

MAIDSTONE BOROUGH COUNCIL

GENERAL PURPOSES GROUP

8 DECEMBER 2014

REPORT OF DIRECTOR OF REGENERATION AND COMMUNITIES

Report prepared by Paul Riley

1. COUNCIL TAX BASE 2015-16

1.1 Issue for Decision

1.1.1 This report advises members of the information available on the tax base as at 6 October 2014 for council tax purposes. It identifies potential changes to that tax base that can be expected in the forthcoming year and recommends the tax base for 2015-16.

1.2 Recommendation of the Head of Finance & Resources

1.2.1 That the Committee agree:

- a. 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 2015-16 shall be 56974.3;
- b. 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 as identified in Appendix B for the year 2015-16, 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 timetable a decision on the tax base must be made between 1 December and 31 January each financial year.

1.3.3 The basis of the calculation of the tax base is the valuation information received from the Valuation Office as at 8 September 2014 and the latest information on exemptions and discounts available as at 6 October 2014. 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; 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 57119.2. Starting from this figure an estimate of the tax base for 2015/16 can be made by considering movements that may occur in the factors that influence the tax base over the forthcoming year. 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 2015-16 as an under or over recovery of council tax income will affect this authority'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 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 2015-16, 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 numbers can occur for two major reasons. Firstly newly constructed properties, converted properties and demolished properties. Secondly changes to the band of a property following an appeal by the tax payer. These are considered separately below.

- 1.4.2 New, converted or demolished properties – based on information currently available, an increase in the Tax Base of 285.6 i.e. 0.5% may be anticipated. This represents a net increase of approx 320 properties on the list.
- 1.4.3 Changes in valuation bands – based on previous experience of the likely incidence of reductions in valuation bands as a result of appeals will be at most a marginal 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 consistent increase in the number of exemptions and discounts. Additionally, a proportion of new properties coming onto the valuation list will be entitled to exemptions or discounts. In recent years the increase has been minor as the Council reviews and validates claims and has reduced the level of error and fraud within these exemptions. It is proposed that the increase will be no greater than the effect of such exemptions on the increase in the overall tax base set out in 1.4.2 above. This equates to 11% of the increase of 285.6 above or a reduction of 31.4.
- 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 April 2013. It has been replaced by a local system of council tax support that is granted to applicants as a discount. On 12 December 2012 Council approved the Local Council Tax Support Scheme for the borough area and approved the scheme for a further year on 11 December 2013. Council will again consider the continuation of the scheme for a third year at its meeting in December 2014. In line with the provisions of the current scheme a calculation has been made of the necessary level of discount likely to be granted for next year, given the current level of discount granted. Current levels of discount show a reduction in the level of support awarded between 1 April 2013 and the current time. Projecting this reduction forward, given estimates of economic factors such as employment rates, would suggest a further reduction of 2.8% in the value of support awarded. This represents an increase of 176.4 in the tax base.
- 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 2015-16.

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 the LCTS scheme, changes were also made to the flexibility at a local level to set exemptions and discounts. The LCTS scheme agreed by Council in December 2012 has been set in agreement with all major preceptors (Kent County Council, Kent Police & Crime Commissioner and Kent & Medway Fire & 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 council's tax base as supplied to the government in October 2014, in accordance with statutory requirements. The following table includes a summary 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.

	Band D Equivalent
Tax Base as per Appendix A	57,119.2
1.4 Movement in property Base	285.6
1.5.1 Movement in exemptions & discounts	-31.4
1.5.2 Movement in Council Tax Support	176.4
1.6 Allowance for non-collection	-575.5
	56,974.3

1.8.2 Based on these assessments, the estimated tax base for 2015-16 is 56974.3. This represents an increase of 2.3% over 2014-15.

1.9 Tax Base - Parish Areas

1.9.1 In a calculation identical to the one used 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 in line with the calculation given at 1.8.1 above. Experience has shown that these estimated adjustments are not accurate at the level of an individual parish. For 2015-16 the figures have been calculated with no in year adjustment which should 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 a report on the figures. 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 could 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 an over optimistic estimate 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 An over pessimistic estimate 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.

1.13 Other Implications

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

1.13.1 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 individually. 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.

1.14 Relevant Documents

1.14.1 Appendices

- Appendix A – Tax Base Return
- Appendix B – Parish Tax Base

1.14.2 Background Documents

None

<u>IS THIS A KEY DECISION REPORT?</u>	<u>THIS BOX MUST BE COMPLETED</u>
Yes <input style="width: 50px; height: 25px; margin-left: 20px;" type="checkbox"/>	No <input checked="" style="width: 50px; height: 25px; margin-left: 20px;" type="checkbox"/>
If yes, this is a Key Decision because:	
.....	
Wards/Parishes affected:	
.....	