

**Council Tax – Tax Base & Collection Fund Adjustment
2018/19**

Final Decision-Maker	Policy & Resources Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance & Business Improvement
Lead Officer and Report Author	Ellie Dunnet, Head of Finance
Classification	Public
Wards affected	All

Executive Summary

This report advises Members of the information available on the tax base as at 13 October 2017 for Council Tax purposes. It identifies potential changes to that tax base expected in the forthcoming year and recommends the tax base for 2018/19 for the Council and parish areas.

Also detailed within Appendix 3 to the report is the anticipated balance on the Council Tax account as at 31 March 2018 which will be distributed between (or recovered from) preceptors and this Council during the next financial year, in accordance with the statutory arrangements for Council Tax.

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.

This report makes the following recommendations to this Committee:

1. Pursuant to this report and in accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012, that the amount calculated by this Authority as its Council Tax Base for the year 2018/19 will be 60,921.6;
2. In accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012, that the amount calculated by this Authority as the Council Tax Base for each parish area for the year 2018/19 will be as identified in Appendix 2 to this report;
3. That the 2017/18 Council Tax projection and proposed distribution detailed in Appendix 3 of this report is agreed.

Timetable

Meeting	Date
Policy & Resources Committee	13 December 2017

Council Tax – Tax Base & Collection Fund Adjustment 2018/19

1. INTRODUCTION AND BACKGROUND

Tax Base

- 1.1 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.
- 1.2 Regulations prescribe that a decision on the tax base for the forthcoming financial year must be made between 1st December and 31st January.
- 1.3 The basis of the calculation of the tax base is the valuation information received from the Valuation Office on 11 September 2017 and the latest information on exemptions and discounts available as at 2 October 2017.
- 1.4 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.
- 1.5 The tax base figure supplied to central government is given at Appendix 1. This shows a net tax base of 60,795 as at 13 October 2017. Starting from this figure an estimate of the tax base for 2018/19 can be made by considering movements that may occur in the factors that influence the tax base over the forthcoming year.
- 1.6 It is necessary that a realistic assessment is made of the potential changes to the tax base for 2018/19 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.
- 1.7 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.

Collection Fund Adjustment

- 1.8 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.
- 1.9 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. Instead, it is distributed proportionately across the preceptors.
- 1.10 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.
- 1.11 These balances (surplus or deficit) will be distributed between the billing authority, i.e. Maidstone Borough Council, and major preceptors during 2018/19. 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 2018/19 will be apportioned using the 2017/18 demand and precept amounts.
- 1.12 The Collection Fund Adjustment arising from Business Rates will be estimated at a later stage in order to align with the statutory timetable for calculating the predicted closing balance on the Business Rates element of the Collection Fund. It will be reported to the committee in February as part of the Medium Term Financial Strategy proposals.

2. AVAILABLE OPTIONS

Tax Base - Option 1

- 2.1 An assessment of the information held by both the Revenues Service and the Planning Service suggests that between October 2017 and March 2018 a total of 1,116 properties (1.6%) 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 2018/19, the result suggests an increase of 824.4 band D equivalent properties. Adjusting this figure for the current levels of discount and other allowances suggests a net tax base increase of 742.0.
- 2.2 This figure is significantly lower than the 1,116 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.

- 2.3 Finally the revised total tax base must be adjusted to allow for non-collection, for which the Council currently targets 1% of total debt.
- 2.4 The calculation is set out in the table below:

Tax Base as at Appendix I	60,795.0
New properties (Avg: by band D & time)	824.4
Adjustment for potential allowances	-82.4
Non-collection allowance (1% of above)	-615.4
Proposed Tax Base	60,921.6

Table 1: Proposed tax base 2018/19

- 2.5 Appendix 2 to this report provides details of the tax base for each parish based on an identical calculation.

Tax Base - Option 2

- 2.6 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 and they could rise or fall during the year.
- 2.7 The risks of making an inaccurate calculation are set out in paragraph 1.6 above and 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

- 2.8 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

- 2.9 A projection for 31 March 2018 based on the current position is provided at Appendix 3. This appendix details the precepts and demands on the fund totalling £100,033,288.
- 2.10 Appendix 3 also details the current position regarding Council tax bills dispatched, incorporating exemptions and discounts. Total income is now anticipated to be £100,842,167; therefore a surplus of £808,879 is anticipated for 2017/18. The forecast deficit has arisen as a consequence of an under distribution in the current year of the surplus forecast at this point last year. The decision to remove the empty property discount from 1 April 2017 has also been a significant contributing factor.
- 2.11 In line with the Local Government Finance Act 1992 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

shown in the table below. This apportions the surplus in line with the preceptors' share of the Council tax as detailed below:

Preceptor	£
Maidstone Borough Council	228,703
Kent County Council	985,276
Kent Police Authority	131,348
Kent and Medway Towns Fire Authority	61,307
Total projected surplus as at 31 March 2018	1,406,635

Table 2: Distribution of projected Council Tax surplus as at 31 March 2018

Collection Fund Adjustment - Option 2

- 2.12 The committee 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 2018.
- 2.13 Should the committee 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.

Collection Fund Adjustment - Option 3

- 2.14 It is a statutory requirement that any adjustment be calculated annually and the Committee cannot choose to ignore this requirement.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

Tax Base

- 3.1 The recommended option is Option 1 (as detailed in paragraph 2.4 above) as this calculation is based on current known data and collection rates.

Collection Fund Adjustment

- 3.2 It is recommended that the committee 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 at 31 March 2018.

4. RISK

- 4.1 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.

- 4.2 The main risks relate to an over optimistic estimate of the tax base and/or balance on the Council Tax account at 31 March 2018. 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.
- 4.3 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.
- 4.4 Monthly monitoring of collection rates and growth seen in the tax base over recent years help the Council to mitigate this risk.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 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 2018/19.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The tax bases approved as part of this decision will be provided, as appropriate, to relevant preceptors.
- 6.2 The Council will use this tax base in setting its 2018/19 budget on 28 February 2018.
- 6.3 The Council is required to notify preceptors of the estimated Council Tax surplus/deficit as at 31 March 2018 by 15 January 2018.

7. 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	Head of Finance

	support the Council's overall achievement of its aims as set out in sections 2 & 3.	
Risk Management	<ul style="list-style-type: none"> • Risk implications are set out in section 4 of the report. 	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 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 spread over more Council Tax payers and would effectively reduce the Council Tax burden on any individual tax payer. • This relationship however must be realistic in that any underachievement on the collection of Council Tax will result in cash flow problems for this Authority and a loss of investment income. 	Section 151 Officer & Finance Team
Staffing	<ul style="list-style-type: none"> • No impact identified. 	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 this Act. • 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. 	Interim Deputy Head of Legal Partnership
Privacy and Data Protection	<ul style="list-style-type: none"> • No impact identified. 	Interim Deputy Head of Legal Partnership
Equalities	<ul style="list-style-type: none"> • The recommendations do not propose a change in service therefore will not require an equalities impact assessment 	[Policy & Information Manager]
Crime and Disorder	<ul style="list-style-type: none"> • No impact identified. 	Head of Finance
Procurement	<ul style="list-style-type: none"> • No impact identified. 	Head of Finance & Section 151 Officer

8. REPORT APPENDICES

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

- Appendix 1: Calculation of Council Tax Base 2018/19 (CTB1 Return)
 - Appendix 2: Calculation of Individual Parish Tax Bases 2018/19
 - Appendix 3: Council Tax Projection to 31 March 2018
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9. BACKGROUND PAPERS

None