



Media Release

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pr1066.new council tax bandings.doc

DATE: 20 October 2004

CONCERN OVER COUNCIL TAX

FINANCE chiefs at Harrogate Borough Council are lobbying the district's three MPs over possible government plans, which could potentially lead to high council tax increases for local residents in 2007. This is the year when council tax bills will start to be based on 2005 house values rather than the 1991 values. Harrogate district residents are at risk because house prices in the area have increased by much more than the national average over this period.

The national yield from council tax will not increase as a result of the revaluation. The national average bill will be the same for either valuation. Individual bills would rise only for house values rising significantly above the national average.

To avoid high bill rises in regions (like London) with high house inflation, the government may look to introduce 'regional banding'. This is one of the proposals under consideration by the government as part of its balance of funding report.

With regional banding, bills would rise only for house values rising significantly above the regional average.

However, house prices in the Harrogate district have risen much more than the national and regional average – reaching 21% above the national average and 70% above the regional average by June 2004. Without regional banding, the average house in this district could rise by one band of council tax under the new house value rules.

But in the Harrogate district, regional banding could have a perverse effect, which might lead to an average rise of **two** bands. This is because Harrogate district house prices have soared ahead of the regional average. Regional banding may work well in London, where house price rises are close to the London regional average. But regional banding does not work well in property hotspot areas within a subdued Yorkshire regional housing market.

Councillor Alan Skidmore, Cabinet Member for Finance and Resources, has led the appeal to the district's MPs to intervene. He said: "We are very concerned about council tax bills going up dramatically for residents in this area merely because of revaluation. We accept the need to update house valuations to reflect, for example, new extensions and garages, but we do not think that our residents should have bigger bills simply because the district happens to be a property hotspot. Residents would pay more but there would be no net gain to the local area, as the council's central grants from government would be correspondingly cut.

“We have written to our MPs pointing out our concerns and, in particular, warning about the local effect of regional banding. We shall also be submitting evidence of our concerns to the Lyons Inquiry into local government funding.”

FURTHER INFORMATION: Councillor Alan Skidmore is available for comment on 01765 658785. Further technical information is available from Mr John Sowden, Director of Finance on 01423 556121.