

Council Tax Base and Collection Fund Distribution 2020/21

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

Executive Summary

The Council has a statutory duty to:

- Annually determine its Council Tax Base during the period 1st December to 31st January preceding the financial year, and notify major precepting authorities; and
- Annually estimate the Council Tax element of its year-end Collection Fund balance by the 15th January preceding the financial year, including determining a recommended distribution of the overall surplus or deficit in accordance with the prescribed methodology.

These are both functions of the Policy and Resources Committee.

Utilising the information held on the Council's Revenues systems, and supported by an underlying set of assumptions based on professional and local experience, the following outcomes are highlighted:

- A Council Tax Base for 2020/21 of 63,319.8 is proposed (covered in Section 2 of the report, including Appendices 1 and 2); and
- A year-end (Council Tax) Collection Fund balance (@ 31st March 2020) of £130,428 has been estimated, with the Maidstone Borough Council share being £20,431 (covered in Section 3 of the report, including Appendix 3).

In accordance with statute, and established protocol, the resulting Committee decision(s) will be reported to the major preceptors and the Maidstone parish councils. This information is essential to the budget preparation and financial planning processes of the billing authority (Maidstone Borough Council) and its preceptors.

This report makes the following recommendations to this Committee:

- 1) In accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012:
 - The amount calculated by Maidstone Borough Council as its Council Tax Base for the year 2020/21 shall be 63,319.8 (as presented in Paragraph 2.7); and
 - The amount calculated by Maidstone Borough Council as the Council Tax Base for each parish area for the year 2020/21 shall be as identified in **Appendix 2**.
- 2) That the 2019/20 Council Tax projection and proposed distribution summarised in Paragraphs 3.7 to 3.8 (and detailed in **Appendix 3**) is approved.

Timetable	
Meeting	Date
Policy & Resources Committee	22 January 2020

Council Tax Base and Collection Fund Distribution 2020/21

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	In helping to establish the Council's baseline funding from Council Tax, the recommendations will help underpin the achievement of corporate priorities.	Director of Finance & Business Improvement
Cross Cutting Objectives	As noted above, the recommendations will help underpin the achievement of corporate priorities; this includes the cross-cutting objectives contained therein.	Director of Finance & Business Improvement
Risk Management	See Section 5 below.	Director of Finance & Business Improvement
Financial	The financial implications are the subject of this report.	Director of Finance & Business Improvement

Issue	Implications	Sign-off
Staffing	None.	Director of Finance & Business Improvement
Legal	<p>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.</p> <p>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 <i>Appendix 3</i> will enable the Council to meet this requirement.</p>	Team Leader (Corporate Governance), MKLS
Privacy and Data Protection	There are no specific privacy or data protection issues to address.	Team Leader (Corporate Governance), MKLS
Equalities	No impact identified.	Equalities and Corporate Policy Officer
Public Health	None.	Director of Finance & Business Improvement
Crime and Disorder	None.	Director of Finance & Business Improvement
Procurement	None.	Director of Finance & Business Improvement

2. COUNCIL TAX BASE

Introduction

- 2.1 The Council Tax Base is the measure of the taxable capacity of an area, for the purposes of calculating the Council Tax. It represents the estimated number of Band D equivalent chargeable dwellings for the year, after allowing for discounts, exemptions, premiums and the Council Tax Support scheme. It also takes into account an estimated Council Tax collection rate to allow for bad debts. The level of Council Tax subsequently set must be determined using the Council Tax Base figure.

Council Tax Base: the legal requirements

- 2.2 The Local Authorities (Calculation of Tax Base) (England) Regulations 2012 make arrangements for the setting of the Council Tax. The arrangements include the determination of the Council Tax Base, which requires the approval of the Policy and Resources Committee. The decision must be notified to the major precepting authorities.
- 2.3 The major precepting authorities in the Maidstone billing area for 2020/21 are Kent County Council, Kent Police and Kent Fire & Rescue Service. Precepts are also levied by 41 parish councils.
- 2.4 The Regulations require the Council to determine its Council Tax base for 2020/21 during the period 1st December 2019 to 31st January 2020.

Council Tax Base: the 2020/21 calculation

- 2.5 The starting point in determining the Council Tax Base for 2020/21 is the valuation information supplied by the Valuation Office Agency (VOA) on 9th September 2019 and the latest available information on discounts, premiums and the Council Tax Support scheme available as at 1st October 2019. This is the basis of producing the "CTB1" (Government) return, which is a mandatory requirement for all billing authorities. The Maidstone Borough Council CTB1 return for October 2019 is attached at **Appendix 1**, and shows a net Council Tax Base of 63,237.5.
- 2.6 For the purposes of determining the Council Tax Base for 2020/21, the CTB1 figure is adjusted to reflect anticipated movements in the tax base in the forthcoming year. The most notable factor – especially in a housing growth area such as Maidstone – is anticipated housing development. Based on intelligence supplied by the Council's Revenues Department, an estimate has therefore been made, on a parish by parish basis, of anticipated movements in the number of dwellings, including their assumed bandings.
- 2.7 Adjustments are then made for anticipated allowances and non-collection (assumed at 1% based on established collection patterns in Maidstone), which results in a proposed Council Tax Base of 63,319.8. The calculation is summarised in Table 1 below.

Table 1: Council Tax Base Calculation 2020/21

Description	
Tax Base ("CTB1" – Appendix 1)	63,237.5
New Dwellings (Average: Band D and time)	799.9
Adjustment for potential allowances	(80.0)
Adjustment for non-collection (1%)	(637.6)
Proposed Tax Base 2020/21	63,319.8

2.8 The proposed Council Tax Base for the parish councils in Maidstone is analysed at **Appendix 2**. Each parish will be notified of their tax base, which will enable them to set their individual precepts for 2020/21.

3. COLLECTION FUND DISTRIBUTION: COUNCIL TAX

Introduction

- 3.1 Section 89(1) Local Government Finance Act 1988 requires Maidstone Borough Council (as a "billing authority") to establish and maintain a Collection Fund.
- 3.2 The purpose of the Collection Fund is to isolate the income and expenditure relating to Council Tax and Business Rates.
- 3.3 The detailed arrangements for the administration of Council Tax and Business Rates funds between the billing authority and its major preceptors are contained in the Local Authorities (Funds) (England) Regulations 1992. Separate funds are maintained for Council Tax and Business Rates. This report focuses exclusively on Council Tax.
- 3.4 Specifically (in accordance with Regulation 10), by 15th January each year, the Council is required to make an estimate of the anticipated surplus or deficit on its Collection Fund as at 31st March. The resulting balance (whether a surplus or deficit) must then be taken into account the following financial year. In estimating the balance, as well as considering in-year Council Tax receipts and payments, account also needs to be taken of any difference between the estimate for the previous year and the actual outturn.
- 3.5 The estimated balance (whether a surplus or deficit) is required to be distributed between the billing authority and its major preceptors (in Maidstone these are Kent County Council, Kent Police and Kent Fire & Rescue Service) in proportion to the individual precepts applicable to the estimate (i.e. any distributions in 2020/21 will be in proportion to the 2019/20 precepts).

(Council Tax) Collection Fund Distribution: the 2020/21 calculation

- 3.6 The surplus/deficit available for distribution comprises two key elements as follows:
- Projected surplus/deficit 2019/20; added to
 - Balance to Carry Forward (net of anticipated surplus/deficit distribution for 2018/19).
- 3.7 The detailed calculations for the surplus/deficit distribution are attached at **Appendix 3**. The outcome is a projected surplus of £130,428 as summarised in Table 2 below.

Table 2: Estimated Council Tax Surplus as @ 31st March 2020

Description	Value
	£'s
Council Tax Requirement 2019/20	(115,506,203)
Projected Council Tax Income 2019/20	115,855,521
Projected Surplus for 2019/20	349,318
Balance to Carry Forward – Surplus/(Deficit)	(218,890)
Projected Surplus for 2019/20	349,318
Projected Surplus as @ 31st March 2020	130,428

- 3.8 The detailed distribution of the surplus between the preceptors is presented in Table 3 below.

Table 3: Distribution of Council Tax Surplus 2020/21

Preceptor	Amount	Proportion
	£'s	%
Maidstone Borough Council	20,431	15.66
Kent County Council	91,021	69.79
Kent Police	13,530	10.37
Kent Fire & Rescue Service	5,447	4.18
Totals	130,428	100.0

3 AVAILABLE OPTIONS

- 3.1 **Option 1:** Do nothing. *Not recommended*. Determining a Council Tax Base and the estimated Collection Fund balance (including an appropriate basis for distribution) are statutory requirements.
- 3.2 **Option 2:** Approve the recommended Council Tax Base and Council Tax projection and distribution. ***Recommended***. As well as achieving statutory compliance, the recommendations are based on information extracted from the Council's established Revenues systems and supported by a robust set of assumptions (e.g. a 1% allowance for non-collection is based on many years' experience of Council Tax collection in Maidstone).
- 3.3 **Option 3:** Approve either the recommended Council Tax Base or the Council Tax projection and distribution. *Not recommended*. This approach would result in the Council failing to meet at least one statutory obligation.
- 3.4 **Option 4:** Do not approve the recommended Council Tax Base and Council Tax projection and distribution; instead proposing and approving an alternative set of figures and/or assumptions. *Not recommended*. The figures and underlying assumptions supporting the recommendations (as well as being robust as described in Option 2) are consistent with, and support, the Council's adopted Medium-Term Financial Strategy (key to setting and maintaining a balanced budget).
- 3.5 **Option 5:** Do not approve either the recommended Council Tax Base or the Council Tax projection and distribution; instead proposing and approving an alternative set of figures and/or assumptions. *Not recommended*. As explained in Option 4, this would potentially compromise the Medium-Term Financial Strategy.
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4 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The preferred option is **Option 2** for the following reasons:
- Statutory compliance would be achieved
 - The recommendations are based on information extracted from the Council's established Revenues systems and supported by a robust set of assumptions; and
 - The approach is consistent with, and supports, the Council's Medium-Term Financial Strategy.
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5 RISK

5.1 The two most significant risks are as follows:

- '*Over-estimation*' – the risk that either (or both) of the Council Tax Base or the estimated (Council Tax) Collection Fund balance could overstated. Although any over-estimation on the Council Tax balance could be recouped in subsequent years, there would be a reduction in the Council's cash flow in the medium-term (leading to loss of interest receipts etc.); or alternatively
- '*Under-estimation*' – the risk that either (or both) of the Council Tax Base or the estimated (Council Tax) Collection Fund balance could understated. This would lead to an increased balance on the Collection Fund. Although good for the Council's cash flow, there are potentially some negative consequences. In particular, the strategic and financial planning decisions of both the billing authority and its preceptors could be erroneously influenced, leading to sub-optimal decision-making (e.g. cuts to public services could be introduced based on false assumptions about future funding levels).

5.2 Both major risks noted above have been mitigated based on the financial information and supporting assumptions embedded in the recommendations. In addition, Members can be assured that the statutory processes, and approach taken, has been established over many years.

6 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 Direct consultation on the issues contained in this report is not required, although the annual statutory public consultation on the Budget concluded in November 2019 (with the results set to inform the eventual Budget recommendation to full Council in February 2020).

7 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The approved Council Tax Bases will be used to:

- Notify relevant preceptors to inform their own financial planning processes; and
- Form a basis for setting the 2020/21 budget for Maidstone Borough Council, and for setting the Council Tax.

7.2 An updated estimated surplus/deficit on the Council Tax element of the Collection Fund as at 31st March 2020, will be notified to the preceptors on 23rd January 2020 (a provisional estimate has already been notified in accordance with the 15th January 2020 deadline).

8 REPORT APPENDICES

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

- **Appendix 1:** *Council Tax Base Calculation 2020/21 ("CTB1" October 2019)*
 - **Appendix 2:** *Parish Tax Bases 2020/21*
 - **Appendix 3:** *Council Tax Balance Forecast/Distribution (@ 31 March 2020)*
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9 BACKGROUND PAPERS

9.1 There are no background papers.