

## **POLICY AND RESOURCES COMMITTEE**

**16 December 2015**

Is the final decision on the recommendations in this report to be made at this meeting?

**Yes**

### **Projected Collection Fund Adjustment Account 2015/16**

<b>Final Decision-Maker</b>	Policy and Resources Committee
<b>Lead Head of Service</b>	Paul Riley, Head of Finance & Resources
<b>Lead Officer and Report Author</b>	Report prepared by Janette Gill, Interim Chief Accountant
<b>Is this a key decision report</b>	Yes
<b>Classification</b>	Public
<b>Wards affected</b>	N/A

#### **This report makes the following recommendations to this Committee:**

1. That the Policy and Resources Committee agrees the Council Tax projection of £1.017m (Maidstone share £0.169m) as detailed in this report and as a result agree the distribution of the surplus set out in paragraph 3.7.
2. That the Policy and Resources Committee also agrees the Business Rate projection of £0.681m (Maidstone share of £0.272m) as detailed in this report and as a result agrees the distribution of the surplus set out in paragraph 3.13.

#### **This report relates to the following corporate priority:**

- The council is committed to delivery of Value for Money services and securing a successful economy for Maidstone Borough Council

#### **Timetable**

<b>Meeting</b>	<b>Date</b>
Policy and Resources Committee	16 December 2015

# Projected Collection Fund Adjustment Account 2015/16

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report details the projected balance on the Collection Fund as at 31 March 2016 from Council Tax Collection and Business Rate Retention. The distribution of balances to precepting authorities is an important part of their budget calculation and enables the Council to make informed decisions about the anticipated year end position before the year end at 31<sup>st</sup> March 2016.

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## 2. INTRODUCTION AND BACKGROUND

- 2.1 The projected Collection Fund adjustment account 2015/16 report gives an estimated year end balance as at 31<sup>st</sup> March 2016 of the Collection Fund balances for Council Tax Collection and Business Rates in the appropriate share for the Billing Authority and its Preceptors of which the Policy and Resources Committee agrees the distribution as set out below:

<b>Preceptor</b>	<b>£</b>
Maidstone Borough Council	168,706
Kent County Council	706,959
Kent Police Authority	95,387
Kent and Medway Towns Fire Authority	45,863
<b>Total projected Surplus/share as at 31 March 2016</b>	<b>1,016,915</b>

*Table 1 – Council Tax*

<b>Preceptor</b>	<b>£</b>
Central Government (50%)	340,493
Maidstone Borough Council (40%)	272,394
Kent County Council (9%)	61,289
Kent and Medway Towns Fire Authority (1%)	6,810
<b>Total projected Surplus/share as at 31 March 2016</b>	<b>680,986</b>

*Table 2 – Business Rates*

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## 3. REASONS FOR RECOMMENDATIONS

- 3.1 Members will be aware that this Council is required to maintain a Collection Fund which accounts for all local tax payments for Council tax and Business Rates. The income into the fund is used to pay precepts to Kent County Council, Kent Fire Authority, Kent Police (Council Tax only), Central Government (Business Rates only) and the equivalent requirement of this Council which includes the local Parish Precepts.

3.2 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 requires it to be distributed proportionately across the preceptors.

### **Council Tax**

3.3 The latest estimated financial position regarding the Council Tax for 2015/16 is projected as at 31<sup>st</sup> March 2016 in **Appendix A**. This appendix details the precepts and demands on the Fund totalling £89,333,786.

3.4 **Appendix A** also details the latest position regarding the Council Tax Billing, incorporating exemptions and discounts. Total income is now forecasted to be £86,634,058; therefore a surplus of £300,272 is anticipated for the end of 2015/16 financial year. The Collection Fund regularly produces a surplus due to the continuing increase in properties on the valuation list.

3.5 The actual council tax surplus as at 31 March 2015 was £2,542,677. The predicted outturn at this time last year was £1,826,034 and this value was taken into account when setting the Council tax in 2014/15. During 2014/15, there was increased uncertainty around the predictions used in relation to the local council tax support scheme that replaced council tax benefit from 1 April 2013. The level of demand for support through the scheme was lower than predicted, which had a positive impact on the surplus at 31 March 2015. This was at a similar position to the 2013/14 Collection Fund surplus in that a lower take up of discounts resulted in increased net collectable income from Council tax. This resulted in a balance of £716,643 resulting from an under distribution in the year.

3.6 For 2015/16 it is estimated that there will be a net surplus on the Collection Fund of £1,016,915. This is reflected in **Appendix A**.

3.7 In line with the Local Government Finance Act 1999, it is necessary to declare the distribution of any surplus or deficit on the Collection Fund and for this reason it is recommended that the surplus be distributed as set out in the table below. This apportions the surplus in line with the Preceptors' share of the Council Tax as set out in **Appendix A**.

<b>Preceptor</b>	<b>£</b>
Maidstone Borough Council	168,706
Kent County Council	706,959
Kent Police Authority	95,387
Kent and Medway Towns Fire Authority	45,863
<b>Total projected Surplus/share as at 31 March 2016</b>	<b>1,016,915</b>

### 3.8 **Business Rates**

- 3.9 The Committee will be aware that all Authorities are in the third year of the Business Rate Retention scheme which came into force on the 1 April 2013. The National Pool has no longer been applicable since that date and the scheme will allow Authorities to retain a proportion of Business Rate income after payment to Central Government for levies and tariffs (or top-ups for non-tariff Authorities). The distribution is for a fixed percentage to be distributed between the Billing Authority (Maidstone share 40%), Central Government (50% share) and other preceptors such as Kent County Council (9% share) and Kent and Medway Towns Fire Authority (1% share).
- 3.10 Precepts for Business Rates are determined prior to the start of the financial year based on the NNDR 1 Return (Estimated Business Rates Return) submitted to Central Government and in the agreed percentages as per paragraph 3.9. Variations between the NNDR 1 estimates and the NNDR 3 Return (Actual Business Rates Return) are then distributed in the following two financial years (between Estimates in the following year and actuals in the subsequent year).
- 3.11 The latest estimate for Business Rates for 2015/16 is projected to 31st March 2015 as outlined in Appendix B. At the end of 2015/16 the Business Rate element of the Collection Fund is estimated to have a surplus of £139,316 to be distributed to preceptors the following year.
- 3.12 The actual outturn, as at 31 March 2015, produced a surplus of £612,939. The predicted outturn in January 2015 was a surplus of £71,089. Therefore there is a balance of £541,850 to be shared between the preceptors' shares outlined in paragraph 3.9. The surplus in 2014/15 arose due to the position with the 'Losses on Appeals' provision which resulted in an increase in provision matched by a utilisation of the 2013/14 provision, with the one off hit to the Collection Fund which occurred in the first year of the Business Rate Retention scheme in 2013/14.
- 3.13 The total balance on the Collection Fund for business rates was £680,696 and will be distributed to preceptors as set out in the table below, by applying the central and local share percentages as set out by Central Government as per paragraph 3.9

<b>Preceptor</b>	<b>£</b>
Central Government (50%)	340,493
Maidstone Borough Council (40%)	272,394
Kent County Council (9%)	61,289
Kent and Medway Towns Fire Authority (1%)	6,810
<b>Total projected Surplus/share as at 31 March 2016</b>	<b>680,986</b>

3.14 Since the beginning of the new system the government has issued a number of business rate incentives to encourage growth and assist, in particular small businesses with a rate relief and also limiting business rate increases to a capped rate increase of 2%. Other reliefs and exemptions offer alternative incentives to businesses such as retail relief and charitable reliefs, for example. These have a direct impact on the collection fund by reducing the value of business rates collected. The Council is reimbursed through other grants such as the Section 31 Grant. These do not affect the Collection Fund. For this reason the distribution above does not reflect the details set out in the Medium Term Financial Strategy which accounts for these factors as well as the Kent Business Rate pool which was set up as a shelter against the volatility of the scheme and to improve value for money by working jointly with other Kent Authorities.

#### **Alternative Action and why not Recommended**

3.15 It is a statutory requirement that any adjustment be calculated annually and that the Policy and Resources Committee cannot choose to ignore this decision.

3.16 This Committee could vary the figures using 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 estimate of the situation.

3.17 Should this Committee choose to vary the data and distribute a different surplus or deficit, this could have an impact on the balance on the Collection Fund and the Council's cash flows.

3.18 The distribution of the surplus will mean that the 2016/17 budget will benefit from the receipt of this Council's share of surplus of £441,100 on the Collection Fund, split between Council Tax and Business Rates as follows:

<b>Maidstone Borough Council share of collection Fund surplus 2015/16</b>	<b>£</b>
Council Tax	272,394
Business Rates	168,706
<b>Total</b>	<b>441,100</b>

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#### **4. CROSS-CUTTING ISSUES AND IMPLICATIONS**

The implications arising from this report are in the following table:

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	The Council is committed to delivery of value for money services.	Head of Finance & Resources
<b>Risk Management</b>	The calculation of the balance on the Collection Fund at 31 March 2016 could be incorrect and a significant deficit could arise. This would be recouped from the various preceptors and the Council in 2016/17. During the interim period, the deficit would also affect the Council's cash flow. Monthly monitoring of collection rates and growth seen in the tax base over recent years help the Council to mitigate this risk.	Head of Finance & Resources
<b>Financial</b>	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.	Head of Finance & Resources

## **5. REPORT APPENDICES**

The following documents are to be published with this report and form part of the report:

- Appendix A: Council Tax projection to 31 March 2016
- Appendix B: Business Rates projection to 31 March 2016

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## **6. BACKGROUND PAPERS**

None