

## Calculation of the Council Tax Base and indicative Share of Business Rates Income for Leeds in 2025/26

### 1. Purpose of this Report

- 1.1. The purpose of this report is to:
  - 1.1.1. Seek agreement to the 2025/26 council tax bases for Leeds and the parish/town councils set out in this report;
  - 1.1.2. Provide indicative shares of business rates income for 2025/26 and to request Council to give delegated authority to the Interim Assistant Chief Executive – Finance, Traded and Resources to finalise the shares and to submit them in the Nation Non-Domestic Rates 1 Return 2025/26 on or before 31<sup>st</sup> January 2025.

### 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 2024/25 the Council reduced its long-term collection rate from 99% to 98.0% as pressures increased on household incomes in the city and limits continued on the number of cases that could be referred to magistrate's courts. The forecast reduced impact of these factors in the 2025/26 financial year will allow the Council to increase its forecast collection rate in the fullness of time to 98.5% both in that year and in the forecasts for future years within the Medium-Term Financial Strategy 2025/26 to 2029/30.
  - 3.1.2. It is also expected that levels of demand for Council Tax Support (CTS), which reduced in 2024/25, will remain approximately at that level due to the continuing strength of the employment market in the city. Therefore, the reduction that has to be made to the Council Tax base for CTS is expected to be 28,675.2 band D equivalents in 2024/25, a reduction of 274.5 band D equivalents from 2024/25.
  - 3.1.3. Further to this there has been a slow recovery of development in the city, which is expected to continue into 2025/26, although a full recovery in growth to pre-pandemic levels is not expected until 2027/28. This underlying growth has resulted in a net 1,920.8 additional band D equivalents added to the 2025/26 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 28,675.2 band D equivalent properties for 2025/26, which is 274.5 less than the reduction in 2024/25 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. Application of the premium for dwellings occupied periodically (Second Homes Premium)

3.3.1. In October 2023 the Levelling Up and Regeneration Act 2023 came into force. The Act amended the Local Government Finance Act 1992, inserting section 11C, which allows a billing authority to determine that if there is no resident of a dwelling and it is substantially furnished the billing authority is empowered to determine that it will charge a Council Tax premium of up to 100% on that dwelling. On the 21<sup>st</sup> February 2024, Full Council made such a determination to apply the premium. However, the Act stipulated that second homeowners must be given 12 months' notice of the implementation of the premium through a newspaper advertisement. Therefore, the premium could only be added to the Council's taxbase for the 2025/26 financial year.

3.3.2. At the time of the determination to apply the premium from the 2025/26 financial year, it was estimated that the new premium could raise an additional £3.7m in 2025/26 for the Council. However, in November 2024 the Government laid Regulations before Parliament creating a series of statutory exemptions to Second Homes and Long-term Empty Premiums, two of which were quite significant and dealt with houses currently being on the market to be sold or let, for which an exemption will apply for up to a year. To be prudent, estimates of income from the new premium has been reduced to £2.5m. Like other premiums, Second Homes acts by adding to the Council's tax base, in this case it being forecast to generate 1,364.2 band D equivalents.

### 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 2025.

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 243,974.1 Band D equivalent properties. This is calculated estimating changes from the Valuation Office Agency's Valuation List that will take place during 2025/26 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 2025/26, which will be decided by Council in February 2025, 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 2025/26. 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:

- |  |              |
|--|--------------|
| • Total Business Rates collected                         | £395,080,000 |
| Of which:  |              |
| • To be paid to Central Government                       | £197,540,000 |
| • To be retained by Leeds                                | £193,589,000 |
| • To be passed to West Yorkshire Fire & Rescue Authority | £3,951,000   |

3.5.3. In December 2024, Government approved the continuation of the Leeds City Region Business Rates Pool 2024/25. The following authorities are members of the Pool in 2025/26 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 £1.6m. Current budget estimates recognise that Leeds City Council will be required to make this payment in 2025/26, 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 2025/26 budget which is to be considered by Executive Board on 12<sup>th</sup> February 2025 and agreed by Full Council on 26<sup>th</sup> February 2025.

**Table 1: Parish and Town Council Tax bases 2024/25 and 2025/26.**

<b>PARISH OF</b>	<b>Taxbase Numbers 2024/25</b>	<b>Taxbase Numbers 2025/26</b>
Aberford and District	779.6	769.2
Allerton Bywater	1,466.6	1,463.4
Alwoodley	3,642.5	3,676.9
Arthington	295.5	299.0
Austhorpe	74.6	61.8
Bardsey cum Rigton	1,144.4	1,150.8
Barwick in Elmet and Scholes	2,001.9	2,012.3
Boston Spa	1,990.2	1,996.7
Bramham cum Oglethorpe	741.8	738.8
Bramhope and Carlton	2,187.6	2,237.6
Clifford	849.5	837.5
Collingham with Linton	1,755.9	1,812.5
Drighlington	2,077.0	2,113.0
East Keswick	590.4	586.6
Gildersome	1,867.9	1,867.6
Great and Little Preston	613.0	614.0
Harewood	1,853.6	1,853.7
Horsforth	7,494.9	7,543.0
Kippax	3,096.5	3,102.9
Ledsham	100.8	99.9
Micklefield	1,030.6	1,074.2
Morley	11,442.3	11,523.6
Otley	5,093.6	5,102.7
Pool in Wharfedale	969.1	964.4
Rawdon	2,785.6	2,787.5
Scarcroft	923.2	973.4
Shadwell	969.1	970.2
Swillington	949.5	939.6
Thorner	745.0	748.0
Thorp Arch	508.0	509.9
Walton	117.8	118.3
Wetherby	5,046.7	5,061.5
Wothersome	8.5	8.3