

LONDON BOROUGH OF HARROW

Meeting:	Cabinet
Date:	13 January 2004
Subject:	Calculation of Council Tax Base for 2004-2005
Key decision:	No
Responsible Chief Officer:	Executive Director (Business Connections)
Relevant Portfolio Holder:	Finance and Human Resources and Performance Management
Status:	Part 1
Ward:	All
Enclosures:	None

1. Summary/ Reason for urgency (if applicable)

- 1.1 The law requires Council to formally agree it's Council Tax Base for 2004-2005 and pass this information to precepting authorities by 31 January 2004.

2. Recommendations (for decision by Council)

- 2.1 That Cabinet considers the information given in this report and recommend to the Council meeting of 22 January 2004, 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 2004-2005 is agreed at 1.5%, producing an expected collection rate of 98.5%.
 - (c) Subject to (a) & (b) above, a Council Tax Taxbase for 2004-2005 of 83,652 Band D equivalent properties (being 84,926 x 98.5%) be approved, allowing for payment in lieu of Ministry of Defence properties.
 - (d) That Council decides if it should formally adopt an instalment scheme of twelve instalments instead of the statutory ten instalments currently operating.

REASON:

To fulfil Council's statutory obligation to set the Council Tax Base for 2004-2005.

A decision on the number of instalment to be allowed is required to enable council tax billing preparations to commence.

3. Consultation with Ward Councillors

3.1 Not applicable

4. Policy Context (including Relevant Previous Decisions)

4.1 The Council has a statutory obligation to set a taxbase each year. This is normally done in the December Cabinet, but a change of reporting date required by central government for the 2004-05 taxbase has meant that it has to be reported to the January Cabinet this year.

The Cabinet at its meeting on 17 December 2002 approved a Council tax Base for 2003-2004 of 82,942 net properties.

5. Relevance to Corporate Priorities

5.1 All

6. Background Information and options considered

6.1 The legal basis for setting the Taxbase

6.2 The law requires the Council to formally agree its Council Tax Taxbase for 2004-2005 and give this figure to preceptors by 31 January 2004. The tax base has two parts:-

- (a) the number of taxable properties shown as 'band D equivalents':
- (b) the expected collection rate for the year.

6.3. 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:-

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

The calculation method is set out in the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended.

The Regulations state that the taxbase must be calculated as at 30th November in the year preceding that for which the relevant amount is calculated. However for 2004-05 alone the government has amended this date to be as at the 20th December 2003. It must show actual numbers of properties at that date and allow for the effects of discounts and exemptions. 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 2004-2005.

The detailed calculation of the band D equivalent properties is shown at **Appendix 1**.

6.4 The Taxbase shows new properties being built in Harrow (including in-fill development and conversions). It also includes larger developments in the Borough such as Stanmore Park. Officers are also aware that planning permission has been applied for a major re-development of the Rayners Lane Estate (however this should not effect the Taxbase). The effects of changes to the Council's power to reduce discount

applicable to second homes and long-term empty properties were subject to a decision at the Cabinet on 16th December 2003, and the results of those decisions have been included in the current taxbase calculations.

- 6.5 The expected collection rate is the percentage of Council Tax to be collected after estimating uncollectable amounts.

For 2004-2005 officers are recommending a budgeted collection rate of 98.5% (the same as for 2003-04). Although this is marginally below current collection rates it is considered prudent to maintain this estimated collection rate for 2004-05, however the estimated collection rate will be reviewed in future years in view of actual collection rates.

- 6.6 As noted above, the taxbase calculation takes into account the Cabinet's recommendation to Council to vary the discount applicable for Second Homes and Empty Properties from April 2004, as permitted under Section 11A of the Local Government Finance Act 1992 (as amended). The recommendations of the Cabinet at its meeting on 16th December were to reduce the current 50% discount to 10% for Second Homes (including furnished empty properties) and to remove the discount completely for unfurnished empty properties. This is in line with the minimum discounts the Council has the power to apply under the Local Government Act 2003.

6.7 Instalments

- 6.8 The Local Government Finance Act 1992 stipulates that Council Tax is payable by ten monthly instalments, unless the Council sets an alternative instalment scheme. The Council already offers payments over the following additional intervals on request: annual (one payment in April), six-monthly (payable April and September), Quarterly (April, July, October and January), fortnightly and weekly (between April and January).

- 6.9 Officers have been requested to explore the option of offering twelve monthly instalments.

Appendix 2 shows the effects on cashflow for the Council:-

- (a) if 12 instalments are offered for Direct Debit payers only
- (b) if 12 instalments are offered for all payers

- 6.10 Whilst offering 12 instalments as a matter of routine could help Council Tax payers to budget more effectively, there would be a significant cashflow implication as the Council would lose interest on the payments which would be received later in the financial year. The effects of this would be estimated losses of £150k using option (a) in 6.9 above, or estimated losses of £334k using option (b) in 6.9 above. This is equivalent to an increase of around £1.80 and £4.00 respectively on band D Council tax

- 6.11 Currently where residents are paying by ten monthly instalments, they are effectively paying in advance during the year (i.e. by the end of September 50% of the financial year has elapsed whereas they have paid 60% of the Council Tax due). When residents move, it therefore follows that they have often overpaid and are entitled to a refund. Under this instalment method there is no need for the Council to trace their forwarding address and recover any residual tax. If the Council moved to 12 instalments there would be a need to trace individuals who had moved and were in arrears with their Council Tax and this could lead to additional bad debts as well as additional administrative costs to the Council.

- 6.12 The Council actively encourages payment by Direct Debit. This reduces administration costs, enables payments to be virtually guaranteed and also helps residents who do not have to worry about missed payments (and thus recovery action). The Direct Debit Guarantee ensures that residents are safeguarded against errors, and notice is given of payments to be debited from their bank accounts. For many years the Council has offered a choice of payment dates for Direct Debit payers (1st, 5th, 10th, 15th, 20th and 25th of each month) whereas non-Direct Debit payers' instalments are always due on the first of each month. This is an added incentive to pay by Direct Debit.
- 6.13 If Cabinet decided to move to 12 instalments one option would be to offer this to those people paying by Direct Debit, and not by other means. This would offer greater choice to residents, help to promote the take up of payment via Direct Debit and reduce the Council's administration costs, which would go some way towards offsetting the loss of interest caused by the change in instalments. It would also increase the degree of certainty to the Council for expected income levels throughout the year. Cabinet are asked to note that most other London Boroughs who operate a 12 month instalment scheme do so only for people paying by Direct Debit.

7. **Consultation**

- 7.1 None

8. **Finance Observations**

- 8.1 This is a report from the Director Business Services and deals with financial matters throughout.

9. **Legal Observations**

- 9.1 None.

10. **Conclusion**

- 10.1 The Council must legally agree the Council Tax Base for 2004-2005 by 31 January 2004. This report recommends that it be set at 83,652.

11. **Background Papers**

- 11.1 Regulations under the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended.
Local Government Act 2003
Cabinet papers 17th December 2002
Cabinet papers 16th December 2003

Any person wishing to inspect the background papers should telephone 020 8424 1165

12. **Author**

- 12.1 Carol Cutler – Director Business Services
(Tel no: 020 8424 1165)
e-mail: carol.cutler@harrow.gov.uk