

Report of the Chief Officer - Financial Services

Report to Council

Date: 16th January 2019

Subject: Calculation of the Council Tax and Business Rates Tax Bases for 2019/20

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

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.

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 2019/20 are as follows:

Leeds Council Tax Base:	228,209.1
Business Rates ¹ :	
Amount to be retained by Leeds under the Rates Retention scheme:	£274,665,000
Amount to be paid to Central Government:	£92,790,000
Amount to be passed to West Yorkshire Fire and Rescue Authority	£3,715,000

¹ Note: these amounts are indicative at this stage, they will be finalised when the NNDR1 return is completed – see Sections 3.13 and 3.14.

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 2019.

Recommendations

Full Council is 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 2019/20 shall be 228,209.1 for Leeds and for each parish as listed in **Section 3.7**, below, 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 two years from 50% to 100% as detailed in **Section 3.3**;
- c) note the indicative business rates shares set out in **Section 3.10**, 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 2019.

1 Purpose of this report

The purpose of this report is to:

- a) seek agreement to the 2019/20 council tax bases for Leeds and the parish/town councils set out in the report;
- b) provide indicative business rates shares for 2019/20 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 Return 1 2019-20* on or before 31st January 2019.

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

Council Tax Support Scheme

- 3.1 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 1 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 The localisation of CTS has the effect of reducing the overall tax base for Leeds. Based on the current scheme, as outlined in **Section 3.1**, the tax base will be reduced by 31,415.4 Band D equivalent properties for 2019/20.

Empty Homes Premium

- 3.3 In the 2017 Autumn Budget the Chancellor announced that local authorities would be given an additional discretionary power to increase the empty homes premium on long term empty properties which have been unoccupied for over two years from 50% to 100%. This legislation received royal assent in November 2018 and consequently, the calculation of the council tax base for 2019/20 reflects this impact. Full Council are requested to agree to implement these changes.

Polling District and Community Governance Review 2017

- 3.4 In 2017 Leeds City Council conducted a review of all polling arrangements (districts, places and stations) and a Community Governance Review of Parish & Town Councils. Whilst this did not affect Leeds City Council's boundary, the boundaries of the eight parliamentary constituencies, or the 33 city wards, it did result in some Parish boundary changes. Where applicable, these have been reflected in the parish tax base calculations and in **Section 3.7** of this report.

Calculation of Council Tax Base

- 3.5 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 2019.
- 3.6 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.
- 3.7 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 228,209.1 Band D equivalent properties. This is calculated estimating changes from the Valuation Office Agency's Valuation List that will take place during 2019/20 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 are:

PARISH OF	Taxbase Numbers 2018/19	Taxbase Numbers 2019/20
Aberford and District	773.8	778.8
Allerton Bywater	1,429.3	1,479.7
Alwoodley	3,650.9	3,658.6
Arthington	284.7	291.0
Austhorpe	25.4	25.4
Bardsey cum Rigton	1,126.5	1,133.6
Barwick in Elmet and Scholes	1,985.4	1,996.8
Boston Spa	2,015.4	2,054.2
Bramham cum Oglethorpe	732.6	738.6
Bramhope and Carlton	1,815.3	1,827.1
Clifford	742.9	765.2
Collingham with Linton	1,704.1	1,722.2
Drighlington	1,865.4	1,868.3
East Keswick	585.3	586.6
Gildersome	1,832.7	1,863.0
Great and Little Preston	603.3	609.0
Harewood	1,833.2	1,836.2
Horsforth	7,239.2	7,203.3
Kippax	2,884.6	2,927.4
Ledsham	96.1	95.8
Ledston	159.2	159.9
Micklefield	510.2	515.5
Morley	10,642.8	10,795.5
Otley	4,979.0	5,003.3
Pool in Wharfedale	955.7	960.3
Rawdon	2,750.0	2,753.3
Scarcroft	811.5	819.8
Shadwell	970.9	971.4
Swillington	954.5	958.6
Thorner	754.1	758.3
Thorp Arch	375.5	374.7
Walton	116.9	114.8
Wetherby	4,707.4	4,881.4
Wothersome	8.2	9.0

3.8 The council tax requirement for 2019/20, which will be decided by Council in February 2019, 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.

Business Rates

3.9 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 2019/20. 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:

- 74% retained by Leeds;
- 25% passed to Central Government;
- 1% passed to West Yorkshire Fire and Rescue Authority.

3.10 The headline amounts are currently estimated as follows:

- Total Business Rates collected £371,170,000

Of which;

- to be retained by Leeds £274,665,000
- to be paid to Central Government £92,790,000
- to be passed to West Yorkshire Fire and Rescue Authority £3,715,000

3.11 As a precursor to the introduction of 75% business rates retention nationally in 2020/21, the Government released its business rate pilot prospectus for 2019/20 inviting authorities to submit applications to pilot 75% business rates retention. Following discussions with members of the existing Leeds City Region Pool and with North Yorkshire County and Districts, a joint 2019/20 pilot bid was submitted. Alongside the Provisional Local Government Settlement, announced on 13th December 2018, the Secretary of State revealed that the application to pilot 75% business rates retention as an expanded North & West Yorkshire business rates pool in 2019/20 had been successful. This means that Leeds City Region will go from retaining 100% retention of business rates growth in 2018/19 to 75% retention in 2019/20 as part of a North and West Yorkshire Pool.

3.12 The North and West Yorkshire Business Rates Pool offers the opportunity to test 75% retention in a region made up of both unitary and two tier authorities, a total of 14 different organisations. This will enable Pool members and Government to test how to resolve the issues inherent in such an arrangement. Overall, the pilot brings additional funding to the Region in the order of £29m, of which £6m will be used by the pool to fund regional projects with the remaining growth being returned to member authorities to enhance their financial sustainability. The headline business rates amount in this report includes the financial benefit to Leeds City Council of being part of this pilot.

3.13 Whilst the business rates income presented at **Section 3.10** takes into account business rates retention at 75%, the actual amounts for 2019/20 will differ as they will be calculated using MHCLG's *National Non Domestic Rate Return 1* (NNDR1) which has to be completed and sent back to DCLG by 31st January 2019. The return has only just been

received and the updated data required to complete it will not be available until the middle of January.

- 3.14 The final estimated amount to be retained for Leeds will be used in the development of the 2019/20 budget which is to be considered by Executive Board on 13th February and agreed by Council on 27th February.

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 2019/20 budget which will be considered by Executive Board on 13th February, and agreed by Council on 27th 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 Best Council Plan

- 4.3.1 As outlined above, this report will inform the development of the budget for 2019/20. The budget process seeks to ensure that financial resources are used to support the Council's policies and priorities.

4.4 Resources 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 2019/20.

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 Recommendations

- 5.1 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 2019/20 shall be 228,209.1 for Leeds and for each parish as listed in **Section 3.7**, above, 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 two years from 50% to 100%, as detailed in **Section 3.3**;
- c) note the indicative business rates shares set out in **Section 3.10**, above, 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 2019.

6 Background documents²

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.