
REPORT FOR: CABINET

Date of Meeting:	7 December 2017
Subject:	Calculation of Council Tax Base for 2018 – 2019
Key Decision:	Yes
Responsible Officer:	Tom Whiting, Corporate Director of Resources and Commercial
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Calculation of the CT Base

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 2018-2019 and pass this information to precepting authorities by 31 January 2018. The tax base must be set between 1 December 2017 and 31 January 2018.

Statutory provisions also require Harrow to consider annually whether it should change the Council Tax Support (CTS) scheme, and if so, in what way. Having approved the scheme already in place, Cabinet is now also being requested to consider reviewing its scheme.

Recommendations:

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

- (c) The band D equivalent number of taxable properties is calculated as shown in accordance with the Government regulations;
- (d) The provision for uncollectable amounts of Council Tax for 2018-2019 be agreed at 2% producing an expected collection rate of 98%.
- (e) Subject to (a) & (b) above, a Council Tax Base for 2018-2019 of **84,446** Band D equivalent properties (being 86,190 x 98%) be approved, allowing for payment in lieu of Ministry of Defence properties.
- (f) Agree that after considering whether to review the local CTS scheme, conclude that there is no need for a review, and approve the continuation of the existing CTS scheme, as previously adopted by Full Council, for the 2018/19 financial year.

Reason:

To fulfil the Council's statutory obligation to set the Council Tax Base for 2018-2019.

Section 2 – Report

1. Introduction

Tax Base

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 2018-2019 and pass this information by 31 January 2018 to precepting authorities. The Tax Base must be set between the 1 December and 31 January.

1.2 The Council has to work out how much next year's band D council tax should be so that the total tax that will be collected equals the budget required to pay for its services. To work out the band D tax, the budget requirement is divided by a figure called the council tax base, which is calculated in this report. In effect, the tax base represents the total taxable value of every property in Harrow. As well as Harrow, the Greater London Authority also needs the tax base figure to work out how much they need to add on to pay for their services.

1.3 The Council's Tax Base has been calculated, according to the relevant procedures and guidance for 2018-2019, at 84,446 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.
- 1.4 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

1.5. Background

- 1.6 The Regulations state that the calculation of the Tax Base must be based on the Valuation list produced by the Listing Officer of HM Revenue & Customs as it stands on 30 November in the year preceding that for which the relevant amount is calculated (i.e. at 30 November 2017 for the financial year 2018-2019). It must show actual numbers of properties at that date and allow for the effects of discounts and exemptions including the council tax support scheme discount (CTS). 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 2018-2019.
- 1.7 For 2017-2018 the percentage collection rate used was 98%. For 2018-2019 a budgeted collection rate of 98% is again being recommended. The budgeted or expected collection rate is the percentage of Council Tax to be collected after estimating uncollectable amounts.

Note - The “budgeted” collection rate differs from the “in year” collection rate.. The budgeted collection rate is based on all payments received over 3 years (in year and 24 months after the relevant year closes). The in year collection reflects payments actually received between 1st of April and 31st March of the year for which the council tax relates.

- 1.8 The overall collection rate also takes into account the fact that collection rates have performed better than expected with residents having accepted that council tax support is now lower and that they need to pay more. This does not mean that in the future, the high collection expectation will not bring challenges, but it is achievable.
- 1.9 Collection efforts will also not stop once the budgeted collection levels have been reached, or that eventual losses will necessarily be 2.0%. 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.

Council Tax Support Scheme Review

- 2.1 The Council must consider whether to revise or replace its Council Tax Support scheme (CTS) each financial year. Changes to the scheme also impact on the Tax base and must therefore be considered. As such it is necessary for Cabinet to consider whether the scheme requires reviewing for the 2018/19 financial year and this report also requests that Members consider reviewing the scheme.
- 2.2 Having reviewed the operation of the scheme, it is considered that the existing scheme, agreed by Full Council on 21st January 2013 and again on 22/01/2015, meets the Council's statutory requirements. It is therefore recommended that the scheme is not revised or replaced as no changes are required.
- 2.3 Modelling the current CTS caseload commitments and estimating 2018/19 expenditure, would suggest future expenditure in the region of £13.8m to £14.1m in the next financial year (dependant on any council tax inflation). This is in line with budgeted expenditure.
- 2.4 The expenditure estimate assumes no increase in caseload and assumes no disproportionate increase in persons of pension credit age that would be protected from the effects of the scheme; although there is risk here as Harrow has proportionally less pensioners claiming CTS than the national average. In conclusion, there are currently no fundamental reasons to change the existing scheme. Case load is currently static or decreasing, (notwithstanding the above comments), Council Tax collection rates are high and holding, and whilst there is a risk of pensioner numbers increasing and therefore increasing expenditure, this risk is felt to be low. As financial forecasts are similar to target expenditure, this report recommends that the CTS scheme continues in its current format.

Legal Implications

- 2.5. The Council is legally obliged to calculate the Council Tax Base for 2018-2019 by 31 January 2018.
- 2.6. Section 31B of the Local Government Finance Act 1992, as inserted by the Localism Act 2011, imposes a duty on Harrow Council, 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) (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 In respect of item Z, which relates to the authority's council tax reduction scheme, 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, the Council has estimated the total amount of reductions granted in each band and divided that figure by the estimated council tax bill for the band.
- 2.9. Legislation also imposes 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 December and 31 January.
- 2.10. Section 67 Local Government Finance Act 1992 was amended by section 84 of the Local Government Act 2003, (and more recently the Localism Act 2011), to enable 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.
- 2.11 Regarding the CTS scheme, Paragraph 5 of Schedule 1A to the Local Government Finance Act 1992, as inserted by Schedule 4 to the Local Government Finance Act 2012, requires the authority to consider whether, for each financial year, the CTS scheme is to be revised or replaced. Where the scheme is to be revised or replaced the procedural requirements in paragraph 3 of that schedule apply. Any revision/replacement must be determined by 31 of January in the preceding year to the year which the changes are to apply. The council must therefore consider whether the scheme requires revision or replacement and if so, consult with the GLA, publish a draft scheme and then consult with such persons as may be affected by the operation of that scheme prior to determining the scheme before 31st January.
- 2.12 This report recommends that the scheme is not revised or replaced.

Financial Implications

This report deals with financial matters throughout. The tax base of 84,446 will be reflected in the Council's Revenue Budget for 2018-19. This compares with a tax base of 83,500 for the financial year 2017/18.

Regarding the CTS scheme, it should be noted that this is part of the Local Government Finance settlement and, as it is not ring fenced, it is entirely for Harrow, as a Local Authority, to determine how much it is prepared to spend in light of the Council's overall financial position.

For 2018/19, estimated expenditure is largely in line with budget provision of between £13.8m to £14.1m (depending on zero to 4% Council Tax inflation). If the scheme was to award higher support amounts this would increase expenditure further and would have a detrimental impact on the Collection Fund which would have to be addressed in the following year's budget setting process. On the other hand, if the scheme was to award lower amounts, a positive impact would feed into the follows year's budget setting process.

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.

In year collection over the last four financial years has been as below;

	2013/14	2014/15	2015/16	2016/17
Council Tax collected %	97.5%	97.3%	97.3%	97.4%

Due to the introduction of localised council tax support from 1/4/2013, the overall in year collection rate, whilst fluctuating slightly in the earlier years, has now largely settled and performs in the upper quartile for both London and England. Collections' from this taxpayer category have therefore been higher than anticipated and poses little risk to overall performance.

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 either working age or pensioner claimant numbers rise above the estimates, potentially causing the scheme to overspend therefore reducing the tax take.

Equalities implications

Retaining the existing CTS scheme is supported by the original EqIA undertaken for the scheme and carried out at the time of consultation. This highlighted the impacts. The existing scheme also supports the most vulnerable members of our community as it contain more generous provisions for protecting disabled residents (which is applied to any applicant in receipt of Disability Living Allowance or Personal Independence Payment – PIP).

Corporate Priorities

Agreeing the tax base allows the Council to set council tax levels which is a fundamental part of the Council's budget process. Council Tax revenue is an essential part of the Council's overall budget and helps to support corporate priorities.

The Harrow Council Tax Support Scheme reflects the aims of our corporate Priorities thus ensuring we concentrate on supporting those who are financially vulnerable.

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels



on behalf of the
Chief Financial Officer

Date: 07 November 2017

Name: Andrew Lucas



on behalf of the
Monitoring Officer

Date: 07 November 2017

Ward Councillors notified: NO

EqIA carried out: No

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact:

Fern Silverio (Head of Service – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

None

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE <i>[Call-in applies]</i>
--	---

Appendix 1: Calculation of the Council Taxbase for 2018-2019											
SI No. 2914 The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012											
((H - Q + E + J) - Z) x (F divided by G)											
Band	@	A	B	C	D	E	F	G	H	Total	
Actual current properties											
Dwellings on database 30/11/17		0	704	3,740	20,395	28,770	21,999	8,002	6,150	1,219	90,979
Exemptions (minus)		0	19	93	326	338	191	87	85	11	1,150
Disabled Reductions of Band:											
Add to Lower Bands		0	2	25	122	175	70	44	12	0	450
Take from Higher Bands (minus)		0	0	2	25	122	175	70	44	12	450
Line 1-2+3-4 = H		0	687	3,670	20,166	28,485	21,703	7,889	6,033	1,196	89,829
Number in H above Entitled to One 25% Discount											
			-364	-1,889	-6,857	-5,453	-3,805	-1,334	-816	-95	-20,613
Line 6 x 25%			-91.00	-472.25	-1714.25	-1363.25	-951.25	-333.50	-204.00	-23.75	-5153.25
Number in H above Entitled to Two 25% (50%) Discount											
			0	-2	-3	-10	-8	-9	-22	-14	-68
Line 8 X 50%			0.00	-1.00	-1.50	-5.00	-4.00	-4.50	-11.00	-7.00	-34.00
No in H above entitled to 50% discount											
50% of above			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
No in H above entitled to 0% discount											
0% of above			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Discounts = Q			-91.00	-473.25	-1715.75	-1368.25	-955.25	-338.00	-215.00	-30.75	-5187.25
Line 5+ Line 12		0	596.00	3,196.75	18,450.25	27,116.75	20,747.75	7,551.00	5,818.00	1,165.25	84,641.75
No entitled to be charged 50% premium											
			2	1	15	18	12	4	6	3	61
Total Premiums = E			3.00	1.50	22.50	27.00	18.00	6.00	9.00	4.50	91.50
Estimated changes likely											
* Properties Awaiting Banding		0	0	0	0	0	0	0	0	0	0
**New Properties		0	0	0	0	0	0	0	0	0	0
Line 14 + Line 15		0	0	0	0	0	0	0	0	0	0
Properties to be Deleted											
Known Errors in Valuation List			-10	-22	-26	-38	-18	-10	-6	-1	-131
Line 17 + Line 18		0	-10	-22	-26	-38	-18	-10	-6	-1	-131
Line 16 + Line 19		0	-10	-22	-26	-38	-18	-10	-6	-1	-131
Assumed Exemptions on Ratio of Line 2 to 1											
			0	0	0	0	0	0	0	0	0
Assumed Discounts on Ratio of Line 12 to 5											
			0	0	0	0	0	0	0	0	0
Changes to Status of Existing Properties:											
Change in Discounts			0	0	0	0	0	0	0	0	0
Change in Exemptions			0	0	0	0	0	0	0	0	0
Expected appeals against bands:											
Add to Lower Bands			5	19	54	34	15	16	7	0	150
Take from Higher Bands			0	-5	-19	-54	-34	-15	-16	-7	-150
Line 20+21+22+23+24+25+26 =		0	-5	-8	9	-58	-37	-9	-15	-8	-131
CTR Discount											
Til Band reduction based on total r		0	-134	-968	-3034	-2841	-1352	-285	-80	-1	-8695
Expected in year changes			0	0	0	0	0	0	0	0	0
Total CTS Band Equivalent		0	-134	-968	-3034	-2841	-1352	-285	-80	-1	-8695
Total CTR Discount = Z			-134.00	-968.00	-3034.00	-2841.00	-1352.00	-285.00	-80.00	-1.00	-8695.00
H - Q + E + J - Z		0.00	460.00	2222.25	15447.75	24244.75	19376.75	7263.00	5732.00	1160.75	75907.25
To calculate band equivalents											
			0.67	0.78	0.89	1.00	1.22	1.44	1.67	2.00	
Band D Equivalent:Lines 29x30		0	306.67	1728.42	13731.33	24244.75	23682.69	10491.00	9553.33	2321.50	86059.69
Contributions in lieu of Class O											
			0.0	0.0	0.0	42.0	60.0	0.0	12.0	14.0	130.00
Band D equivalent for Taxbase calculation											
											86,190
Band D Equivalent for Taxbase Calculation										86,190	
										<i>Before allowance for collection rate</i>	
Band D equivalent for Taxbase calculation after non-collection allowance (2.00%) applied										84,466	