
REPORT FOR: CABINET

Date of Meeting:	9 January 2020
Subject:	Calculation of Council Tax Base for 2020 – 2021
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance, Resources Directorate
Portfolio Holder:	Adam Swersky Finance & Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1- Calculation of the Council Taxbase for 2020-21

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 2020-2021 and pass this information to precepting authorities by 31 January 2020. The tax base must be set between 1 December 2019 and 31 January 2020.

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 this report and in accordance with the Government

regulations;

- (b) The provision for uncollectable amounts of Council Tax for 2020-2021 be agreed at 2% producing an expected collection rate of 98%.
- (c) Subject to (a) & (b) above, a Council Tax Base for 2020-2021 of **87,667** Band D equivalent properties (being **89,456** x 98%) be approved, allowing for payment in lieu of Ministry of Defence properties.

Reason: (For recommendations)

To fulfil the Council's statutory obligation to set the Council Tax Base for 2020-2021.

Section 2 – Report

Introductory paragraph

Tax Base

2.1 The Local Government Finance Act 1992, as amended by the LGFA 2003 & LGFA 2012, requires the Authority to calculate the Council Tax Base for 2020-2021 and pass this information by 31 January 2020 to precepting authorities. The Tax Base must be set between the 1 December and 31 January.

2.2 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. Band D is also the reference from which all other council tax band valuations are calculated. 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.

2.3 The Council's Tax Base has been calculated, according to the relevant procedures and guidance for 2020-2021, at **87,667** 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.

2.4 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

2.5. Background

- 2.6 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 2019 for the financial year 2020-2021). It must show actual numbers of properties at that date and allow for the effects of council tax 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 2020-2021.
- 2.7 For 2019-2020 the percentage collection rate used was 98%. For 2020-2021 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.

- 2.8 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.
- 2.9 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.

Procurement Implications

There are no procurement implications arising from the Recommendations of this report.

Legal Implications

The Council is legally obliged to calculate the Council Tax Base for 2020-2021 by 31 January 2020.

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.

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.

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.

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.

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.

Article 13 of the Council's Constitution states a key decision is an executive decision which:

- (i) is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
- (ii) is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough.

A decision is significant for the purposes of (i) above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question.

Financial Implications

This report deals with financial matters throughout. The tax base of **87,667** will be reflected in the Council's Revenue Budget for 2020-21. This compares with a tax base of 86,250 for the financial year 2019/20.

The Council Tax base is now the largest single income stream for the Council. As such it is important that we both grow the taxbase and maximise the income from it to support current and future pressures. Over the last few years Harrow has grown the taxbase above expectations, and for 2020/21 we have achieved an increase in band D's equivalent to £2.075m extra income before Council Tax inflation.

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;

	2015/16	2016/17	2017/18	2018/19
Council Tax collected %	97.3%	97.4%	97.7%	97.34%

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

There are no direct environmental impacts anticipated from the recommendations contained within this report.

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.

Risk included on Directorate risk register? No

Separate risk register in place? No

Equalities implications

There are no Equalities implications from this report.

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.

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels	<input checked="" type="checkbox"/>	on behalf of the * Chief Financial Officer
Date: 25 November 2019		

Name: Beljeet Virdee	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 25 November 2019		

Name: Nimesh Mehta	<input checked="" type="checkbox"/>	on behalf of the * Head of Procurement
Date: 25 November 2019		

Name: Charlie Stewart	<input checked="" type="checkbox"/>	Corporate Director
Date: 19 December 2019		

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
Chair of Overview and
Scrutiny Committee**

NO

