

MAIDSTONE BOROUGH COUNCIL

GENERAL PURPOSES GROUP

9 DECEMBER 2010

REPORT OF HEAD OF FINANCE & CUSTOMER SERVICES

Report prepared by Paul Riley
Head of Finance & Customer Services

1. COUNCIL TAX – TAX BASE 2011/12

1.1 Issue for Decision

1.1.1 This report advises Members of the information currently available on the Tax Base for 2011/12 for Council Tax purposes. It also identifies potential changes to that Tax Base, particularly the allowance for non-collection, and recommends the Tax Base for 2011/12.

1.2 Recommendation of Head of Finance & Customer Services

1.2.1 That the Committee agree that:-

- a) pursuant to this report and in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, as amended, the amount calculated by this Authority as its Council Tax Base for the year 2011/12 shall be 60,303.1;
- b) in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992, as amended, the amount calculated by this Authority as the Council Tax Base for each Parish area as identified in **APPENDIX B** for the year 2011/12, be approved.

1.3 Reasons for Recommendation

1.3.1 The calculation of the Tax Base for Council Tax setting purposes must be agreed by full Council or a politically balanced Committee and could not be delegated to Officers or the Executive. In accordance with the statutory timetable, this decision had to be made by 31 January 2011. The constitution allocates responsibility for this decision to this committee.

1.3.2 The basis of the calculation of the Tax Base is the valuation information received from the Valuation Officer and the latest

information on exemptions and discounts available. This basic 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 and will be used as the basis for distribution of Revenue Support Grant by the Government.

- 1.3.3 From the basic information available, it is necessary to assess the Tax Base for 2011/12, taking into account factors such as the potential for change in the property base of the tax, i.e. additional properties being valued, changes in valuations following appeals, changes in the exemptions and discounts awarded. Additionally, an assessment must be made of the allowance for non-collection. Each of these factors is separately addressed in this report.
- 1.3.4 It is necessary that a realistic assessment is made of the potential changes to the Tax Base for 2011/12 as the effects on the cash flow of an under or over recovery of Council Tax income, will fall to this Authority. 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. However, 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 Authority. It is, therefore, very important that a realistic assessment is made of the collection rate likely to be achieved in 2011/12, taking into account all the factors detailed in Sections 1.4 – 1.6.

1.4 Changes in Property Base

- 1.4.1 The base position for the assessment of the Tax Base for 2011/12 is the information supplied to the Government in October 2010 which is based on the Council Tax Valuation List as at 13 September 2010. This shows a Tax Base of 60,418.6 before consideration of potential changes in the property base during the period up to March 2012. This involves an assessment of the number of properties that may move onto or out of the valuation list over the period. Additionally, an assessment needs to be made of the potential impact of appeals against the current valuation for each property.
- 1.4.2 **Changes in Number of Properties** – The potential for properties moving onto the Valuation List essentially comprise two situations. Firstly, properties which have currently not been valued for the purposes of Council Tax and secondly, new properties which are likely to be built and occupied during the period in question. Based on information currently available, an increase in the Tax Base of 284.7 i.e. 0.47% may be anticipated. This will cover approx 320 new properties coming on to the list up to March 2011 after making an allowance for potential exemptions and discounts.

1.4.3 **Changes in Valuation Bands** – It is likely that there will be a minimal number of outstanding appeals lodged with the Valuation Officers. Based on previous experience of the likely incidence of reductions in valuation bands as a result of appeals, there may be a marginal and insignificant reduction in the overall Tax Base.

1.5 Changes in Exemptions and Discounts

1.5.1 Since the introduction of Council Tax there has been a gradual increase in the number of exemptions and discounts along with irregular fluctuations. Additionally, a proportion of new properties coming onto the Valuation List will be entitled to exemptions or discounts. It would be prudent to allow a 0.16% reduction (i.e. an effective increase of approx 98.1 exemptions and discounts) in the Tax Base to cover potential changes in 2011/1.

1.6 Allowance for Non-Collection

1.6.1 For the purposes of the Council Tax Base for the current financial year, an allowance for non collection of 0.45% was agreed. Based on latest collection information and the potential adverse impact of the current economic downturn, it is recommended that the non-collection rate be slightly increased to 0.5% for 2011/12.

1.7 Local Discretion on Discounts

1.7.1 Previously Members considered a report dealing with the option of reducing discounts on Second Homes and long term empty properties. It is presumed that there will be no change to this policy as a change would require the Tax Base to be amended to reflect the change in the Band D Dwellings for Council Tax setting purposes.

1.8 Overall Assessment

1.8.1 Attached at **APPENDIX A** is a summary of the Tax Base as supplied to the Government in October 2010 in accordance with statutory requirements. The following table includes an assessment of changes in the property base, changes in exemptions and discounts and the provision for non-collection, as detailed in sections 1.4 to 1.6 above.

Tax Base as per Appendix A	60,418.6
PLUS Provision for changes in Property Base	284.7
LESS Provision for changes in exemptions/discounts	98.1
LESS Provision for Non collection (0.5%)	302.1
	<u>60,303.1</u>

Based on these assessments, the estimated Tax Base for 2011/12 is, therefore, 60,303.1, an increase of 0.9% on the Tax Base in the current financial year of 59,765.2.

1.9 Tax Base – Parish Areas

1.9.1 Based on the above assumptions, the Tax Base for each of the Parish areas has similarly been calculated and a summary is attached at **APPENDIX B**. This calculation is necessary to allow Parish Councils to assess the impact on their local area of the local precept to be raised. Information must be provided to Parish Councils within ten working days of a request by a Parish Council. In previous years the tax base has been considered during January and Parish Council's have been supplied with provisional figures in advance for planning purposes. As the decision will be made in early December this year, provisional figures have not been supplied to Parishes as they will receive actual values over one month earlier.

1.9.2 The figures included in **APPENDIX B** include the same assumptions on non-collection and changes in the Tax Base as detailed in this report with a more focused assessment of new properties.

1.10 Alternative Action and why not Recommended

1.10.1 The setting of the Tax Base is statutory and therefore there is no alternative to Members considering this Report. However, it is possible for a more optimistic view to be taken on the potential changes to the Tax Base. This is not recommended as an increase in the Tax Base would affect the cash flow of this Authority and, if not achieved, would result in an increase in costs through reduced investment income.

1.11 Impact on Corporate Objectives

1.11.1 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 provision of all this Authority's services.

1.12 Risk Management

1.12.1 The major risk relates to any potentially optimistic assessment of the Tax Base, as this would lead to cash flow problems, during the year,

which would reduce investment income.

1.12.2 However, increased balances on the Collection Fund, when fed into the overall budget process, can produce yearly variations which need to be managed as part of the Budget Strategy.

1.13 Other Implications

1.13.1

1.	Financial	X
2.	Staffing	-
3.	Legal	-
4.	Equality Impact Needs Assessment	-
5.	Environmental/Sustainable Development	-
6.	Community Safety	-
7.	Human Rights Act	-
8.	Procurement	-
9.	Asset Management	-

1.13.2 The setting of the Tax Base is an essential part of the budget process and 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 funded by more Council Tax payers and would effectively reduce the Council Tax burden on each tax payer. This relationship however must be realistic in that any underachievement on the collection of Council Tax will mean a result in cash flow problems for this Authority and a loss of investment income.

1.14 Relevant Documents

1.14.1 Appendices

- Appendix A – Calculation of the Tax Base October 2010
- Appendix B – Individual Parish Tax Base Calculation

1.14.2 Background Documents

None.

<u>IS THIS A KEY DECISION REPORT?</u>			
Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
If yes, when did it first appear in the Forward Plan?			
This is a Key Decision because:			
Wards/Parishes affected:			