. The financial implications of the Business Rate and Council Tax base proposals are reflected in the medium-term financial plan. The Council Tax band D equivalent figure of 95,962, represents a reduction in Band D equivalents compared to the prior year estimate, however this clearly reflects the wider economic conditions being experienced within the UK currently. The potential for a further increase from the Council Tax Support scheme is noted
35. For Business rates, £33.1m (Enfield's share of 2023/24 business rates less £3.155m deficit brought forward) has now been factored into the 2023/24 budget build and MTFP position, ahead of the February budget report.

Legal Implications

36. The legislative provisions relevant to the recommendations are set out within this report. This report recommends the 2023/24 Council Tax base and the 2023/24 Business Rate base. Pursuant to The Local Government Finance Act 2012 (as amended by subsequent regulations) a billing authority has power to set discounts on dwellings of a kind set out in regulations. Billing authorities are also able to charge an 'empty homes premium' in respect of dwellings which have been empty or on second homes 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

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Date of report 19 January 2022

Appendices

Appendix A – The Council Tax-base with the current CTS Scheme

Appendix B – The Council Tax-base with the CTS scheme currently under consultation.

Appendix C - The Business Rates base (to follow)