

MAIDSTONE BOROUGH COUNCIL

CABINET

WEDNESDAY 17 DECEMBER 2014

**REPORT OF DIRECTOR OF REGENERATION AND
COMMUNITIES**

Report prepared by Ellie Dunnet

1. 2015-16 COLLECTION FUND ADJUSTMENT

1.1 Issue for Decision

1.1.1 This report details the anticipated balance on the collection fund as at 31 March 2015 from council tax and business rates collection. 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 Director of Regeneration and Communities

1.2.1 That Cabinet agrees the council tax projection detailed in this report and as a result agree the distribution of the surplus set out in paragraph 1.4.5 as follows:

Preceptor	£
Maidstone Borough Council	302,209
Kent County Council	1,270,007
Kent Police Authority	171,465
Kent and Medway Towns Fire Authority	82,354
Total	1,826,034

1.2.2 That Cabinet agrees the business rates projection detailed in this report and as a result note the distribution of the surplus set out in paragraph 1.5.4 as follows:

Preceptor	£
Central Government (50%)	35,545
Maidstone Borough Council (40%)	28,436
Kent County Council (9%)	6,398
Kent and Medway Towns Fire Authority (1%)	711
Total	71,089

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 for council tax and business rates. The income into the fund is used to pay the precepts to Kent County Council, Kent Fire Authority, Kent Police (council tax only), central government (business rates only) and the equivalent requirement of 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 as at 31 March of each year. Any balance, either positive or negative, must be taken into account in the following financial year. However, under the statutory arrangements which govern the collection fund, the balance remaining does not become a credit or charge on this council solely but needs to be split proportionately across preceptors.

1.4 Council Tax

- 1.4.1 The current situation regarding council tax in 2014-15 is projected to 31 March 2015 in **Appendix A**. This appendix details the precepts and demands on the Fund totaling £85,544,191.
- 1.4.2 **Appendix A** also details the latest situation regarding council tax bills dispatched, incorporating exemptions and discounts. Total income is now anticipated to be £86,355,243; therefore a surplus of £811,052 is anticipated for 2014-15. The collection fund regularly produces a surplus due to the continuing increase in properties on the valuation list.
- 1.4.3 The actual council tax surplus as at 31 March 2014 was £1,444,278. The predicted outturn at this time last year was £429,296 and this value was taken into account in setting the Council Tax in 2013-14. In 2013-14 there was increased uncertainty around the predictions used in relation to the local council tax support scheme that replaced council tax benefit from 1 April 2013. The level of demand for support through the scheme was lower than predicted, which had a positive impact on the surplus at 31 March 2014. A further variance arose during the year due to the reversal of unutilised provision for bad debts, which also increased the surplus on the fund at 31 March 2014. There is therefore a balance of £1,014,982 resulting from an under distribution in this year.
- 1.4.4 In total, **Appendix A** estimates that there will be a net surplus on the collection fund for 2014-15 of £1,826,034.
- 1.4.5 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 in the table below. This apportions the surplus in line with

the preceptors' share of the council tax as set out in **Appendix A**.

Preceptor	£
Maidstone Borough Council	302,209
Kent County Council	1,270,007
Kent Police Authority	171,465
Kent and Medway Towns Fire Authority	82,354
Total	1,826,034

1.5 Business Rates

- 1.5.1 Cabinet will be aware that a new system for business rates came into effect on 1 April 2013. This introduced the distribution of business rates via the collection fund in a similar way to council tax. Under the previous system, income was pooled and distributed nationally by the government. Precepts for business rates are determined prior to the start of a financial year based on fixed percentages applied to estimated income. Variations from the estimates realised within the collection fund are then distributed in the following two financial years (based on estimates in the following year and actuals in the subsequent year). 2014-15 will therefore be the first year that the balance arising on business rates impacts on the collection fund balance.
- 1.5.2 The current situation regarding business rates for 2014-15 is projected to 31 March 2015 in **Appendix B**. As at 31 March 2015 the collection fund is estimated to have a surplus of £85,817 for business rates relating to the financial year 2014-15, to be distributed to preceptors in 2015-16.
- 1.5.3 The actual outturn, as at 31 March 2014, was a deficit of £1,804,789. The predicted outturn in January 2014 was a deficit of £1,790,061. Therefore, there is a balance of -£14,728 to be shared with preceptors. The deficit in 2013-14 arose principally from requirement for the council to create a provision for losses on appeals against rateable value. Under the previous system the impact of these losses was passed onto central government as part of the national pooling arrangements. This has already been reported to central government and preceptors, and sufficient resources were set aside in 2013-14 to cover this council's share of the deficit.
- 1.5.4 The total balance on the collection fund for business rates of £71,089 will be distributed to preceptors as set out in the table below, by applying the central and local share percentages set by the government.

Preceptor	£
Central Government (50%)	35,545
Maidstone Borough Council (40%)	28,436
Kent County Council (9%)	6,398
Kent and Medway Towns Fire Authority (1%)	711
Total	71,089

1.5.5 Since the beginning of the new system the government has utilised a number of incentives to assist businesses such as small business rates exemptions and limiting business rates increases to 2%. These have a direct impact on the collection fund by reducing the value of business rates collected. The council is reimbursed through other government grants that do not affect the collection fund. For this reason the detailed distribution above does not reflect the details set out in the medium term financial strategy elsewhere on this agenda as that report takes into account the consequences of the business rates pool and the section 31 grant.

1.6 Alternative Action and why not Recommended

1.6.1 It is a statutory requirement that any adjustment be calculated annually and Cabinet cannot choose to ignore this decision.

1.6.2 Cabinet could 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 estimate of the situation.

1.6.3 Should Cabinet 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.

1.7 Impact on Corporate Objectives

1.7.1 The results of this decision affect the overall budget strategy process and therefore the pressure on council tax in creating a balanced budget.

1.8 Risk Management

1.8.1 The calculation of the balance on the collection fund at 31 March 2015 could be incorrect and a significant deficit could arise. This would be recouped from the various preceptors and the council in 2015-16. In the period between, the deficit would affect the council's cash flow.

1.8.2 Monthly monitoring of collection rates and the growth seen in the tax base over recent years help the council to mitigate this risk.

1.9 Other Implications

1.9.1

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	

1.9.2 The distribution of the surplus will mean that the 2015-16 budget will benefit from the receipt of this council's £330,645 share of the surplus on the collection fund.

1.10 Relevant Documents

1.10.1 Appendices

- Appendix A – Council tax projection to 31 March 2015
- Appendix B – Business rates projection to 31 March 2015

1.11 Background Documents

None

IS THIS A KEY DECISION REPORT?

THIS BOX MUST BE COMPLETED

Yes

No

If yes, this is a Key Decision because:

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Wards/Parishes affected:

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