

**REPORT FOR: CABINET**

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<b>Date of Meeting:</b>	15 December 2011
<b>Subject:</b>	Calculation of Tax Base for 2012 – 2013 and Collection Fund Surplus/Deficit
<b>Key Decision:</b>	Yes
<b>Responsible Officer:</b>	Julie Alderson, Interim Director Finance
<b>Portfolio Holder:</b>	Cllr Bill Stephenson, Leader of the Council and Portfolio Holder for Finance and Business Transformation
<b>Exempt:</b>	No
<b>Decision subject to Call-in:</b>	Yes
<b>Enclosures:</b>	Appendix 1 – Calculation of Council Tax Base 2012-2013

## Section 1 – Summary and Recommendations

The Local Government Finance Act 1992, as amended by the Local Government Act 2003, requires the Authority to formally calculate the Council Tax Base for 2012-2013 and pass this information to precepting authorities by 31 January 2012. The tax base must be set between 1 December 2011 and 31 January 2012.

### Recommendations:

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

- (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 2012-2013 is agreed at 1.50% producing an expected collection rate of 98.50%.
- (c) Subject to (a) & (b) above, a Council Tax Base for 2012-2013 of **88,140** Band D equivalent properties (**being 89,482 x 98.5%**) be approved, allowing for payment in lieu of Ministry of Defence properties.
- (d) Note an estimated surplus of £1,683,703 on the Collection Fund as at 31 March 2012 of which £1,335,176 is the Harrow share;
- (e) an amount of £1,335,176 be transferred to the General Fund in 2012/13.
- (f) Delegate authority to the Corporate Director of Finance, in consultation with the Portfolio Holder, to review and change as necessary the calculation rates for the bad debt provision relating to the collection fund.

### Reason:

To fulfil Council's statutory obligation to set the Council Tax Base for 2012-2013.

## Section 2 – Report

### 1. Introduction – Tax Base

- 1.1 The Local Government Finance Act 1992, as amended by the Local Government Act 2003, requires the Authority to calculate the Council Tax Base for 2012-2013 and pass this information by 31 January 2012 to precepting authorities. The Tax Base must be set between the 1 December and 31 January.
- 1.2 The Council's Tax Base has been calculated, according to the relevant procedures and guidance for 2012-2013, at 88,140 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.

- 1.3 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. Background

- 2.1 The Regulations state that the calculation of the Tax Base must be based on the Valuation list produced by the Listing Officer of the Inland Revenue as it stands on 30 November in the year preceding that for which the relevant amount is calculated (i.e. at 30 November 2011 for the financial year 2012-2013). 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 2012-2013.
- 2.2 For 2011-2012 the percentage collection rate used was 98.25%. For 2012-2013 a budgeted collection rate of 98.50% is being recommended. This takes into account the current economic climate and the expected losses but also our historical success in achieving an eventual recovery rate of just over 98.5% over a period of approximately 36 months. The expected collection rate is the percentage of Council Tax to be collected after estimating uncollectible amounts.
- 2.3 This does not mean that collection efforts will stop once the budgeted collection levels have been reached, or that eventual losses will necessarily be 1.50%. 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.

<b>Estimated Collection Fund Surplus / Deficit at 31 March 2012</b>
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## 3. Introduction – Collection Fund

- 3.1. The Council, as a billing authority for the Council Tax, is required to keep a special fund known as the Collection Fund. The Fund is credited with the amount of Council Tax and Non Domestic Rates (NDR) it collects. The payments out of the Fund are in respect of Harrow's own local demand (i.e. General Fund expenditure net of Revenue Support Grant and share of NDR) and to the National NDR Pool, and the precept issued by the Greater London Authority (GLA).

- 3.2. If a surplus, or deficit, remains in the Collection Fund at the year-end it is subsequently borne by, or distributed to, the billing authority (i.e. Harrow) and the preceptor (i.e. GLA). Billing authorities are required to estimate the expected Collection Fund surplus, or deficit, for the year to 31 March in order that the sum can be taken into account by billing authorities and preceptors in calculating the amounts of Council Tax for the coming year. The difference between the estimate and the actual surplus, or deficit, at 31 March will be taken into account in the following financial year.
- 3.3. The estimated financial position on the Collection Fund at 31 March 2012 is set out below.

	£
Collection Fund Surplus at 31 March 2011	-2,773,664
Transfer in respect of estimated surplus at 31 March 2011	2,494,180
Increase in collectable debit in 2011/12	-986,956
Reduction in provision for non-collection (BDP)	-417,263
Estimated surplus at 31 March 2012	-1,683,703

- 3.4. There are three factors in the calculation – any surplus or deficit brought forward from the previous financial year, the change in the collectable debit, and changes to the appropriate level of bad debt provision (BDP). The estimated surplus set out in the above table includes both Harrow's and the GLA's share.

- The Collection Fund surplus at the end of 2010/11 was £2,773k. This was £279k higher than the anticipated surplus of £2,494k when the 2011/12 budget and Council Tax was set;
- Due to additional properties being entered onto the valuation list, and improved control of provision of discounts and exemptions, the amount to be collected from Council Tax has increased by £986k against the budgeted requirement of £130,406k for 2011/12 and
- Bad debt provision is calculated using the following rates :-

	%
Previous year debt	50
Debt over 2 years	60
Debt over 3 years	75
Debt over 4 years	100

This calculation has resulted in a reduction in provision of £417k. The new percentage calculation rates above have been adopted after a review of the calculation method. It is asked that Cabinet notes the changes and delegates the authority to change the bad debt provision rates in the future to the Corporate Director of Finance in consultation with the Portfolio Holder.

3.5. The Regulations provide for the Council's share of the estimated surplus to be transferred to the General Fund. The transfer of £1,335,176 (Harrow Council's share) will reduce the amount required from the Collection Fund to fund the budget requirement and will be taken into account in the calculation of the 2012/13 Council Tax. The remaining sum of £348,526 will be payable to the GLA.

## **Legal Implications**

3.6. The Council must legally agree the Council Tax Base for 2012-2013 by 31 January 2012.

3.7. Section 33 (1) Local Government Finance Act 1992 imposes a duty on Harrow, 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.

3.8. The Local Authority (Calculation of Council Tax Base) Regulations 1992 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.

3.9. Sections 33, and various statutory instruments, also impose 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 of December and 31 of January.

3.10. Section 67 Local Government Act 1992 was amended by section 84 of the Local Government Act 2003 to enable the 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.

3.11. Regarding the collection fund, the Council is required by The Local Authorities (Funds) (England) Regulations 1992 in exercise of the powers under section 99(3) of the Local Government Finance Act 1988, to make an estimate by 15 January of the amount of the deficit or surplus on the Collection Fund as at 31/3/2012.

## **Financial Implications**

This is a report of the interim Corporate Director of Finance and deals with financial matters throughout. The tax base of 88,140 is reflected in the Draft Revenue Budget for 2012-13.

## **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 addition, the Collection Fund does not form part of the General Fund finance of the Council and therefore has no direct implications for individual performance indicators.

## Environmental Impact

None

## Risk Management Implications

Risk Included on Directorate risk register? No

Separate Risk Register in Place? No

In the current economic climate there is a risk that the Council's collection performance could decline. This would have an adverse impact on the Collection Fund financial position. However the risk is managed by regular reviews of the Council's bad debt provision (BDP) and the annual review of the collection rate used in the council tax base.

## Equalities implications

None

## Corporate Priorities

The Tax Base allows the Council to raise local taxation which is fundamental in supporting all corporate priorities as Council Tax and Collection Fund are key elements of the Council's overall budget.

## Section 3 - Statutory Officer Clearance

Name: Julie Alderson	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 1 December 2011		
Name: Sarah Wilson	<input checked="" type="checkbox"/>	Monitoring Officer
Date: 2 December 2011		on behalf of the

## Section 4 – Performance Officer Clearance

Name: Martin Randall	<input checked="" type="checkbox"/>	Divisional Director
Date: 24 November 2011		Partnership, Development and Performance
		on behalf of the

## Section 5 – Environmental Impact Officer Clearance

Name: John Edwards



Divisional Director  
(Environmental  
Services)

Date: 25 November 2011

## Section 6 - Contact Details and Background Papers

### Contact:

**Contact:** Fern Silverio (Divisional Director – Collections & Housing Benefits)  
Tel: 020-8736-6818 / email: [fern.silverio@harrow.gov.uk](mailto:fern.silverio@harrow.gov.uk)

### Background Papers:

- The Local Authorities (Calculation of Council Tax Base) Regulations 1992, SI No.612 as amended, SI No.3012 of 2003, LGFA 1992, LGA 2003,
- Council resolutions of meetings held 16/12/2003 & 20/10/2005.

## Appendix 1

Calculation of the Council Tax Base for 2012/13

**Call-In Waived by the  
Chairman of Overview  
and Scrutiny  
Committee**

**NOT APPLICABLE**

*[Call-in applies]*