

**Report of Director of Resources**

**Report to Council**

**Date: 16<sup>th</sup> January 2013**

**Subject: Calculation of the Council Tax and Business Rates tax bases for 2013/14 and determinations in relation to Council Tax premiums and discounts**

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<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
Is the decision eligible 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 of main issues**

1. 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 taxes to be levied in Leeds and in each parish/town council for the year.
2. For 2013/14 the Government has introduced major changes to the funding arrangements for local government. These changes affect the way the council tax bases are calculated and also introduce a requirement for the Council to prepare an estimate of non-domestic rates income it will collect in the year, as set out in the "*National Non-Domestic Rates Return 1 2013-14*" (Appendix 2) .
3. The factors affecting the calculations and the detailed figures are set out in the main body of the report, but the headline amounts for 2013/14 are as follows:

<b>Council Tax Base:</b>		208,529
<b>NNDR:</b>	Amount to be paid to Central Government:	£178,732,139
	Amount to be retained by Leeds under the Rates Retention scheme:	£175,304,496
	Amount to be passed to West Yorkshire Fire and Rescue Authority	£ 3,577,643

4. The Council is required to finalise the council tax bases (for Leeds and the parish/town councils) and the non-domestic rates estimates by 31<sup>st</sup> January 2013.
5. The new funding arrangements include regulations made under the Local Government Finance Act 2012 which have removed certain categories of council tax exemptions and replaced them with discretionary powers to give discounts.
6. The regulations also give billing authorities powers to charge a premium on long term empty properties within their areas.

## 7. 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 2013/2014 shall be 208,529 for Leeds and for each parish as listed in Section 3.12, below, and Appendix 1;
- b) agree in principle the business rates data contained within the *National Non-Domestic Rates Return 1 2013-14* attached as Appendix 2, and delegate authority to the Director of Resources to make any necessary detailed amendments and to submit a final version to DCLG on or before 31<sup>st</sup> January 2013;
- c) note the removal of the classes of council tax exemptions as set out in Section 3.3, below;
- d) agree, in accordance with section 11A of the Local Government Act 1992<sup>1</sup>, to determine that the discounts under section 11(2)(a) of that Act for prescribed Class C and D<sup>2</sup> properties, shall not apply;
- e) agree that, under section 11B of the Local Government Finance Act 1992<sup>3</sup>, from 1<sup>st</sup> April 2013, Leeds City Council will charge a 50% council tax premium on empty dwellings that have been unoccupied for more than two years;
- f) agree that the current 10% discount for furnished dwellings that are not anyone's sole or main residence should cease with effect from 31<sup>st</sup> March 2013.

### 1 Purpose of this report

The purpose of this report is to explain the changes to the arrangements for calculating council tax bases and the new requirements in respect of non-domestic rates, and to seek agreement:

- a) to the 2013/14 council tax bases for Leeds and the parish/town councils set out in the report;

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<sup>1</sup> As amended by s11(1) of the Local Government Finance Act 2012.

<sup>2</sup> Set out in the Council Tax (Prescribed Classes of Dwellings (England) Regulations 2003, and amended by the Council Tax (Prescribed Classes of Dwellings) (England) (Amendment) Regulations 2012.

<sup>3</sup> As inserted by Section 12 of the Local Government Finance Act 2012.

- b) in principle to the business rates data to be submitted on the *National Non-Domestic Rates Return 1 2013-14*, and to give the Director of Resources delegated authority to finalize the return before 31<sup>st</sup> January 2013;
- c) to charge a 50% council tax premium on empty dwellings that have been unoccupied for more than two years.

## 2 Background information

- 2.1 Members will be aware that Government are making major changes to the funding regime for local government from 2013/14 onwards. The long-established formula grant system under which funding depended on the balance between local needs and resources is being replaced by a system based upon the capacity to deliver housing and business growth.
- 2.2 A number of technical changes to the classes of exemptions considered for council tax purposes have been introduced as part of these new funding arrangements. At the same time council tax benefit is being replaced by a system of council tax support for which government funding is being reduced by 10%.

## 3 Main issues

### Council Tax Discounts and Exemptions

- 3.1 From 1<sup>st</sup> April 2004, the Council reduced the council tax discount for furnished dwellings that are not anyone's sole or main residence from 50% to 10%. From 1<sup>st</sup> April 2005 the Council also reduced the discount on eligible long-term empty dwellings (those empty for more than 6 months) from 50% to 0%.
- 3.2 The Local Government Finance Act 2012<sup>4</sup> removes certain statutory exemptions from council tax and replaces them with powers for billing authorities to give discounts. The Act also gives powers to billing authorities to make additional charges in respect of certain properties not occupied as a person's main residence.
- 3.3 The exemptions that have been removed are as follows:
  - **Class A - Properties which are unoccupied, unfurnished and either requiring or undergoing major repairs**, which applied for a maximum of 12 months. Again, billing authorities having the option to award a discount between 0% and 100%. If no discount is granted it is estimated that the additional income for 2013/14 would be £390,000.
  - **Class C - Properties which are unoccupied and unfurnished**, which applied for a maximum of 6 months from becoming empty. Billing authorities now have the option to award a discount between 0% and 100%. If no discount is granted it is estimated that the additional council tax income would be £5.3 million for 2013/14. A one month discount period at 100% discount would reduce that £5.3 million to £3.1 million.
- 3.4 From 1<sup>st</sup> April 2013 billing authorities can agree to charge an "empty homes premium" on long term empty properties which have been unoccupied over two years. The legislation

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<sup>4</sup> By inserting section 11A of the Local Government Finance Act 1992.

limits the premium to an additional 50% of the relevant council tax charge for the property. It is estimated that the premium could raise an additional £554,000 during 2013/14.

- 3.5 Views on possible amendments to discounts were sought as part of the consultation on Leeds' 2013/14 Council Tax Support scheme. Respondents were generally supportive of the removal of discounts on furnished dwellings, and were not supportive of additional discounts to replace the exemptions that have been removed.
- 3.6 In addition, the initial budget proposals considered by Executive Board in December 2012 assumed that the 10% discount for furnished but unoccupied dwellings would cease and that no discounts would be granted for the properties that previously qualified for the exemptions described in Section 3.3, above.
- 3.7 It is therefore proposed that an empty homes premium should be put in place from 1<sup>st</sup> April 2013 but that no further discounts should be introduced. In considering this issue, Members should be aware that Section 13A of the Local Government Finance Act 1992 gives local authorities discretionary powers to reduce an amount of council tax payable by an individual "to such extent...as the billing authority...thinks fit". This power will allow any cases of genuine hardship to be considered.

#### Council Tax Support Scheme

- 3.8 The new council tax support scheme will operate as a discount on the same basis as other discounts currently in place with protected groups receiving a 100% discount. The scheme proposed for Leeds is the subject of a separate report elsewhere on the Agenda, but this report assumes that non-protected recipients of council tax benefit will be required to pay 19% of their council tax bills.
- 3.9 The localisation of council tax support will have effect of reducing the overall tax base for Leeds. Based on the 19% scheme the tax base will be reduced by 38,024 Band D equivalent properties, or £42.7 million.

#### Calculation of Council Tax Base

- 3.10 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 for calculating Leeds City Council's own element of council tax and for notifying to the West Yorkshire Police and Fire Authorities for them to calculate their own elements of council tax. The West Yorkshire Police and Fire Authorities have to be notified of the tax base by 31 January 2013.
- 3.11 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.
- 3.12 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 208,529 Band D equivalent properties. This is calculated by taking into account the above changes, and

estimating changes from the Valuation Office Agency's Valuation List that will take place during 2013/14 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.

The equivalent amounts for each of the parishes (including the new parish of Rawdon) are:

<b>PARISH OF</b>	<b>Taxbase Numbers 2013/2014</b>
Aberford and District	742
Allerton Bywater	1,230
Alwoodley	3,606
Arthington	282
Austhorpe	22
Bardsey cum Rigton	1,147
Barwick in Elmet and Scholes	1,949
Boston Spa	1,749
Bramham cum Oglethorpe	712
Bramhope and Carlton	1,784
Clifford	729
Collingham with Linton	1,660
Drighlington	1,763
Gildersome	1,757
Great and Little Preston	454
Harewood	1,793
Horsforth	6,523
East Keswick	577
Kippax	2,795
Ledsham	94
Ledston	155
Micklefield	477
Morley	8,802
Otley	4,528
Pool in Wharfedale	941
Rawdon	2,499
Scarcroft	682
Shadwell	952
Swillington	908
Thorner	739
Thorp Arch	361
Walton	117
Wetherby	4,376
Wothersome	8

3.13 The council tax requirement for 2013/14, which will be decided by Council in February 2013, 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.

#### Non-Domestic Rates

3.14 Under the Business Rates Retention Scheme introduced by the Local Government Finance Act 2012, the Council has to complete a *National Non-Domestic Rates Return 1 2013-14* (NNDR1). Under the scheme, non-domestic rates collected by Leeds has to be shared between Leeds itself, Central Government and the West Yorkshire Fire and Rescue Authority in the following proportions:

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

3.15 The final NNDR1 form has to be agreed and signed by the Director of Resources and sent to DCLG and the Fire and Rescue Authority on or before 31<sup>st</sup> January 2013.

3.16 The completed form is attached as Appendix 2. The proposed headline amounts are as follows:

- |  |              |
|--|--------------|
| • to be paid to Central Government:                        | £178,732,139 |
| • to be retained by Leeds                                  | £175,304,496 |
| • to be passed to West Yorkshire Fire and Rescue Authority | £ 3,577,643  |

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.2 Views on possible amendments to discounts were sought as part of the consultation on Leeds' 2013/14 Council Tax Support scheme. Respondents were generally supportive of the removal of discounts on furnished dwellings, and were not supportive of additional discounts to replace the exemptions that have been removed.

### **4.3 Equality and Diversity / Cohesion and Integration**

4.3.1 The information contained in this report will inform the development of budget proposals which will be considered by Executive Board on 15<sup>th</sup> February, and agreed by Council on 27<sup>th</sup> 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.

### **4.4 Council policies and City Priorities**

4.4.1 As outlined above, this report will inform the development of budget proposals for 2013/14. The budget process seeks to ensure that financial resources are used to support the Council's policies and priorities.

## **4.5 Resources and value for money**

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

## **4.6 Legal Implications, Access to Information and Call In**

4.6.1 This 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 non-domestic rates estimates will enable the Council to finalize its budget proposals and set a legal council tax for 2013/14.

## **4.7 Risk Management**

4.7.1 The risks associated with the council tax base and the non-domestic 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 Recommendations**

5.1 Members are requested to:

- a) agree that in accordance with the Local Authorities (Calculation of Council Tax base) (England) Regulations 2012, the amount calculated by the Council as its council tax base for the year 2013/2014 shall be 208,529 for Leeds and for each parish as listed in Section 3.12 and Appendix 1;
- b) agree in principle the business rates data contained within the National Non-Domestic Rates Return 1 2013-14 attached as Appendix 2, and delegate authority to the Director of Resources to make any necessary detailed amendments and to submit a final version to DCLG on or before 31st January 2013;
- c) note the removal of the classes of council tax exemptions as set out in Section 3.3;
- d) agree that, in accordance with section 11A of the Local Government Act 1992, to determine that the discounts under section 11(2)(a) of that Act for prescribed Class C and D properties, shall not apply;
- e) agree that, under Section 11B of the Local Government Finance Act 1992, from 1st April 2013, Leeds City Council will charge a 50% council tax premium on empty dwellings that have been unoccupied for more than two years;
- f) agree that the current 10% discount for furnished dwellings that are not anyone's sole or main residence should cease with effect from 31st March 2013.

## **6 Background documents<sup>5</sup>**

None

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<sup>5</sup> 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.