



Report of the Chief Officer - Financial Services

Report to Council

Date: 13th January 2021

Subject: Calculation of the Council Tax and Business Rates Tax Bases for 2021/22

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- Each year, under the Local Government Finance Act 1992, Leeds City Council is required to calculate a council tax base for Leeds and for each parish or town council within the Council's area. These tax bases are used to calculate the council tax to be levied in Leeds and in each parish/town council for the year.
- There is also a requirement for the Council to prepare an estimate of business rates income it will collect in the coming year.
- The detailed figures are set out in the main body of the report, but the headline amounts for 2021/22 are as follows:

Leeds Council Tax Base:	229,489.2
Business Rates ¹ :	
Amount to be retained by Leeds under the Rates Retention scheme:	£164,980,000
Amount to be paid to Central Government:	£168,345,000
Amount to be passed to West Yorkshire Fire and Rescue Authority:	£3,365,000

¹ Note: these amounts are indicative at this stage, they will be finalised when the NNDR1 return is completed – see Section 3.5.

- The Council is required to finalise the council tax bases (for Leeds and the parish/town councils) and the business rates estimates by 31st January 2021.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- The Best Council Plan is the Council's strategic plan which sets out its ambitions, outcomes and priorities for the City of Leeds and the Local Authority.
- This report will inform the development of the budget for 2021/22. The budget process seeks to ensure that financial resources are used to support the Council's policies and priorities.

3. Resource Implications

- This report requests that Council approve the 2021/22 council tax base for Leeds and the parish/town councils set out in the report. This report also provides an indicative business rates share for 2021/22. These items are used to identify the Council's Net Revenue Budget for 2021/22.
- This is a financial report and the financial and resource implications are detailed in the main body of the report.

Recommendations

Members are requested to:

- a) Agree that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the Council as its council tax base for the year 2021/22 shall be 229,489.2 for Leeds and for each parish as listed in **Section 3.4**, and detailed in **Appendix 1**;
- b) Agree to the increase of the empty homes premium on long term empty properties which have been unoccupied for over ten years from 200% to 300%, as detailed in **Section 3.3**;
- c) Note the indicative business rates shares set out in **Section 3.5**, and delegate authority to the Chief Officer – Financial Services to make the detailed calculations and to submit the final figures to the Ministry of Housing, Communities and Local Government on or before 31st January 2021.

1. Purpose of this report

1.1 The purpose of this report is to:

- 1.1.1 Seek agreement to the 2021/22 council tax bases for Leeds and the parish/town councils set out in the report;
- 1.1.2 Provide indicative business rates shares for 2021/22 and to request Council to give delegated authority to the Chief Officer – Financial Services to finalise the shares and to submit them in the National Non-Domestic Rates 1 Return 2021/22 on or before 31st January 2021.

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 Covid-19 on the Council Tax base assumptions

- 3.1.1 The economic impact of the current coronavirus situation has undoubtedly affected all areas of local government. The assumptions within this tax base report are set within the context of the current situation, as described in the Proposed Budget for 2021/22 and Provisional Budgets for 2022/23 and 2023/24 report submitted to Executive Board on 16th December 2020. Whilst economic recovery is anticipated in future years, this tax base calculation assumes there will continue to be economic scarring in the year 2021/22.
- 3.1.2 For a number of years the number of Council Tax Support (CTS) claimants had remained broadly static in Leeds. The economic effect of COVID-19 has caused the number of CTS claimants to increase in 2020/21, and it is expected that this higher level will continue in 2021/22. This has the effect of reducing the Council Tax payable by claimants and reduces the number of Band D equivalents in the tax base.
- 3.1.3 In preparing the 2021/22 tax base the Council Tax collection rate in 2020/21 has been reviewed, as has the estimated collection rate for 2021/22. The economic impact of the current coronavirus situation has caused collection rates to drop, and it is estimated that in 2021/22 the collection rate will be 98%, a reduction of 1% from recent years.
- 3.1.4 Due to the impact of the estimated decrease in collection rates and an increase in CTS claimants, the estimated 2021/22 tax base for Leeds recognises a reduction in the tax base. This is partly offset by growth in the tax base; both actual growth in 2020/21 and estimated growth in 2021/22. Overall, the 2021/22 Leeds Council Tax base has reduced by 1,888 Band D equivalents, or 0.82%, when compared to 2020/21.
- 3.1.5 In some individual parish tax bases this may be offset where significant housing developments in the parish cause the tax base to grow above the Leeds average.

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 32,626.8 Band D equivalent properties for 2021/22. The number of CTS claimants has increased from the 2020/21 taxbase calculation by 2,227.4 Band D equivalents. This is due to the economic impact of the coronavirus situation. As referenced at **Paragraph 3.1.4** above, this is partly offset by growth in the tax base.

3.3 Empty Homes Premium

3.3.1 Under section 11B of the Local Government Finance Act 1992, from 1st April 2013 to 31st March 2019 Leeds City Council charged a 50% council tax premium on empty dwellings that have been unoccupied for more than two years. The Rating (Property in Common Occupation) and Council Tax (Empty Dwellings) Act 2018, which received Royal Assent on 1st November 2018, permitted councils to increase this premium on dwellings unoccupied for more than two years to 100% from 1st April 2019, and increase the premium on dwellings unoccupied for more than five years to 200% from 1st April 2020.

3.3.2 In respect of the financial year 2021/22, from 1st April 2021 the Act permitted that from this date the maximum premium is 300% in respect of any dwelling where the empty period is at least 10 years. The estimated change in the Council Tax base for these initial budget proposals assumes that this additional premium in 2021/22 will be implemented.

3.3.3 Full Council are requested to agree to implement the changes to charge a 300% premium on any dwelling where the empty period is at least 10 years.

3.3.4 There is currently a draft policy for the provision of certain exclusions and to allow Leeds City Council officers to exercise discretion on properties that are subject to the Empty Homes Premium. The impact of this policy is included in these tax base calculations. This policy will be submitted to Executive Board for approval.

3.4 Calculation of Council Tax Base

3.4.1 Under the Local Government Finance 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 2021.

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 1**. In summary, the council tax base for Leeds is calculated at

229,489.2 Band D equivalent properties. This is calculated estimating changes from the Valuation Office Agency's Valuation List that will take place during 2021/22 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 parishes are:

PARISH OF	Taxbase Numbers 2020/21	Taxbase Numbers 2021/22
Aberford and District	777.8	771.3
Allerton Bywater	1,491.2	1,465.6
Alwoodley	3,635.0	3,586.4
Arthington	292.9	287.9
Austhorpe	61.3	60.3
Bardsey cum Rigton	1,137.1	1,129.9
Barwick in Elmet and Scholes	2,005.4	1,976.8
Boston Spa	1,994.2	1,996.8
Bramham cum Oglethorpe	737.7	730.2
Bramhope and Carlton	1,885.9	1,990.9
Clifford	846.2	828.1
Collingham with Linton	1,704.0	1,698.2
Drighlington	1,894.6	1,896.3
East Keswick	590.7	581.1
Gildersome	1,856.7	1,829.5
Great and Little Preston	620.3	605.9
Harewood	1,850.3	1,813.2
Horsforth	7,388.6	7,323.8
Kippax	3,020.5	3,052.5
Ledsham	96.3	94.0
Ledston	152.2	148.4
Micklefield	536.7	611.8
Morley	11,087.9	10,993.3
Otley	5,053.1	5,000.4
Pool in Wharfedale	978.1	955.1
Rawdon	2,765.6	2,725.8
Scarcroft	818.0	811.5
Shadwell	974.4	958.0
Swillington	959.0	940.2
Thorner	760.9	748.5
Thorp Arch	376.1	396.8
Walton	117.3	113.9
Wetherby	4,977.4	4,986.0
Wothersome	8.1	7.6

3.4.5 The council tax requirement for 2021/22, which will be decided by Council in February 2021, 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 calculate the amounts of business rates it will collect in 2021/22. Under this scheme, the Business Rates collected have to be shared between Leeds itself, 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 and Rescue Authority

3.5.2 The headline amounts are currently estimated as follows:

- Total Business Rates collected £336,690,000
- Of which:
- To be paid to Central Government £168,345,000
- To be retained by Leeds £164,980,000
- To be passed to West Yorkshire Fire and Rescue Authority £3,365,000

3.5.3 In December 2019, Government announced that a joint North and West Yorkshire Business Rates Pool application to pool 50% Business Rates Retention in 2020/21 had been successful. The North and West Yorkshire Pool (NWX Pool) was established on the 1st April 2020.

3.5.4 North and West Yorkshire had previously successfully applied to pilot 75% Business Rates Retention in 2019/20. This was for one year only and during the announcement of the Spending Review 2019, the Chancellor of the Exchequer clarified that the introduction of 75% Business Rates Retention nationally would be delayed by a year to 2021/22. At the Spending Review 2020 the Chancellor announced that a final report setting out the full conclusions of the Business Rates Review will be published in spring 2021. We now assume that 75% Business Rates Retention will be delayed further to 2023/24.

3.5.5 In the wake of this announcement authorities in North and West Yorkshire decided to remain in a pooling relationship (albeit with one less member) and have continued to work together in 2020/21. However, the onset of the current Covid-19 situation has significantly affected the business rates of the Pool members and the decision has been taken to revoke this Pool from 31st March 2021

3.5.6 Following discussions within Leeds City Region authorities, the following authorities agreed to submit an application for a business rates pool in 2021/22: Bradford, Calderdale, Harrogate, Kirklees, Leeds, Wakefield and York. Due to the legislation surrounding the designation of business rates pools, this process included requesting the revocation of the existing 2020/21 North and West Yorkshire Pool and the designation of a new Leeds City Region Pool for 2021/22. This application was submitted on 22nd October 2020. The provisional financial settlement, published on 17th December, stated this application had been successful.

- 3.5.7 Under the 50% scheme the advantage of forming a business rate pool will only be the retention of levy payments within the region that would otherwise have to be made to central government. Whilst this is significantly below the financial gain from 75% retention, we estimate the gains to the region could be around £4.8 million. Leeds City Council's financial commitment to the Pool is estimated to be in the region of £2.1m. Current budget estimates recognise that Leeds City Council will be required to make this payment in 2021/22.
- 3.5.8 The application itself is not binding. Any member of the proposed pilot Pool will still be able to withdraw during the statutory 28 day window after Government designates the new pilot Pool, as set out in the Local Government Finance Act 2012. It must be noted however that, should any member withdraw, not only would the pilot Pool be revoked but there would be no opportunity to fall back on existing pooling arrangements.
- 3.5.9 The final estimated amount of business rates to be retained for Leeds will be used in the development of the 2021/22 budget which is to be considered by Executive Board on 10th February 2021 and agreed by Council on 24th February 2021.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The matters set out in this report are purely factual and arise from calculations made using internal council tax and business rates records. As such, they are not subject to consultation or engagement.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 The information contained in this report will inform the development of the 2021/22 budget which will be considered by Executive Board on 10th February, and agreed by Council on 24th February. The report itself has no specific implications for equality, diversity, cohesion or integration. A screening assessment has been carried out and is appended to this report at **Appendix 2**.

4.3 Council policies and the Best Council Plan

- 4.3.1 As outlined above, this report will inform the development of the budget for 2021/22. The budget process seeks to ensure that financial resources are used to support the Council's policies and priorities.

Climate Emergency

- 4.3.2 There are no implications for the climate emergency resulting from this report.

4.4 Resources, procurement and value for money

- 4.4.1 This is a financial report and the financial and resource implications are detailed in the main body of the report.

4.5 Legal implications, access to information, and call-in

- 4.5.1 The decisions requested in this report will enable the City Council to fulfil its responsibilities under the Local Government Finance Act 1992 and the Local

Government Finance Act 2012 in relation to council tax discounts and exemptions. The decisions relating to council tax bases and business rates estimates will enable the Council to finalise its budget and set a legal council tax for 2021/22.

4.6 Risk management

- 4.6.1 The risks associated with the council tax base and the business rates estimates will be assessed as part of the budget-setting process and will be included in the budget proposals to be considered by Executive Board and Council in February.

5. Conclusions

- 5.1 The Council Tax Base for Leeds has been calculated in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012.
- 5.2 The calculation includes estimated changes from the Valuation Office Agency's Valuation List that will take place during 2021/22.
- 5.3 As detailed in **Appendix 1** the amount calculated by the Council as its council tax base for the year 2021/22 shall be 229,489.2 for Leeds and for each parish as listed in **Section 3.4** above.
- 5.4 The headline amounts for Business Rates included in this report are estimated pending completion of the NNDR1 form on 31st January 2021.

6. Recommendations

- 6.1 Members are requested to:
- 6.1.1 Agree that, in accordance with the Local Authorities (Calculation of Tax Base) (England) Regulations 2012, the amount calculated by the Council as its council tax base for the year 2021/22 shall be 229,489.2 for Leeds and for each parish as listed in **Section 3.4**, and detailed in **Appendix 1**;
- 6.1.2 Agree to the increase of the empty homes premium on long term empty properties which have been unoccupied for over ten years from 200% to 300%, as detailed in **Section 3.3**;
- 6.1.3 Note the indicative business rates shares set out in **Section 3.5**, and delegate authority to the Chief Officer – Financial Services to make the detailed calculations and to submit the final figures to the Ministry of Housing, Communities and Local Government on or before 31st January 2021.

7. Background documents²

- 7.1 None

² The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.