

Council Tax Base 2024-25 and Collection Fund Adjustment

Timetable	
Meeting	Date
Corporate Services Policy Advisory Committee	17th January 2024
Cabinet	24th January 2024
Council	21st February 2024

Will this be a Key Decision?	Yes
Urgency	Not Applicable
Final Decision-Maker	Cabinet
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Adrian Lovegrove, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report advises members on the estimated tax base for Council Tax purposes. It identifies potential changes to the tax base expected in the forthcoming year and recommends the tax base for 2024-25 for the council and parish areas.

The report also provides the anticipated balance on the Council Tax account as at 31 March 2024 which will be credited to major preceptors and this Council in accordance with regulations.

The distribution of balances to precepting authorities is an important part of their respective budget setting processes and a decision at this time enables timely advice to those authorities. It also enables timely consideration in relation to the Council's own budget strategy for the coming financial year.

Purpose of Report

Decision.

Recommendations to the Cabinet: That

1. Pursuant to this report and in accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by this Authority as its Council Tax Base for the year 2024-25 will be 68,263.55;
 2. In accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by this Authority as the Council Tax Base for each parish area for the year 2024-25 will be as identified in Appendix 2 to this report; and
 3. The 2023-24 Council Tax projection and proposed distribution detailed in Appendix 3 of this report is agreed.
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Council Tax Base 2024-25 and Collection Fund Adjustment

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<ul style="list-style-type: none"> We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims as set out in section 3 [preferred alternative]. 	Adrian Lovegrove, Head of Finance.
Cross Cutting Objectives	<ul style="list-style-type: none"> We do not expect the recommendations will by themselves materially affect achievement of cross cutting objectives. However, the recommendations do form a statutory part of the process of setting the budget for the forthcoming financial year and support the council's objectives in this respect. 	Adrian Lovegrove, Head of Finance.
Risk Management	<ul style="list-style-type: none"> Risk implications are detailed within section 5 of this report. 	Adrian Lovegrove, Head of Finance.
Financial	<ul style="list-style-type: none"> The results of this decision affect the overall budget strategy process and therefore the pressure on the Council Tax requirement in creating a balanced budget. The setting of the tax base is an essential part of the budget process which is required by legislation. Any increase in the tax base effectively means that the cost of services provided by this Authority and others in the area is being spread over more Council Tax payers which would effectively reduce the Council Tax burden on any individual tax payer. However, this relationship must be realistic in that any underachievement on the collection of Council Tax will result in cash flow pressures for this Council as a billing authority. 	Adrian Lovegrove, Head of Finance.

Staffing	<ul style="list-style-type: none"> The recommendations do not give rise to any direct staffing implications. 	Adrian Lovegrove, Head of Finance.
Legal	<ul style="list-style-type: none"> Accepting the recommendations regarding the tax base will fulfil the Council's duties under the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012. Failure to accept the recommendations without agreeing suitable alternatives may place the Council in breach of these regulations. Billing authorities are required by the Local Authorities (Funds) (England) Regulations 1992 to estimate any surplus/deficit on their collection fund for the year. Accepting the recommended projection in Appendix 3 will enable the Council to meet this requirement. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 amend the Local Authorities (Funds) (England) Regulations 1992 and the Non Domestic Rating (Rates Retention) Regulations 2013 which govern the calculation and apportionment of Collection Fund surpluses and deficits for council tax and non-domestic rates respectively. These amendments amend the way in which billing authorities calculate their estimated surplus or deficit on their collection fund in respect of non-domestic rating income for the relevant years beginning on 1st April 2021 and 1st April 2022. These amendments require billing authorities to spread their exceptional balance for a relevant year over a period of three relevant years ending with the relevant year beginning on 1st April 2023. The exceptional balance for council tax within appendix 3 has been calculated in accordance with these regulations. 	Adrian Lovegrove, Head of Finance.

Information Governance	<ul style="list-style-type: none"> The recommendations do not impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council Processes. 	Adrian Lovegrove, Head of Finance.
Equalities	<ul style="list-style-type: none"> The recommendations do not propose a change in service therefore will not require an equalities impact assessment 	Adrian Lovegrove, Head of Finance.
Public Health	<ul style="list-style-type: none"> We recognise that the recommendations will not negatively impact on population health or that of individuals. 	Adrian Lovegrove, Head of Finance.
Crime and Disorder	<ul style="list-style-type: none"> The recommendations do not give rise to any direct crime and disorder implications. 	Adrian Lovegrove, Head of Finance.
Procurement	<ul style="list-style-type: none"> The recommendations do not give rise to any direct procurement implications. 	Adrian Lovegrove, Head of Finance.
Biodiversity and Climate Change	<ul style="list-style-type: none"> We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, the recommendations do form a statutory part of the process of setting the budget for the forthcoming financial year and support corporate priorities in this respect. 	Adrian Lovegrove, Head of Finance.

2. INTRODUCTION AND BACKGROUND

- 2.1 Setting the tax base is an integral part of the Council tax collection process which is a basic financial function of this Authority. It is essential for the efficient funding of all Local Authorities in the area. The income received from Council Tax, within the overall context of the budget process, provides resources for the achievement of all the Council's priorities.
- 2.2 Regulations prescribe that a decision on the tax base for the forthcoming financial year must be made between 1st November and 31st January.
- 2.3 The basis of the calculation of the tax base is the valuation information received from the Valuation Office on 11 September 2023 and the latest information on exemptions and discounts available as at 2 October 2023.
- 2.4 This information has been collated for the whole of the Borough area and for individual Parish areas. Information for the whole area has been supplied to the Government for their use in the monitoring of:

- The Local Council Tax Support Scheme;
 - This Council's needs baseline for business rates; and
 - Property changes that will be used to calculate the Council's New Homes Bonus award next year.
- 2.5 The tax base figure supplied to central government is given at Appendix 1. This shows a net tax base of 68,440.20 as at 2 October 2023. Starting from this figure an estimate of the tax base for 2024-25 can be made by considering movements that may occur in the factors that influence the tax base over the forthcoming year.
- 2.6 It is necessary that a realistic assessment is made of the potential changes to the tax base for 2024-25 as an under or over recovery of Council tax income will affect the Council's cash flow. If the tax base is overestimated, there will inevitably be a deficit on the collection fund which will need to be recovered through the Council tax in the following financial year. In addition, during the course of the year, the borrowing necessary to cover the under recovery of the tax would need to be paid for by this Council. If the tax base is underestimated there will be a surplus on the collection fund because the Council will have asked tax payers to contribute more than necessary in this financial year. The surplus would then be used to reduce the need for resources in the following year.
- 2.7 It is also necessary at this time to provide the parish councils, which set a precept, with the element of the tax base of the borough that equates to their area. Attached at Appendix 2 to this report is the detail of the calculation of the tax base for each parish. They reflect changes to the parish boundaries following the Community Governance Review (CGR).

Collection Fund Adjustment

- 2.8 As a billing authority, this Council has a statutory obligation to maintain a Collection Fund for transactions relating to the collection of Council Tax and Business Rates from taxpayers and distribution to preceptors.
- 2.9 For proper maintenance of the Collection Fund, it is necessary to assess, on an annual basis, the projected balance as at 31 March of each year. Any balance, either positive or negative, must be taken into account in the following financial year. Under the statutory arrangements for the Collection Fund, the balance remaining does not become a credit or charge on this Council but is required to be distributed proportionately across the preceptors.
- 2.10 The regulations provide that, in estimating a surplus or deficit on the Collection Fund at the end of the year, account is taken of any difference between the amount estimated for the previous year and the amount shown as the surplus/deficit for that year in the accounts. Surpluses and deficits will be calculated separately for council tax and business rates.
- 2.11 These balances (surplus or deficit) will be distributed between the billing authority, i.e. Maidstone Borough Council, and major preceptors during 2024-25. The amounts are apportioned on the basis of the billing

authority's demand, and each major precepting authority's precept, based on their respective band D Council tax bases to which the estimate relates i.e. the amounts to be distributed during 2024-25 will be apportioned using the 2023-24 demand and precept amounts.

- 2.12 The Collection Fund Adjustment arising from business rates will be estimated at a later stage due to the statutory timetable for calculating the predicted closing balance. This will be reported to the Committee and Cabinet in February as part of the Medium Term Financial Strategy proposals.

3. AVAILABLE OPTIONS

Tax Base - Option 1

- 3.1 An assessment of the information held by both the Revenues Service and the Planning Service suggests that between October 2023 and March 2025 a total of 1,341 properties will be added to the Council tax records. Distributing this sum evenly over the period and taking the average, to identify the effect on the tax base for 2024-25, the result suggests an increase of 956 band D equivalent properties. Adjusting this figure for the current levels of discount and other allowances suggests a decrease of 385 properties from the CTB1 figure.
- 3.2 This figure is significantly lower than the 1,341 new properties identified because they will not all be band D properties, they will not all start to pay Council tax at the beginning of the year and some will receive the discounts and allowances that are part of the system.
- 3.3 Furthermore, the revised total tax base must be adjusted to allow for non-collection for which has been calculated at 1.5%.
- 3.4 The calculation is set out in the table below:

Tax Base as at Appendix 1	68,440.20
New properties (Avg: by band D & time)	956.86
Adjustment for potential allowances	-95.59
Non-collection allowance (1.5% of above)	-1,036.92
Proposed Tax Base	68,263.55

Table 1: Proposed tax base 2024-25

- 3.5 The overall position represents year on year growth in the tax base estimate of 1.64%. The increase is slightly less than the current estimate in the strategic revenue projections, which are based on an estimated 2% growth in the tax base.
- 3.6 Appendix 2 to this report provides details of the tax base for each parish based on an identical calculation.

Tax Base - Option 2

- 3.7 It would be possible to vary some of the factors set out above. The exception is the figure from Appendix 1 as this is reconciled to the District Valuers' records and has been reported to central government. The other figures given above are based on current known data, though they could rise or fall during the year.
- 3.8 The risks of making an inaccurate calculation are set out in paragraph 2.6 above and as the data used in calculating Option 1 is accurate and evidenced any variation the committee may wish to make should be similarly evidence based.

Tax Base - Option 3

- 3.9 The do nothing option is not available to the Council as it has a statutory obligation to set a tax base each year.

Collection Fund Adjustment - Option 1

- 3.10 A projection for 31 March 2024 based on the current position is provided at Appendix 3. This appendix details the precepts and demands on the fund for 2023-24 totalling £147,058,553.
- 3.11 Appendix 3 also details the current position regarding Council tax bills dispatched, incorporating exemptions and discounts, and an allowance for irrecoverable debt. Total income is now anticipated to be £141,668,332; therefore a deficit of £5,390,221 is anticipated for 2023-24.
- 3.12 A forecast surplus of £4,130,441 for the current financial year is being allocated to major preceptors and this Council's general fund. The actual outturn position at 31 March 2023 was a surplus of £3,355,234 in respect of council tax. This brings the forecast cumulative deficit as at 31 March 2024 to £2,034,987.

Apportionment of Deficit

- 3.13 This deficit is apportioned according to preceptors' respective shares of council tax and recovered from the general fund and major preceptors over the next financial year in accordance with the provisions of the Local Government Finance Act 1992 as follows:

Preceptor	£
Maidstone Borough Council	-301,992
Kent County Council	-1,425,915
Kent Police Authority	-225,884
Kent and Medway Towns Fire Authority	-81,196
Total projected deficit as at 31 March 2024	-2,034,987

Table 2: Forecast cumulative deficit on the council tax account for 2024-25

- 3.14 The pressures associated with the Coronavirus pandemic, and the significant deficits in council tax and business rates which resulted from this, meant that the Government amended secondary legislation to allow authorities to spread the estimated deficit on the 2020-21 Collection Fund

over the three years 2021-22 to 2023-24. The has now stopped and provisions are now dealt within the year.

Collection Fund Adjustment - Option 2

- 3.15 The Cabinet could choose to vary the figures used in the estimate provided within the appendices. However, these are based on data from the revenues system, projections developed from past experience and known factors. They are considered to represent a reasonable basis for estimating the position on the collection fund at 31 March 2024.
- 3.16 Should the Cabinet choose to vary the data and distribute a different surplus or deficit this could affect the balance on the collection fund and the Council's cash flows.
- 3.17 The apportionment methodology is defined in statute and therefore may not be altered.

Collection Fund Adjustment - Option 3

- 3.18 It is a statutory requirement that any adjustment be calculated annually and the committee cannot choose to take no action in relation to this decision.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

Tax Base

- 4.1 The recommended option is Option 1 (as detailed in paragraph 3.4 above) as this calculation is based on current known data and collection rates.

Collection Fund Adjustment

- 4.2 It is recommended that the Cabinet agrees the projections detailed within option 1 above and within Appendix 3, as they are based on data from the revenues system, projections developed from past experience and known factors. They are considered to represent a reasonable basis for estimating the position on the collection fund as at 31 March 2024.

5. RISK

- 5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. That consideration is shown in this report within section 2. We are satisfied that the risks associated are within the Council's risk appetite and will be managed as per the Policy.
- 5.2 The main risks relate to an over optimistic estimate of the tax base and/or balance on the Council Tax account at 31 March 2024. Although any deficit arising on the Collection Fund would be recouped in subsequent years, the

impact of this risk materialising could be flow problems during the year. As a direct consequence this would reduce interest income generated on the Council's cash balances or, in extreme cases, result in a need to borrow on a temporary basis.

- 5.3 Over pessimistic estimates would lead to increased balances on the Collection Fund. When fed into the overall budget process this can produce yearly variations which need to be managed as part of the Budget Strategy and place unnecessary burdens on tax payers in advance of need.
 - 5.4 Monthly monitoring of collection rates and growth seen in the tax base over recent years help the Council to mitigate this risk.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 No consultation is necessary on this specific issue but consultation has occurred with the public and with service committees on the wider issues relating to the budget and Council tax for 2024-25. The outputs of this exercise are included within a separate agenda item at this meeting.
 - 6.2 The matter will also be considered by the Corporate Services Policy Advisory Committee on the 17 January 2024, with the Cabinet to be informed of the outcome prior to its meeting.
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The tax bases approved as part of this decision will be provided, as appropriate, to relevant preceptors.
 - 7.2 The Council will use this tax base in setting its 2024-25 budget on 21st February 2024.
 - 7.3 The Council is required to notify preceptors of the estimated Council Tax surplus/deficit as at 31 March 2024.
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8. REPORT APPENDICES

- Appendix 1 - Calculation of Council Tax Base (CTB1 Return)
 - Appendix 2 - Calculation of Individual Parish Tax Bases 2024-25
 - Appendix 3 - Council Tax Projection to 31 March 2024
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9. BACKGROUND PAPERS

None