

<b>13 January 2016</b>		<b>ITEM: 12</b> <b>(Decision</b> <b>01104340)</b>
<b>Cabinet</b>		
<b>Determination of The Collection Fund Balance 2015/16 and Setting of the Council Tax Base for 2016/17.</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> Key	
<b>Report of:</b> Councillor John Kent, Leader		
<b>Accountable Head of Service:</b> Sean Clark, Head of Corporate Finance		
<b>Accountable Director:</b> Lyn Carpenter, Chief Executive		
<b>This report is Public</b>		

### **Executive Summary:**

The Collection Fund regulations require a local authority to estimate the balance on its Collection Fund as at 31 March each year. Any such balance relating to Council Tax is to be distributed to/borne by the Council and the Essex Police and Fire Authorities in proportion to the value of their respective precepts.

Any such balance relating to Business Rates is to be distributed to/borne by the Council, Central Government and Fire Authority in proportion to the agreed split under regulations.

This report also sets out the number of properties within Thurrock that are chargeable for Council tax and classifies them into Band D equivalents for budget setting purposes.

#### **1. Recommendation(s)**

**1.1 (a) Determines the estimated 31 March 2016 balance of the Council Tax Collection Fund to be a surplus of £1,199,312 (before distribution to major precepting authorities).**

**(b) Allocates the surplus to the three main precepting bodies in proportion to their precepts for 2015/16 as follows:**

- i) Thurrock Council £1,007,909;**
- ii) Essex Police Authority £131,877; and**
- iii) Essex Fire Authority £59,526.**

**1.2 That the Cabinet recommend to Council that it:**

**(a) Determines the estimated 31 March 2016 balance of the Business Rate Collection Fund to be a deficit of £5,761,084 (before distribution to Central Government and Essex Fire Authority).**

**(b) Allocates the deficit to the three main precepting bodies in the proportion set out in legislation:**

- (i) Thurrock Council £2,822,931;**
- (ii) Central Government £2,880,542; and**
- (iii) Essex Fire Authority £57,611.**

**1.3 To recommend that Council set the Council Tax base for 2016/17 by approving the following resolutions:**

**(a) that the report of the Head of Corporate Finance for the calculation of the Council's Tax Base for the year 2016/17 be approved; and**

**(b) that pursuant to the Head of Corporate Finance report and in accordance with the relevant regulations, the amount calculated by Thurrock Council as its Council Tax Base for the year 2016/17 shall be 48,856.**

**2. Introduction and Background**

**Determination of Collection Fund Balances**

2.1 This report sets out the information required for Cabinet to recommend to Council:

- the determination of the estimated balance of the Council Tax Collection Fund that will be apportioned between the Council and the major precepting authorities (the Police and Fire Authorities); and
- the determination of the estimated balance of the Business Rate Collection Fund that is apportioned between the Council, Central Government and the Fire Authority in accordance with regulations.

The Council's Constitution does not delegate this determination to Cabinet or any officer and so requires a decision from Council.

2.2 Each billing authority is required to maintain a separate Collection Fund which shows its transactions in relation to business rates and council tax and illustrates the way that these have been distributed to preceptors and the General Fund.

2.3 The key reasons for balances arising on the Collection Fund are:

- The estimated Council Tax Base will differ from the actual position throughout the year. The Council Tax Base comprises of the number of properties, the number of voids and the various discounts and exemptions awarded, it is inevitable that these will change and that a difference will arise;
- The Business Rates estimated at the start of the year and any predicted growth in those rates may differ from the actual amounts collectable from business rate payers, mainly as a result of growth and business closures; and

The Collection Fund also includes contributions to the bad debt provisions for Council Tax and Business Rates which are reassessed each year.

2.4 Council Tax billing authorities are required by the Local Authorities (Funds) (England) Regulations 1992 to estimate any surplus or deficit on their Council Tax Collection Fund for the year as at 15 January every year and, at the same time, apportion such amount between themselves and the major precepting authorities.

2.5 Billing authorities are required by the Local Government Finance Act 2012 to estimate any surplus or deficit on their Business Rate Collection Fund for the year as at 15 January every year and, at the same time, apportion such amount between themselves and the major precepting authorities in accordance with regulations. This is then notified to central government through the NNDR 1 form which will be issued in due course. This will be populated using the data supporting the position included in this report and will form the calculation of available resources to be included in the final budget proposals.

2.6 Based on the latest forecasts of collections and write offs the Council Tax Collection Fund is estimated to be a surplus of £1,199,312 as at 31 March 2016. This is apportioned to the major preceptors as follows:

<b>Major Precepting Authority</b>	<b>£</b>
Thurrock Council	1,007,909
Essex Police Authority	131,877
Essex Fire Authority	59,526
<b>Total Allocated</b>	<b>1,199,312</b>

2.7 The Council's share of the balance is a surplus of £1,007,909 which needs to be taken account of in the budget for 2016/17 and has been included in the MTFs.

2.8 Based on the latest forecasts of collections and write offs the Business Rates Collection Fund is estimated to have a deficit of £5,761,084 as at 31 March 2016. This is apportioned under regulations as follows:

<b>Major Precepting Authority</b>	<b>£</b>
Thurrock Council	2,822,931
Central Government	2,880,542
Essex Fire Authority	57,611
<b>Total Allocated</b>	<b>5,761,084</b>

- 2.9 The Council's share of the balance is a deficit of £2,822,931 which needs to be taken account of in the budget for 2016/17 and has been included in the MTFS.
- 2.10 The cause of the ongoing deficit on the fund was the provision for the impact of appeals lodged with the Valuation Office. The impact of specific appeals on the Council's resources is a one off charge linked to the refund of backdated appeals and then an annual reduction going forwards. The Council's share of these charges is 49% with the remaining share split between Central Government (50%) and Essex Fire Authority (1%). The reduction in business rates income in the Collection Fund was £14.8m between 1 April 2013 and 31 March 2015. This reduced Council income by £7.3m in this period.
- 2.11 There is a specific emerging issue in regard to the treatment of purpose built GP surgeries. A legal ruling meant further provision has been made for appeals received in respect of these properties. This could result in a backdated one off charge to the Collection Fund of up to £2.1m with an ongoing cost of up to £0.36m per annum. The impact on the Council would be a one-off charge of up to £1.03m with an ongoing cost of £0.176m.
- 2.12 This report is also one of the components required for the setting of the 2016/17 budget and Council Tax. It does not fix the Council Tax rate. This will be decided as part of the 2016/17 Budget reports, which will be considered in February 2016. The Council's Constitution does not delegate this determination to Cabinet or any officer and so requires a decision from Council.

### **The Council Tax Base Calculation**

- 2.13 The Valuation Officer of the Inland Revenue (called the Listing Officer for Council Tax purposes), places each property in the Borough in one of eight valuation bands. Each band relates to the estimated capital value of the property as at 1st April 1991. Examples are that the lowest band (A) covers properties that were then up to a value of £40,000 whereas the highest band (H) covers all properties which then exceeded £320,000 in value.
- 2.14 Having done this, the Listing Officer produces a Valuation List, which shows the band allocated to each property. The individual properties are then added together to produce the total number of properties in each band and the total of all properties in the Borough. The current list for this Authority gives the following results

<b><u>BAND</u></b>	<b><u>NUMBER OF PROPERTIES</u></b>
A	7,360
B	13,142
C	26,366
D	11,481
E	4,440
F	2,079
G	784
H	41
<b>Total</b>	<b>65,693</b>

- 2.15 From this it can be seen that 71.3% of Thurrock properties are in Bands A-C.
- 2.16 Each band will be charged a different amount of tax. The proportion payable by each band is laid down by statute. A Band D property was taken as the national average and occupants of these properties will therefore pay the base rate of tax. Lower banded properties pay less (Band A properties pay two thirds of the Band D rate) while higher banded properties pay more (Band H properties pay twice the Band D rate).
- 2.17 As required, the full calculation of the tax base is set out in Appendix 1 to this report.

### **The Final Calculation**

- 2.18 2013/14 saw the introduction of the Local Council Tax Scheme (LCTS) that required those of working age that were in receipt of Council Tax Benefit to now have to pay a minimum of 25% of the annual charge. As this applies to the more vulnerable sections of the community, it is not surprising to see lower rates of collection from this group. On non LCTS bills, the Council is collecting circa 99%. Adjusting for LCTS, it is prudent to set an overall collection rate of 98.75% and so account for a lower collection rate for this group. After this and other adjustments have been made, the final tax base would look as follows:

<b><u>BAND</u></b>	<b><u>NUMBER OF PROPERTIES</u></b>
A*	4
A	2,902
B	7,474
C	19,311
D	10,139
E	4,971
F	2,815
G	1,211
H	29
<b>Total</b>	<b>48,856</b>

A\* is Band A properties entitled to Disabled Relief reduction.

### **3. Issues, Options and Analysis of Options**

- 3.1 A key issue in this report is the accounting for the levels of business rate appeals that are with the Valuation Office. The calculation includes a provision for an increase in business rates of an additional £0.43m in 2015/16 bringing the total provision to £15.26m. This is based on the levels of appeals waiting to be heard and an assessment of their likelihood of success. This figure could obviously change significantly and any variation would be accounted for in the setting of the 2016/17 budget.
- 3.3 The Council Tax base represents the Council's total taxable resources. A brief explanation of the method of calculation is given in this report. The full Council is required to make this calculation and, because it is also used by the Police and Fire Authorities to calculate the precept payable, the precepting bodies must be notified of the result before 31st January in each year.

### **4. Reasons for Recommendation**

- 4.1 There is a legal requirement to agree the collection fund balance calculations and to include it within the budget setting process.
- 4.2 The Council Tax base must be set in accordance with legal requirements.

### **5. Consultation (including Overview and Scrutiny, if applicable)**

- 5.1 There has been no consultation on this report.

### **6. Impact on corporate policies, priorities, performance and community impact**

- 6.1 There is no direct impact from the content of this report that is not already being considered as part of the budget consultation.

## **7. Implications**

### **7.1 Financial**

Implications verified by: **Sean Clark**  
**Head of Corporate Finance**

The Council's share of the Council Tax Collection Fund surplus is £1,007,909 and the share of the Business Rates Collection Fund deficit is £3,508,931. This has been considered in setting both the budget and MTFS.

A council tax base of 48,856 is an increase 967 over the 2015/16 council tax base of 47,889 that, at the level of the 2015/16 council tax, would raise an additional £1.09m. This increase has already been factored into the MTFS.

### **7.2 Legal**

Implications verified by: **David Lawson**  
**Deputy Head of Legal and Governance**

Council Tax billing authorities are required by the Local Authorities (Funds) (England) regulations 1992 to estimate any surplus or deficit on their Council Tax Collection Fund as at 15 January every year.

Business Rate billing authorities are required under the Local Government Finance Act 2012 to estimate any surplus or deficit on their Business Rate Collection Fund at 15 January every year.

The Council Tax base must be calculated in accordance with the Local Authorities (Calculation of Tax Base) Regulations 2003 and Section 33 of the Local Government Finance Act 1992.

### **7.3 Diversity and Equality**

Implications verified by: **Natalie Warren**  
**Community Development and Equalities  
Manager**

There are no equalities issues arising from this report.

### **7.4 Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

In terms of risk, the estimated Council Tax Base includes prudent assumptions about the Tax Base and changes in exemptions, voids, discounts and the provision for bad debts.

The assumptions underpinning the amounts of business rate collectable and any associated bad debt provision are also considered to be prudent.

**8. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Statement of Accounts 2014/15
- Working papers retained by Corporate Finance

**9. Appendices to the report**

- Appendix 1 – Detailed calculation of the 2015/16 Council Tax Base

**Report Author:**

Sean Clark

Head of Corporate Finance

Corporate Finance



## COUNCIL TAX BASE Year 2016/17

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Band	Total Properties	No. of Discounts	Exempt Properties	Net Disabled Relief	LCTS	LT Premiums	Changes in Year			Sub Total	Total Band "D" Equiv	Adj for collection rate	Tax Base (Rounded)
		(-)	(-)	(+) or (-)	(-)	(+)	Estimated Discounts	New Properties	Demolitions			1.25%	
A *	0	1	0	9	1		0	0	0	7	4	0	4
A	7,360	1,056	132	17	1,842	9	0	53	1	4,407	2,938	37	2,902
B	13,142	1,367	160	84	2,072	11	0	94	1	9,732	7,569	95	7,474
C	26,366	1,839	239	-37	2,451	14	0	189	2	22,000	19,556	244	19,311
D	11,481	668	99	-39	495	6	0	82	1	10,267	10,267	128	10,139
E	4,440	201	39	-10	105	2	0	32	0	4,119	5,034	63	4,971
F	2,079	63	9	-13	36	1	0	15	0	1,974	2,851	36	2,815
G	784	41	4	1	12	2	0	6	0	736	1,226	15	1,211
H	41	13	1	-12	0	0	0	0	0	15	30	0	29
<b>TOTALS</b>	<b>65,693</b>	<b>5,248</b>	<b>683</b>	<b>0</b>	<b>7,016</b>	<b>43</b>	<b>0</b>	<b>472</b>	<b>6</b>	<b>53,256</b>	<b>49,474</b>	<b>618</b>	<b>48,856</b>

note A\* is band A properties entitled to disabled relief reduction.

Column Key

- 1 Property Bandings
- 2 Total Number of Properties as per VO list
- 3 Ratio of properties receiving discounts relating to Single Persons and 1st disregard at 25% and Second Disregards at 50%, Class A at 50% and Class C at 100%
- 4 Number of Exempt properties by band inc. exemption classes B,D,E,F,G,H,I,J,L,N,R,S,T,V,W
- 5 Banding adjustments for Disabled relief
- 6 Ratio of Properties receiving CTS
- 7 Ratio of Properties charged 50% premium for long term empties
- 8 Forecast for increase/ decrease in discounts next year
- 9 Net estimate of new properties (Full year equivalants)
- 10 Net estimate of demolitions