



Haringey Council

Agenda item:

Council

On 19 January 2009

Report Title: **To propose the Council's tax base for 2009/10**

Report of **Chief Executive**

Signed :

Contact Officer : Gerald Almeroth, Chief Financial Officer

Wards(s) affected: **All**

Report for: **Decision by full Council**

1. Purpose of the report

- 1.1. To agree the calculation of the Council's tax base in accordance with the statutory provisions.
- 1.2. To agree a revision to the policy for locally defined discount for second homes.

2. Background

- 2.1. The Council is required under the provisions of the Local Government Finance Act 1992 and subsequent statutory instruments to agree the 2009/10 tax base by 31 January 2009. The tax base is not only required for the Council's purposes but also to enable the precepting bodies to set their budgets and precepts for 2009/10.
- 2.2. The Council tax base is calculated in accordance with a nationally prescribed formula and represents the equivalent number of Band D properties within the area. The formula takes account of the number of properties in each band, the number of discounts given for single occupiers, empty dwellings, second homes and other eligible criteria, the prescribed proportions to convert numbers to Band D equivalents, and the estimated collection rate which has been set at 96%.

2.3. The Local Government Act 2003 allowed for the delegation of the setting of the tax base to the Chief Financial Officer. This was granted by the Council on 3 October 2005. This report is proposing a change in the policy for the discount on second homes and this cannot be taken as a delegated decision therefore this report is provided for full Council to approve.

3. Recommendations

3.1. That in accordance with the Local Authorities (calculation of tax base) Regulations 1992, the amount calculated by the Council of the London Borough of Haringey as its tax base for the year 2009/10 shall be 85,060.

3.2. That the level of discount for second homes (class A and B) is set at 10%.

4. Reason for recommendations

4.1. It is a legal requirement under the provisions of the Local Government Finance Act 1992 and subsequent statutory instruments that the council tax base is to be agreed. This report sets out the details and assumptions in the calculation proposed for 2009/10.

4.2. The proposal to set the level of discount for second homes at 10%, a reduction from the current 50%, is in accordance with the Council's housing policy on encouraging empty properties being brought back into use in the borough.

5. Council Tax Discounts

5.1. The Local Government Act 2003 inserted Sections 11A and 13A into the Local Government Finance Act 1992. Section 11A set out 3 classes of dwelling;

- Class A (Second homes - holiday homes – furnished properties that are not the main residence of any individual and where occupation is prohibited for at least 28 days in a year)
- Class B (Second homes – furnished dwellings which are not the main residence of any individual)
- Class C (long term empty dwellings – dwellings which are unoccupied and substantially unfurnished)

5.2. Section 11A gives Local Authorities the discretion to reduce the discount on Class A and Class B dwellings to a minimum of 10%.

Second Homes

- 5.3. This report proposes that properties classed as second homes, which are empty and furnished are granted a 10% council tax discount. This is a reduction from the current discount of 50%. There are an estimated 1065 second homes currently in Haringey that fall within this category. They are primarily landlord furnished lets.
- 5.4. The reason for this change in policy is to encourage the sale or renting of these empty properties. This will support the Council's housing policy and strategy of returning empty properties into use.
- 5.5. In the (CTB1) statutory return to government, such properties are shown at the former statutory discount level of 50%. The extra income generated, from reducing discount levels on second homes will be retained by the council. The resultant change has been taken into account when calculating the tax base and equates to approximately 406 band D equivalents.
- 5.6. The potential extra income that can be collected by reducing the discount to 10% is a maximum of £595k as shown in appendix 2.
- 5.7. An analysis of discounts on second homes offered by other London Authorities is shown in appendix 3.

Long Term Empty Properties

- 5.8. A property which becomes empty (unoccupied and substantially unfurnished) is entitled to a Council Tax exemption (i.e. no charge) for a period of up to 6 months with a discount of 50% after that period. The Local Government Act 2003 provided the Council with discretion to reduce this discount from 50% to 0%. The Council agreed to set the discount at 0% in 2004 and it is proposed that there is no change to this policy.

Tax Base Calculation

- 5.9. The factors that determine the tax base are:
- Number of properties in each valuation band
 - An estimate of relevant changes to discounts, exemptions, new properties and reductions in each band; and
 - A provision for non-collection
 - The impact of retrospective changes to discounts / exemptions affecting the collectable debit.
 - The impact of revaluations and other changes to property valuations;

5.10. The formula for calculating the tax base is set out in The Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 (No.3012) and is outlined in Appendix 1. The following table sets out the number of band D equivalents for each band having applied the formula.

Band	
A (disabled)	1.38
A	3,242.49
B	11,091.13
C	24,158.94
D	22,617.96
E	11,846.76
F	7,134.66
G	7,376.84
H	1,135.22
Total	88,605.38

5.11. The tax base calculation is based on the assumption that the recommendations in relation to the level of council tax discount for second homes and long-term empty properties are adopted.

5.12. A recent review has identified that the collectable debit reduces due to retrospective discounts, exemptions, new properties and band changes. Given the transience of the population, the high level of change is understandable, and as many of these changes have a retrospective effect, their overall impact tends to result in a downward pressure on the tax base. However an extensive review of our single occupancy discount is likely to minimise the effect of this downward trend by increasing debit raised through this process.

5.13. Further analysis has identified the reduction in collectable debit due to retrospective awards of discounts and exemptions, new properties, changes in occupation equates to approximately 0.48% of the collectable debit taking into account the expected adjustment for the Single Occupancy Discount Review.

5.14. The Council, in declaring its tax base, must take into account a provision for non-collection. Factors, which need to be taken into account, are:

- the expected level of empty properties for 2009/10;
- the mobility of the local population, particularly in the private rented sector;
- the level of timely information available when properties are sold or let, and;
- experience of operating the Council Tax and the validity of information held on the Council Tax database.

5.15. The review of the overall collection rate identifies Haringey as having a transient population, with a high number of short-term lettings. This transience creates difficulties in obtaining prompt and reliable information on the movement of taxpayers and in the ability to recover any monies outstanding.

5.16. The Council is required to take into account the monies it will ultimately receive when determining its tax base. Current collection forecasts and collection profiles to date indicate that it will take up to 8 years to collect the full amounts deemed collectable for each financial year since the introduction of Council Tax in 1993.

5.17. The level of provision for non-collection of Council Tax for 2009/10 should be considered based on the advice above. The resultant tax base at the following non-collection levels would be:

Provision for Non-Collection	3%	4%	5%	6%	7%
Resultant Council tax base	85,946	85,060	84,174	83,288	82,402

5.18. The Council is expecting to sustain the improvements implemented in the collection of council tax. It is therefore recommended that the provision for non-collection of Council Tax for 2009/10 should therefore remain at 4%.

6. Chief Financial Officer Comments

6.1. The revised tax base will be used for the purposes of setting the budget and level of council tax in accordance with the statutory process. The additional income arising from the reduction in the discount will be partially offset by the estimated retrospective discounts and exemptions.

7. Head of Legal Services Comments

7.1. Because of the provisions of the Local Government Finance Act 1992 the decision on changing the level of discount for second homes is one that must be taken by the full Council and cannot be delegated. The other legal implications are set out in the report. The decisions recommended to Members are within the Council's powers.

8. Use of appendices /Tables and photographs

8.1. Appendix 1 – Formula for calculation of tax base

8.2. Appendix 2 – Potential extra income from reducing the discount on second homes to 10%.

8.3. Appendix 3 – Analysis of Second Home Discounts offered by London Authorities.

9. Local Government (Access to Information) Act 1985

- 9.1. The Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003 (No.3012
- Local Government Act 2003
- Local Government Finance Act 1992

Formula for calculating the Council Tax base (on or after 1 April 2004)

The relevant amount for each band for the 2009/10 financial year is calculated by applying the following formula:

$$(H - Q + J) \times F / G$$

Where:

H is the number of chargeable dwellings less any exempt dwellings listed in the band on the relevant day.

Q is a factor to take account of discounts on the relevant day multiplied by the relevant discount percentages.

J is the amount of any adjustments (positive or negative) in respect of changes in the number of chargeable dwellings or discounts during the period from the relevant day to the end of the relevant financial year calculated as the difference between:

- (a) an estimate of the number of chargeable dwellings not listed on the relevant day but will be listed in the band for whole or part of the year;
- (b) an estimate of the number of dwellings which were in receipt of a discount on the relevant day but will not be applicable for the whole or part of the year, multiplied by the relevant discount percentages;
- (c) an estimate of the aggregate of the number of chargeable dwellings listed on the relevant day but will not be listed for the whole or part of the year, and the number of chargeable dwellings which will be exempt for the whole or part of the year, and;
- (d) an estimate of the number of dwellings which will be in receipt of a discount (other than those in the formula above) for the whole or part of the year multiplied by the relevant discount percentage.

Appendix 2

Analysis of potential extra income on second homes

2nd Home Discounts	No of Properties	Charge		Total charge at 50% discount	Band D Equivalents	Total charge at 25% Discount		Total charge at 10% Discount	Band D Equivalents
Band A	78	981		£ 38,259	26	£ 57,389		£ 68,866	46
Band B	237	1144.49		£ 135,622	92	£ 203,433		£ 244,120	165
Band C	356	1307.99		£ 232,822	158	£ 349,233		£ 419,080	285
Band D	222	1471.48		£ 163,334	111	£ 245,001		£ 294,002	200
Band E	102	1793.37		£ 91,462	62	£ 137,192		£ 164,631	112
Band F	38	2125.49		£ 40,384	27	£ 60,576		£ 72,692	51
Band G	18	2452.47		£ 22,072	15	£ 33,108		£ 39,730	27
Band H	14	2942.97		£ 20,601	14	£ 30,900		£ 37,081	25
Total	1065			£ 744,556	505	£ 1,116,832		£ 1,340,202	911
Potential extra income						£ 372,276		£ 595,645	406

Appendix 3

Second home discounts awarded by other London boroughs

London Borough	% reduction
City of London	10
Barking & Dagenham	10
Barnet	10
Bexley	10
Brent	10
Bromley	10
Camden	10
Croydon	10
Ealing	10
Enfield	10
Greenwich	10
Hackney	50
Hammersmith & Fulham	10
Harrow	Unclear
Havering	10
Hillingdon	25
Hounslow	10
Islington	10
Kensington & Chelsea	10
Kingston upon Thames	10
Lambeth	10
Lewisham	10
Merton	10
Newham	10
Redbridge	10
Richmond upon Thames	10
Southwark	10
Sutton	10
Tower Hamlets	10
Waltham Forest	10
Wandsworth	25
City of Westminster	10