

Report for: Cabinet

Date of Meeting:	8 th December 2022
Subject:	Calculation of Council Tax Base for 2023 – 2024
Key Decision:	Yes
Responsible Officer:	Dawn Calvert - Director of Finance & Assurance
Portfolio Holder:	Councillor David Ashton – Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 – Calculation of the Council Tax Base for 2022/23

Section 1 – Summary and Recommendations

The Local Government Finance Act (LGFA) 1992, as amended by the LGA 2003 & LGFA 2012, requires the Authority to formally calculate the Council Tax Base for 2023-2024 and pass this information to precepting authorities by 31 January 2023. The tax base must be set between 1 December 2022 and 31 January 2023.

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 2023-2024 be agreed at 2% producing an expected collection rate of 98%.
- (c) Subject to (a) & (b) above, a Council Tax Base for 2023-2024 of **89,085** Band D equivalent properties (being 90,903 x 98%) be approved, allowing for payment in lieu of Ministry of Defence properties.
- (d) Having considered whether to review the local CTS scheme, suggest changes or conclude that there is no change required and approve the continuation of the existing CTS scheme, as previously adopted by Full Council, for the 2023/24 financial year.
- (e) A new one off Cost of Living Support Grant to support working age council tax payers in receipt of council tax support with their council tax bills is introduced, and that this be applied as per the table in paragraph 2.16 of the report for financial year 2023/24 only, and to authorise officers to administer awards under the provisions of Section 13A(1)(c) of the Local Government Finance Act 1992 (as amended by the Local Government Finance Act 2012).

Reason: (For recommendations)

To fulfil the Council's statutory obligation to set the Council Tax Base for 2023-2024.

Section 2 – Report

Introductory paragraph

Tax Base

2.1 The Local Government Finance Act 1992, as amended by the LGA 2003 & LGFA 2012, requires the Authority to calculate the Council Tax Base for 2023-2024 and pass this information by 31 January 2023 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 2023-2024, at 89,085 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 2022 for the financial year 2023-2024). 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 2023-2024.

- 2.7 For 2022-2023 the percentage collection rate used was 98%. For 2023-2024 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, nor does it mean that eventual losses will necessarily be 2.0%. It is, however, essential that an adequate provision for non-collection is made each year. The Government recognises that no billing authority can collect every pound of Council Tax payable 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 post pandemic, and the fact that Harrow has provisions for outstanding arrears to the 31/3/2022 of almost 70%. 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 2023/24 financial year and this report therefore 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, 22nd January 2015 and again on 9th January 2019, meets the Council's statutory requirements. It is therefore recommended that the scheme is not revised or replaced.
- 2.12 Modelling the current CTS caseload commitments and estimating 2023/24 expenditure, based upon the current economic climate, would suggest future expenditure for the current scheme to be in the region of £18m to £18.2m in the next financial year (dependant on any council tax inflation). This is in line with the tax base calculation as set out within this report and expected 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 decreasing after increasing due to the

effects of the pandemic, but the expected potential reduction or additional expenditure has been budgeted for and the risk of caseload numbers increasing beyond that provided for 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.

Cost of Living Council Tax Support Grant for financial year 2023/24

- 2.14 Section 13A (1) (c) of the Local Government Finance Act 1992, provides the Council with the power to reduce the amount of Council Tax due ‘as it sees fit.’ This section (as amended by the Local Government Finance Act 2012) also allows a local authority to create a ‘scheme’ to reduce the Council Tax for persons or a class of persons that it considers being in financial need. The cost of any reduction awarded under Section 13A(1)(c) must be met in full by Harrow Council.
- 2.15 For the last 3 years Harrow has used its discretionary powers to administer a local inflation negating scheme to ensure that working age recipients of council tax support were awarded additional relief to cover the Harrow council tax inflationary increases for financial years 2020/21, 2021/22 & 2022/23. This was to support the most vulnerable residents through the pandemic years.
- 2.16 With the current cost of living crisis affecting all our residents, it is right that the Council continues to support our most vulnerable residents. As such, and to give certainty to all our 8,221 working age households in receipt of Council Tax Support, we will continue to provide Council Tax inflation support through this one-off grant, as set out in the table below.

For Financial Year 2023/24

CTS Entitlement as a % of Council Tax liability	Numbers of claimant households	Discretionary award to be granted per qualifying household for year 2023/24
70%	2702	£36.00
60-69%	471	£45.00
<60%	1675	£54.00
86% (vulnerable)	3373	£30.00
		£310,107 Total Cost

- 2.17 This new grant will ensure previously awarded amounts remain in place for 2023/24. The set amounts, whilst not negating inflation for the new year, will however still reduce the 2023/24 bills by an amount equal to the awards granted in the current year.
- 2.18 Modelling carried out on the existing caseload and figures suggest this will cost the general fund in the region of £310k for 2023/24.
- 2.19 Eligibility criteria to be met are that recipients will need to have been a Harrow council taxpayer as at 01/04/23 and have continuously been receiving council tax support as a working age claimant between 1/4/2022 and 1/4/2023.

- 2.20 The award will be granted automatically, and no application process is required. Any working age claimant ceasing to receive CTS after the award date or moving away from Harrow will also not have their allocation adjusted on a pro-rata basis, meaning they will not need to pay it back.

Legal Implications

The Council is legally obliged to calculate the Council Tax Base for 2023-2024 by 31 January 2023.

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 the provision of an estimate, rather than applying 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, an estimate has been based upon the total amount of CTS reductions given for each valuation band and divided by the estimated council tax payable for the valuation band concerned.

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 in the financial year preceding that for which the calculation of the council tax base is made.

Section 67 Local Government Finance Act 1992 was amended by section 84 of the Local Government Act 2003, (and 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 31 January.

Article 6 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 89,085 will be reflected in the Council's Revenue Budget for 2023-24. This compares with a tax base of 88,785 for the financial year 2022/23. This is an increase of 300 band D equivalents which represents £500k more in actual income.

The Council Tax base is now the largest single income stream for the Council. As such it is important that the Council both grow the tax base and maximise the income from it to support current and future financial pressures. Over the last few years, Harrow has grown the tax base above expectations. Unfortunately, due to the increase in Council Tax Support caseload as a direct result of the pandemic, 2021/22 saw little net growth as most of the actual growth that materialised offset higher CTS expenditure. This year, 2022/23, also resulted in the number of domestic properties coming on stream being lower than expected, partly due to the pandemic but also the slowing down in property starts due to disruptions to some of the supply chains affecting the larger developments and the general slowdown in the economy due to the cost-of-living crisis.

Regarding the CTS scheme, it should be noted that provision for its cost is included within the Local Government Finance Settlement. 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.

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 as well as having a further detrimental impact on the Collection Fund, that would be unaffordable to Harrow. On the other hand, if the scheme was to be revised such that a lower award was to be available to eligible claimants, a positive financial impact would be achieved that could feed into the following year's budget setting process.

With regard the cost-of-living council tax support grant scheme for 2023/24, it should be noted that this is a call on the general fund. Any support awarded will need to be picked up through the MTFs refresh process. It is also right that the scheme applies for one year only as the full cost falls on the Council and is therefore an inefficient way to support residents as the preceptors do not

contribute towards this (unlike the CTS scheme which falls on the collection fund and is therefore paid for by both the Council and the preceptors).

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 previously, contributes to a favourable audit opinion.

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

	2018/19	2019/20	2020/21	2021/22
Council Tax collected %	97.34%	97.57%	95.35%	96.72%

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 fact that uncertainty exists with regards to the impact of the "cost of living crisis" on collection performance and the fact that higher arrears exist as a result of the pandemic which will still need to be collected.

This will pose challenges to increasing collection performance as will the higher numbers of CTS claimants that could still materialise should unemployment rise disproportionately.

Environmental Implications

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

Data Protection Implications

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

Procurement Implications

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

Risk Management Implications

Risks included on corporate or directorate risk register? **No**

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

The relevant risks contained in the register are attached/summarised below.
n/a

Whilst Officers have estimated the tax base as accurately as possible within the data available, the following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Identified	Mitigations	Rag Status
Statutory requirements not met within required deadline (31/01/23)	Council Tax Base for 2023/24 calculated using the required formula as detailed in the body of the report.	Green
The impact of the Cost-of-Living Council Tax Support Grant for 2023/24 on the budget is unsustainable	Funding will come from provisions made. For future years, any support awarded will need to be picked up through the MTFS refresh process.	Amber
Calculation is inaccurate	Processes in place to validate tax base calculations	Green
Expected Collection rate not achievable	A strict recovery program in place and BDP provisions for arrears are high which would mitigate lower collection rates by up to 1% - 2% in the short term.	Green
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. Cost of living crisis 2. Economy deteriorating 	Unmitigated for. Facts as we know them taken into account and best estimates based on historical and current knowledge used as a guide. This could 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 time to clear the collection fund deficit therefore giving Harrow time to plan to clear any shortfall without endangering the 2023/24 budget.	Amber
Council Tax Support Scheme does not meet Statutory requirements	Operation of scheme reviewed to confirm that it meets statutory requirements	Green

Equalities implications

There are no Equalities implications from this report.

Council 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. As such it supports:

1. A council that puts residents first
2. A borough that is clean and safe
3. A place where those in need are supported

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels

Signed on behalf of the Chief Financial Officer

Date: 22 November 2022

Statutory Officer: Paresh Mehta

Signed on behalf of the Monitoring Officer

Date: 22 November 2022

Chief Officer: Dawn Calvert

Signed on behalf of the Corporate Director

Date: 22 November 2022

Head of Procurement: Nimesh Mehta

Signed on by the Head of Procurement

Date: 24 November 2022

Head of Internal Audit: Susan Dixson

Signed on behalf by the Head of Internal Audit

Date: 24 November 2022

Mandatory Checks

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

EqIA carried out: NO, this is a technical financial report which does not require an EqIA.

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:

- The Local Authorities (Funds) (England) Regulations 1992
<http://www.legislation.gov.uk/ukpga/1992/14/contents>
- The Non-Domestic Rating (Rates Retention) Regulations 2013
<http://www.legislation.gov.uk/ukdsi/2013/9780111532959/contents>

Call-in waived by the Chair of Overview and Scrutiny Committee - NO

