

**MAIDSTONE BOROUGH COUNCIL**

**GENERAL PURPOSES COMMITTEE**

**11 DECEMBER 2013**

**REPORT OF HEAD OF FINANCE & RESOURCES**

**Report prepared by Paul Riley,  
Head of Finance & Resources**

**1. COUNCIL TAX – TAX BASE 2014/15**

1.1 Issue for Decision

1.1.1 This report advises Members of the information currently available on the Tax Base for 2014/15 for Council Tax purposes. It identifies potential changes to that Tax Base, particularly those that are brought about by the Localisation of Council Tax Support Scheme for 2014/15. It also recommends the Tax Base for 2014/15.

1.2 Recommendation of Head of Finance & Resources

1.2.1 That the Committee agree that:-

- a) pursuant to this report and in accordance with the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by this Authority as its Council Tax Base for the year 2014/15 shall be 55,675.1;
- b) in accordance with the Local Authority (Calculation of Council Tax Base (England) Regulations 2012, the amount calculated by this Authority as the Council Tax Base for each Parish area as identified in **Appendix B** for the year 2014/15, be approved.

1.3 Reasons for Recommendation

1.3.1 Following the ending of the Council Tax Benefit system, as part of the Governments Welfare Reforms and the introduction of the Localisation of Council Tax Support, new regulations were introduced regarding the calculation of the tax base. These are known as the Local Authority (Calculation of Council Tax Base) (England) Regulations 2012.

1.3.2 In accordance with the statutory time table a decision on the tax base must be made between 1<sup>st</sup> December and 31<sup>st</sup> January each financial year.

1.3.3 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 for their use in monitoring the Council Tax Support Scheme and this Council's needs baseline which was fixed by Central Government in 2013/14 as part of the new system of retained business rates.

1.3.4 The tax base figure supplied to Central Government is given at **Appendix A**. This shows a net tax base of 62,188.4. It is necessary to adjust this figure to account for the estimated level of local council tax support for 2014/15 and for any amendments that may occur between the current time and the end of 2014/15. Amendments can occur to factors within the tax base calculation including the potential for change in the property base of the tax, changes in valuations following appeals, changes in the exemptions and discounts awarded. Additionally, an adjustment must be made to the allowance for non-collection. Each of these factors is separately addressed in this report.

1.3.5 It is necessary that a realistic assessment is made of the potential changes to the Tax Base for 2014/15 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. 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. It is, therefore, very important that a realistic assessment is made of the collection rate likely to be achieved in 2014/15, taking into account all the factors detailed in Sections 1.4 – 1.6.

#### 1.4 Changes in Property Base

1.4.1 Changes to the property base can occur for two major reasons. Firstly the existence of newly constructed or converted properties and secondly changes to the band of a property following an appeal by the tax payer. These are considered separately below.

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 310.9 i.e. 0.5% may be anticipated. This will cover approx 347 new properties coming on to the list.

- 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 but insignificant reduction in the overall Tax Base. It is considered reasonable to make no adjustment for this factor.

#### 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. An increase equivalent to the 2013/14 increase would be 0.1% or 62.5 and this level is proposed in this report.

- 1.5.2 With the commencement of the welfare reforms brought about by legislation such as the Welfare Reform Act 2012, the system of Council Tax Benefit was abolished from 1<sup>st</sup> April 2013. It has been replaced by a local system of council tax support that will be granted to applicants as a discount. On 21 November 2012 Cabinet considered and approved the Local Council Support Scheme (LCTS) for Maidstone. In line with the provisions of the new scheme a calculation has been made of the necessary level of discount likely to be granted, given the current level of discount granted. This adjustment is estimated as 6,199.3 after an allowance for an increase in applicants during 2013/14.

#### 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 1% was agreed. Based on latest collection information, it is recommended that the same non-collection rate be maintained for 2014/15.

#### 1.7. Local Discretion on Discounts and Exemptions

- 1.7.1 As part of the Local Government Finance Act 2012 which introduced the requirement for a LCTS scheme, changes were also made to the flexibility at a local level to set exemptions and discounts. The LCTS scheme agreed by Cabinet on 21 November 2012 has been set in agreement with all major preceptors (Kent County Council, Kent Police Authority, Kent and Medway Fire and Rescue Authority). As part of the agreement some exemptions have been changed under

the new flexibilities. As these changes are now reflected in the base figure given at paragraph 1.3.4 no further adjustment is required this year.

## 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 2013 in accordance with statutory requirement. 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 1.7 above.

Tax Base as per <b>Appendix A</b>	62,188.4
1.4 Movement in property Base	310.9
1.5.1 General movement in exemptions & discounts	-62.5
1.5.2 Council Tax Support for 2014/15	-6199.3
1.6 Allowance for non-collection	<u>-562.4</u>
	<b>55,675.1</b>

Based on these assessments, the estimated Tax Base for 2014/15 is 55675.1. This represents an increase of 0.94% over 2013/14.

## 1.9 Tax Base - Parish Areas

- 1.9.1 Based upon the Tax Base data in **Appendix A**, a calculation has been made for each Parish area. A summary of the figure for each parish is given at **Appendix B**.

- 1.9.2 The figures given at **Appendix B** show the gross tax base, an adjustment to allow for the local council tax support scheme and an adjustment for non-collection. In prior years the figures have also been adjusted for changes in the tax base during the year. Experience has shown that these estimated in year adjustments are not accurate at the level of an individual parish. For 2014/15 the figures have been calculated with no in year adjustment which will enable a more stable tax base for parish areas.

## 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. As a direct consequence this 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 2013  
Appendix B – Individual Parish Tax Base Calculation

1.14.2 Background Documents

None.

<b><u>IS THIS A KEY DECISION REPORT?</u></b>			
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: .....			
.....			