

MAIDSTONE BOROUGH COUNCIL

CABINET

21 DECEMBER 2011

REPORT OF HEAD OF FINANCE & CUSTOMER SERVICES

**Report prepared by Paul Riley,
Head of Finance & Customer Services**

1. COUNCIL TAX 2012/13 – COLLECTION FUND ADJUSTMENTS

1.1 Issue for Decision

1.1.1 This report details the anticipated balance on the Collection Fund as at 31 March 2012 relating to the collection of local taxation. The distribution of balances to precepting authorities is an important part of their budget calculation 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.

1.2 Recommendation of the Head of Finance and Customer Services

1.2.1 That Cabinet agree the projection detailed in this report and as a result agree that no distribution of a surplus or deficit should occur.

1.3 Reasons for Recommendation

1.3.1 Members will be aware that this council is required to maintain a Collection Fund which accounts for all local tax payments. The income into the Fund along with Council Tax Benefit payments is used to pay the precepts to Kent County Council, Kent Police Authority, Kent Fire Authority and the equivalent demand from this council (which includes Parish Precepts).

1.3.2 For the proper maintenance of the Collection Fund it is necessary to assess, on an annual basis, the likely balance on the Collection Fund as at 31 March of the current financial year. Any balance, either positive or negative, must be taken into account in the following financial year. However, the balance on the fund, under the statutory conditions relating to Council Tax, does not become a credit or charge on this council solely but needs to be split proportionately between Kent County Council, Kent Police Authority,

Kent Fire Authority and this Authority on the basis of the demand or precept in the current financial year.

- 1.3.3 The current situation regarding Council Tax in 2011/12 is projected to 31st March 2012 in **APPENDIX A**. This Appendix details the estimated level of Council Tax income for the year, net of exemptions and discounts, to pay for precepts and demands on the Fund. This totals £90,099,759.
- 1.3.4 **APPENDIX A** also details the latest situation regarding Council Tax bills dispatched, incorporating exemptions and discounts. Total income is now anticipated to be £90,147,338; therefore a small surplus of £47,579 is anticipated for 2011/12. The Collection Fund has produced this small surplus due to the continuing increase in properties on the valuation list although this is at a reducing rate reflecting the current economic climate. The impact of this is reflected in the tax base report considered by General Purposes Committee on 14 December 2011. The projection also includes an allowance for properties that will come on to the valuation list up to March 2012.
- 1.3.5 The actual Council Tax surplus, as at 31 March 2011, was £34,842. The predicted outturn at this time last year was £81,691 and this was taken into account in setting the Council Tax in 2011/12. Therefore, there is a balance of £46,849 resulting from the over distribution in this year. This balance must be recouped during 2012/13.
- 1.3.6 In total, **APPENDIX A** estimates that there will be a net surplus on the Collection Fund for 2011/12 of less than £1,000.
- 1.3.7 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, due to estimating such a limited surplus, Cabinet agree that no distribution is made for 2012/13.
- 1.4 Alternative Action and why not Recommended
 - 1.4.1 It is a statutory requirement that any adjustment be calculated annually and Cabinet could not choose to ignore this decision.
 - 1.4.2 Cabinet could vary the figures used in the estimate provided at **APPENDIX A** however they are based on data from the Council Tax system and projections developed from past experience and known factors. They represent a reasonable estimate of the situation.

1.4.3 Should Cabinet chose to vary the data and distribute a significant surplus or deficit this would affect the balance on the Collection Fund and the cash flow of the Council. Members should note that the surplus distributed to this Council in 2011/12 was £15,528 and the majority of any surplus or deficit is passed to the County Council.

1.5 Impact on Corporate Objectives

1.5.1 The results of this decision affects the overall budget strategy process and therefore the pressure on Council Tax in creating a balanced budget.

1.6 Risk Management

1.6.1 The calculation of the balance on the Collection Fund at 31 March 2012 could be incorrect and a significant deficit could arise. This would be recouped from the various preceptors and the Council in 2013/14. In the period between, the deficit would affect the Council's cash flow.

1.6.2 Monthly monitoring of collection rates and the growth seen in the tax base over recent years all enable the Council to mitigate this risk.

1.7 Other Implications

1.7.1

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	

1.7.2 As there is no proposed Collection Fund surplus to distribute the financial effects are limited. In the strategic budget projections developed by Cabinet there has been no consideration of a surplus to be provided by the Fund and there will be no direct effect upon the budget strategy arising from this decision.

1.8 Relevant Documents

1.8.1 Appendices

Appendix A – Collection Fund projection to 31 March 2012.

IS THIS A KEY DECISION REPORT?

Yes

No

If yes, when did it first appear in the Forward Plan?

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This is a Key Decision because:

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Wards/Parishes affected:

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