
REPORT FOR: CABINET

Date of Meeting:	17 December 2020
Subject:	Calculation of Council Tax Base for 2021 – 2022
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky – Portfolio Holder for Finance and Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 - Calculation of the Council Taxbase for 2021-2022

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 2021-2022 and pass this information to precepting authorities by 31 January 2021. The tax base must be set between 1 December 2020 and 31 January 2021.

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 :

- (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 2021-2022 be agreed at 2% producing an expected collection rate of 98%.
- (c) Subject to (a) & (b) above, a Council Tax Base for 2021-2022 of **87,387** Band D equivalent properties (being 89,171 x 98%) be approved, allowing for payment in lieu of Ministry of Defence properties.
- (d) 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 2021/22 financial year.

Reason: (For recommendations)

To fulfil the Council's statutory obligation to set the Council Tax Base for 2021-2022.

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 2021-2022 and pass this information by 31 January 2021 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 2021-2022, at 87,387 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 2020 for the financial year 2021-2022). 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 2021-2022.
- 2.7 For 2020-2021 the percentage collection rate used was 98%. For 2021-2022 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 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.
- 2.9 Collection rate overall has been maintained as per previous years and takes into account the fact that collection rates have performed better than expected in the pandemic and the fact that Harrow has provisions

for outstanding arrears to the 31/3/2020 of almost 100%. This does not mean that in the future, the high collection expectation will not bring challenges, but it is expected to be achievable.

Council Tax Support Scheme Review

- 2.10 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 2021/22 financial year and this report also requests that Members consider reviewing the scheme.
- 2.11 Having reviewed the operation of the scheme, it is considered that the existing scheme, agreed by Full Council on 21st January 2013, 22/01/2015 and again on 09/01/2019, meets the Council's statutory requirements. It is therefore recommended that the scheme is not revised or replaced as no changes are required.
- 2.12 Modelling the current CTS caseload commitments and estimating 2021/22 expenditure, especially in view of the weakening economy due to both the pandemic and potentially Brexit, would suggest future expenditure in the region of £16.8m to £17.2m in the next financial year (dependant on any council tax inflation). This is in line with budgeted expenditure.
- 2.13 The expenditure estimate assumes some increases in caseload and assumes no disproportionate increase in persons of pension credit age that would be protected from the effects of the scheme. In conclusion, there are currently no fundamental reasons to change the existing scheme. Case load is currently increasing due to the pandemic but as the expected potential additional expenditure has been budgeted for, whilst there is a risk of numbers increasing beyond that factored in, 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.

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 2021-2022 by 31 January 2021.

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.

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 11th of March 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.

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 87,387 will be reflected in the Council's Revenue Budget for 2021-22. This compares with a tax base of 87,667 for the financial year 2020/21.

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 tax base above expectations. This year, the number of domestic properties coming on stream was lower than expected due to the pandemic and the earlier lockdown slowing down property developments, and additionally due to an increase of nearly 1600 working age Council Tax Support applications received as a direct result of the pandemic. This reduced the tax base by just over 1000 band D's compared to 2020/21 financial year, although growth offset the majority of the loss making the tax base almost the same as in the previous year.

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 2021/22, estimated expenditure is hugely above expected levels as the number of CTS claimants as grown over the current financial year, all of the increase directly related to the impacts of Covid19 on the economy. CTS expenditure for 2021/22 is likely to be between £16.8m to £17.2m including increases due to council tax inflation. If the CTS scheme was to award higher and more generous support amounts to claimants, this would increase expenditure further and would not be sustainable and have a further detrimental impact on the Collection Fund, which even with the new flexibilities to allow the deficit to be spread over more than one year, would not be affordable to Harrow, as this would still have to be addressed in the following 2 to 3 year's budget setting process. On the other hand, if the scheme was to award lower amounts, a positive impact would feed into the following 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;

	2016/17	2017/18	2018/19	2019/20
Council Tax collected %	97.4%	97.7%	97.34%	97.57%

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 largely settled and performs in the upper quartile for both London and England. Collections' from this taxpayer category have therefore been higher than anticipated historically and should pose little risk to overall performance. However this needs to be caveated with the with the fact that uncertainty

exists with regards to the on-going pandemic and also the unexpected and unplanned potential consequences that Brexit may bring, both of which could bring additional risks which are not factored into the tax base. This could affect Harrow by producing both lower collection rates than allowed for and higher numbers of CTS claimants should unemployment rise disproportionately.

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 are risks which should be considered as set out in the table below.

Risk Identified	Mitigations
Calculation is inaccurate	Processes in place to validate tax base calculations
Expected Collection rate not achievable	A strict recovery program in place and BDP provisions for arrears currently high which would mitigate lower collection rates by up to 1% - 2% in the short term.
Potential unexpected increases in CTS caseload, both pensioner and working age, which may mean an overspend on council tax support beyond that budgeted for because of <ol style="list-style-type: none"> 1. On-going pandemic 2. Brexit 	<p>Unmitigated for. Facts as we know them taken into account and best estimates based on historical and current knowledge used as a guide.</p> <p>Government issued guidance on spreading deficits over 3 years where yield is substantially lower than that budgeted for due to such factors. This will mean that the collection fund would be adversely affected in the first instance, not the revenue budget, and there would be no immediate risk to the budget. This would allow the local authority up to 3 years to clear the collection fund deficit therefore giving Harrow time to plan to clear any shortfall without endangering the 2021/22 budget.</p>

Risk included on Directorate risk register? No

Separate risk register in place? No but part of overall budget risks

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

Statutory Officer: Sharon Daniels

Signed on behalf of the Chief Financial Officer
Date: 13 November 2020

Statutory Officer: Sarah Wilson
Signed on behalf of the Monitoring Officer
Date: 13 November 2020

Statutory Officer: Nimesh Mehta
Signed by the Head of Procurement
Date: 16 November 2020

Statutory Officer: Charlie Stewart
Signed by the Corporate Director
Date: 16 November 2020

Statutory Officer: Susan Dixon
Signed by the Head of Internal Audit
Date: 1 December 2020

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

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

