

Calculation of the Council Tax Base and indicative Share of Business Rates Income for Leeds in 2024/25

1. Purpose of this Report

- 1.1. The purpose of this report is to:
 - 1.1.1. Seek agreement to the proposal that a Long-Term Empty Premium of 100% be levied on dwellings that have remained empty and unfurnished for more than one year rather than the current two years.
 - 1.1.2. Seek agreement to the 2024/25 council tax bases for Leeds and the parish/town councils set out in this report;
 - 1.1.3. Provide indicative shares of business rates income for 2024/25 and to request Council to give delegated authority to the Chief Officer – Financial Services to finalise the shares and to submit them in the Nation Non-Domestic Rates 1 Return 2024/25 on or before 31st January 2024.

2. Background information

- 2.1. From 2013/14 the Government made major changes to the funding regime for local government. The long-established formula grant system, where funding depended upon local needs and resources, was replaced by a system based upon the capacity to deliver housing and business growth.
- 2.2. At the same time a number of council tax exemptions were removed, and council tax benefit was replaced by the Council Tax Support scheme (CTS). In 2013/14 government funding for CTS was reduced by 10% compared to the previous year, and for 2014/15 onwards funding from Government has no longer been separately identifiable.

3. Main issues

- 3.1. Impact of cost of living on the Council Tax base assumptions
 - 3.1.1. The continuing economic impact of the cost-of-living crisis is affecting all areas of local government. In 2022/23 the Council reduced its long-term collection rate from 99% to 98.5%. This was due to the combined impact of pressures on officer's time in the Revenues team due to new responsibilities imposed by Government to mitigate the impact of the cost-of-living crisis and continuing restrictions on court access post-COVID. The reduced impact of these factors in the 2023/24 financial year has allowed the Council to return its collection rate in the fullness of time to 99% both in that year and in the forecast for 2024/25.
 - 3.1.2. It is also expected that levels of demand for Council Tax Support (CTS) will reduce again in 2024/25. Although the cost-of-living crisis continues to place pressure on this forecast, in the 2024/25 financial year the Department for Work and Pensions expects to migrate a number of claimants from their current benefits to Universal Credit. Under the terms of the present Local Council Tax Support scheme in Leeds this will reduce claimants' entitlement to support from 100% support to 75% as described in **Paragraph 3.2.1**. Combined with the continuing strength of the employment market in the city the reduction that has to be made to the Council Tax base for CTS is expected to fall to 28,949.7 band D equivalents in 2023/24, a reduction of 1,058.4 band D equivalents.

3.1.3. Further to this there has been a slow recovery of development in the city, which is expected to continue into 2024/25, although a full recovery in growth to pre-pandemic levels is not expected until 2026/27. This underlying growth has resulted in a net 2,191.4 additional band D equivalents added to the 2024/25 Council Tax Base for Leeds.

3.2. Council Tax Support Scheme

3.2.1. The Council Tax Support scheme operates as a discount on the same basis as other discounts currently in place, with protected groups currently receiving a 100% discount. At its December 2016 meeting, Executive Board agreed to recommend to Full Council the replacement of the previous Council Tax Support Scheme with a scheme aligned with Universal Credit. Full Council supported the adoption of the proposed scheme at its January 2017 meeting, with it taking effect from 1st April 2017. Customers now move on to this new scheme when they transfer to Universal Credit, at which time eligible customers will move off the scheme of automatic protections. Non-protected recipients of council tax benefit continue to be required to pay 25% of their council tax bills.

3.2.2. The localisation of CTS has the effect of reducing the overall tax base for Leeds. Based on the current scheme, as outlined in Section 3.2.1, the tax base will be reduced by 28,949.7 band D equivalent properties for 2024/25, which is 1,058.4 less than reduction in 2023/24 reflecting the high level of employment currently in the city and the migration of claimants from their current benefits to Universal Credit. This is due to the reduced demand for CTS as outlined in **Paragraph 3.1.2.**

3.3. Empty Homes Premium

3.3.1. Under section 11B of the Local Government Finance Act 1992, Leeds City Council has levied a premium on dwellings that have been unoccupied for more than two years of 100%, with owners of dwellings that have been unoccupied for more than five years paying a premium of 200%, and those of dwellings unoccupied for more than ten years paying 300%.

3.3.2. The Levelling Up and Regeneration Act 2023, which received Royal Assent and came into force on 25th October 2023, allows local authorities to double the standard council tax charge on any home left empty for longer than a year, rather than the current two years from 1st April 2024, and to charge a premium on second homes from 1st April 2025 after giving those subject to the premium a 12 month notice period. It is proposed in this report that Full Council be asked to approve the reduced period for the Long-Term Empty Premium and the impact on the tax base has been incorporated into the Council Tax Base presented. It is estimated that this proposal will generate an additional £1.6m in 2024/25 if approved. The Second Homes Premium will be proposed for approval alongside the 2024/25 Budget Report placed before Executive Board and Full Council in February 2024, giving the required twelve months' notice to affected taxpayers. It is currently forecast that this premium would generate approximately £3.6m from 2025/26.

3.4. Calculation of the Council Tax Base

3.4.1. Under the Local Government Act 1992 and accompanying regulations, detailed procedures are laid down for calculating the tax base which will be used for calculating council tax. The tax base for the Leeds area is expressed as the number of Band D equivalent properties and will be used both to calculate Leeds City Council's element of council tax and to notify to the West Yorkshire Police and

Crime Commissioner and the West Yorkshire Fire & Rescue Authority for them to calculate their own elements of council tax. The Police and Crime Commissioner and the Fire & Rescue Authority have to be notified of the tax base by 31st January 2024.

3.4.2. In addition to calculating the tax base for the Leeds area as a whole, a separate tax base has to be calculated for each part of the Council's areas to which a "special item" of expenditure relates. In Leeds, it is considered that only parish precepts should be treated as special items for these purposes and a tax base is therefore also calculated for each parish/town council.

3.4.3. Details of the calculations for Leeds as a whole and for each individual parish are given in **Appendix 2**. In summary, the council tax base for Leeds is calculated at 242,591.4 Band D equivalent properties. This is calculated estimating changes from the Valuation Office Agency's Valuation List that will take place during 2024/25 by reference to the following:

- provision for successful appeals,
- provision for exempt properties,
- changes in number of properties (demolitions and new additions),
- estimated single person and other discounts,
- and estimated collection rate.

3.4.4. The equivalent amount for each of the parish and town councils are as shown in Table 1 below.

3.4.5. The council tax requirement for 2024/25, which will be decided by Council in February 2024, will be divided by the calculated council tax base to arrive at the council tax for a band D property, from which the council taxes for other valuation bands will be calculated.

3.5. Business Rates

3.5.1. Under the current Business Rates Retention Scheme, introduced by the Local Government Finance Act 2012, the Council has to forecast the amounts of business rates it will collect in 2024/25. Under this scheme, the Business Rates collected have to be shared between Leeds City Council, Central Government and the West Yorkshire Fire and Rescue Authority in the following proportions:

- 50% passed to Central Government;
- 49% retained by Leeds;
- 1% passed to West Yorkshire Fire & Rescue Authority.

3.5.2. The headline amounts are currently estimated as follows:

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| • Total Business Rates collected | £351,878,000 |
| Of which: | |
| • To be paid to Central Government | £175,939,000 |
| • To be retained by Leeds | £172,420,000 |
| • To be passed to West Yorkshire Fire & Rescue Authority | £3,519,000 |

3.5.3. In December 2023, Government approved the continuation of the Leeds City Region Business Rates Pool 2023/24. The following authorities are members of the Pool in 2024/25 with Leeds continuing to act as the lead authority:

- Bradford
- Calderdale
- Kirklees
- Leeds
- Wakefield
- York

3.5.4. Under the 50% scheme the advantage of forming a business rates pool will be the retention of levy payments within the region that would otherwise have to be paid to central government. Current estimates are that this will be a net gain to the region of £3.7m with Leeds City Council's financial commitment to the Pool currently estimated to be in the region of £1.7m. Current budget estimates recognise that Leeds City Council will be required to make this payment in 2024/25, either to Government or to the Pool.

3.5.5. The application itself is not binding. Any member of the proposed Pool will still be able to withdraw during the statutory 28-day window after the Government designates the Pool, as set out in the provisional Local Government Finance Act 2012. It must be noted however that, should any member withdraw, not only would the Pool be revoked but there would be no fall back on existing pooling arrangements.

3.5.6. The final estimated amount of business rates to be retained for Leeds will be used in the development of the 2024/25 budget which is to be considered by Executive Board on 7th February 2024 and agreed by Full Council on 21st February 2024.

Table 1: Parish and Town Council Tax bases 2023/24 and 2024/25.

PARISH OF	<i>Taxbase Numbers</i> 2023/24	<i>Taxbase Numbers</i> 2024/25
Aberford and District	780.9	779.6
Allerton Bywater	1,483.6	1,466.6
Alwoodley	3,643.5	3,642.5
Arthington	288.9	295.5
Austhorpe	61.8	74.6
Bardsey cum Rigton	1,145.5	1,144.4
Barwick in Elmet and Scholes	2,002.5	2,001.9
Boston Spa	2,005.3	1,990.2
Bramham cum Oglethorpe	743.8	741.8
Bramhope and Carlton	2,127.1	2,187.6
Clifford	847.9	849.5
Collingham with Linton	1,715.7	1,755.9
Drighlington	2,004.8	2,077.0
East Keswick	588.5	590.4
Gildersome	1,903.1	1,867.9
Great and Little Preston	615.7	613.0
Harewood	1,840.1	1,853.6
Horsforth	7,431.3	7,494.9
Kippax	3,097.5	3,096.5
Ledsham	98.7	100.8
Micklefield	906.5	1,030.6
Morley	11,406.9	11,442.3
Otley	5,081.4	5,093.6
Pool in Wharfedale	971.6	969.1
Rawdon	2,772.9	2,785.6
Scarcroft	874.4	923.2
Shadwell	969.6	969.1
Swillington	958.4	949.5
Thorner	750.9	745.0
Thorp Arch	484.5	508.0
Walton	117.6	117.8
Wetherby	5,074.9	5,046.7
Wothersome	8.6	8.5