

REPORT FOR: CABINET

Date of Meeting: 22 January 2013

Subject: Calculation of Council Tax Base for 2013 - 2014

Key Decision: Yes

Responsible Officer: Julie Alderson, Corporate Director of Resources

Portfolio Holder: Councillor Sachin Shah, Portfolio Holder for Finance

Exempt: No

Decision subject to Call-in: No

Enclosures: Appendix 1 – Calculation of Council Tax Base 2013-2014

Section 1 – Summary and Recommendations

The Local Government Finance Act (LGFA) 1992, as amended by the LGFA 2003 & LGFA 2012, requires the Authority to formally calculate the Council Tax Base for 2013-2014 and pass this information to precepting authorities by 31 January 2013. The tax base must be set between 1 December 2012 and 31 January 2013.

Recommendations:

That Cabinet considers the information given in this report and agrees that :

- (a) The band D equivalent number of taxable properties is calculated as shown in accordance with the Government regulations;
- (b) The provision for uncollectable amounts of Council Tax for 2013-2014 is agreed at 2.50% producing an expected collection rate of 97.50%.
- (c) Subject to (a) & (b) above, a Council Tax Base for 2013-2014 of 76,874 Band D equivalent properties (being 78,845 x 97.50%) be approved, allowing for payment in lieu of Ministry of Defence properties.

Reason:

To fulfil Council's statutory obligation to set the Council Tax Base for 2013-2014.

Section 2 – Report

1. Introduction

1.1 The Local Government Finance Act 1992, as amended by the LGFA 2003 & LGFA 2012, requires the Authority to calculate the Council Tax Base for 2013-2014 and pass this information by 31 January 2013 to precepting authorities. The Tax Base must be set between the 1 December and 31 January.

1.2 The Council's Tax Base has been calculated, according to the relevant procedures and guidance for 2013-2014, at 76,874 net properties. The Tax Base has two parts:

- (a) The number of taxable properties shown as 'band D equivalents' and

(b) The expected collection rate for the year.

1.3 The calculation method is set out in the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended. The regulations require that calculations must be shown for each tax band as well as a total for all bands. The detailed calculation of the band D equivalent properties is shown at Appendix 1. For calculating the Tax Base, (and setting the Council Tax) properties in each of the eight valuation bands are given different weightings. These weightings are shown as a proportion of the band D value. These are shown below:

Band	A	B	C	D	E	F	G	H
Weighting	6/9	7/9	8/9	1	11/9	13/9	15/9	2

2. Background

- 2.1 The Regulations state that the calculation of the Tax Base must be based on the Valuation list produced by the Listing Officer of the Inland Revenue as it stands on 30 November in the year preceding that for which the relevant amount is calculated (i.e. at 30 November 2012 for the financial year 2013-2014). It must show actual numbers of properties at that date and allow for the effects of discounts and exemptions including the new council tax support scheme discount. It must also show likely changes to bands, new properties, properties taken off the valuation list and likely changes to discounts, empty properties and exemptions for 2013-2014.
- 2.2 For 2012-2013 the percentage collection rate used was 98.50%. For 2013-2014 a budgeted collection rate of 97.50% is being recommended. This is due mainly to the fact that a 70% collection rate has been factored in for the £3.8m of the tax that is being passed onto working age claimants under the local council tax support scheme being introduced on 1/4/2013, which decreases the overall collection rate by 1%.
- 2.3 The overall collection rate also takes into account the current economic climate, the expected losses and also our historical success in achieving an eventual recovery rate of just over 98.5% over a period of approximately 36 months. The expected collection rate is the percentage of Council Tax to be collected after estimating uncollectable amounts.
- 2.4 This does not mean that collection efforts will stop once the budgeted collection levels have been reached, or that eventual losses will necessarily be 2.50%. It is, however, essential that an adequate non-collection allowance be made each year. The Government recognises that no billing authority can collect every pound of Council Tax and that an element of collection will continue after the relevant year. The legislation provides for non-collection to be compensated for by an element within the Council Tax Base itself.

Legal Implications

- 2.5. The Council must legally agree the Council Tax Base for 2013-2014 by 31 January 2013.
- 2.6. Section 33 (1) Local Government Finance Act 1992 imposes a duty on Harrow, as a billing authority, to calculate its Council Tax by applying a formula laid down in that Section. The formula involves a figure for the Council Tax Base for the year, which must itself be calculated.
- 2.7. The Local Authority (Calculation of Council Tax Base) Regulations 1992, as amended by The Local Authorities (Calculation of Council Tax Base)(England) Regulations 2012 SI.2914, require a billing authority to use a given formula to calculate the Council Tax Base. This is the formula set out and followed in the appendix to this report.
- 2.8. The Local Authorities (Calculation of Council Tax Base) Regulations 2012, allows for a new item Z at paragraph (1) of regulation 4. Item Z allows for a reduction in the tax base for an “amount that the authority estimates will be applied pursuant to the authority’s council tax reduction scheme in relation to the band, expressed as an equivalent number of chargeable dwellings in that band”.
- 2.9. In respect of item Z, the regulations allow for an estimate, rather than a defined formula. To arrive at the total value number of dwellings to be removed from the council tax base as a result of Harrows’ local council tax reduction scheme, Harrow has estimated the total amount of reductions granted in each band and divided that figure by the estimated council tax bill for the band.
- 3.0. Sections 33, and various statutory instruments, also impose a duty on the Council to calculate the Council Tax Base within a prescribed period which is laid down in the Regulations as between 1 of December and 31 of January.
- 3.1. Section 67 Local Government Act 1992 was amended by section 84 of the Local Government Act 2003 to enable the full Council to delegate the power to set the tax base to the Executive. The constitution was duly amended at full Council on 20 October 2005.

Financial Implications

This is a report of the Corporate Director of Resources and deals with financial matters throughout. The tax base of 76,874 is reflected in the Draft Revenue Budget for 2013-14.

Performance Issues

The Council Tax collection rate is no longer a national indicator but is monitored locally. The completion of the Council's statutory obligation to set a Council Tax Base as described contributes to a favourable audit opinion.

Due to the introduction of localised council tax support from 1/4/2013, the overall collection rates will change from 98.5% to 97.5% which has been

factored in the overall tax base calculation. This is due to the fact that only 70% is expected to be collected from £3.8m of the council tax, the additional proportion due to be paid by working age claimants, many of which are in receipt of income support or job seekers allowances. For the rest, and the large majority of council tax income, a collection rate of 98.5% is still expected.

Environmental Impact

None

Risk Management Implications

Whilst Officers have estimated the tax base as accurately as possible within the data available, there is a risk that a failure to robustly estimate the impact of the localisation of support for council tax could impact on the tax base figures. This could translate into increased risk if the Collection Fund moved into a significant level of deficit in 2013/14.

Consideration should be given to leaving a surplus balance in the collection fund in future years. The potential “headroom” this surplus would provide could mitigate against in year variations to localised council tax support spend which may not have been factored in, therefore reducing or eliminating any potential deficit in the collection fund.

Equalities implications

None

Corporate Priorities

The Tax Base allows the Council to raise local taxation which is fundamental in supporting all corporate priorities as Council Tax is a key element of the Council’s overall budget.

Section 3 - Statutory Officer Clearance

Name: Julie Alderson	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 10 December 2012		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 17 December 2012		

Section 4 – Performance Officer Clearance

Name: Martin Randall



on behalf of the
Divisional Director
Strategic
Commissioning

Date: 12 December 2012

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards



Divisional Director
(Environmental
Services)

Date: 10 December 2012

Section 6 - Contact Details and Background Papers

Contact: Fern Silverio (Divisional Director – Collections & Housing Benefits)
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

- The Local Authorities (Calculation of Council Tax Base) Regulations 1992, SI No.612 as amended, The Local Authorities (Calculation of Council Tax Base)(England) Regulations 2012, SI No.2914 (Appended to the report)

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

YES

*[Call-in does not apply, as the
decision is Urgent.]*

*[Reports must be approved by Harrow in
order for Harrow as the billing authority to
inform the Preceptors (GLA, Fire, Police, etc)
of the respective amounts by no later than
the 30 January 2013.]*