



Committee and Date

Cabinet
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Item

13

Paper

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ESTIMATED COLLECTION FUND OUTTURN FOR 2013/14

1. Summary

- 1.1 Shropshire Council is required by statute to maintain a Collection Fund separate from the General Fund of the Council.
- 1.2 The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Council Tax Collection Fund estimate by 15th January each year.
- 1.3 In previous years this only related to Council Tax, but following changes to Business Rates (NDR) legislation, a similar calculation is also now required for NDR. The Non-Domestic Rating (Rates Retention) Regulations 2013 require the Council as the Billing Authority to calculate a Non-Domestic Rates (NDR) Collection Fund estimate on or before 31st January each year.
- 1.4 The purpose of this report is to advise Cabinet of the estimated Collection Fund surpluses/deficits for 2013/14, calculated as at the 15th January 2014 for Council Tax and as at 31st January 2014 for NDR, for the year ending 31st March 2014.
- 1.5 The report also determines the respective shares of the estimated surpluses/deficits notifiable to the major precepting authorities.

2. Recommendations

Members are asked:

- 2.1 To note the overall Collection Fund estimated surplus of £450,101 for the year ending 31st March 2014, comprised of an estimated surplus of £2,461,001 for Council Tax and an estimated deficit of £2,010,900 for Non-Domestic Rates (NDR).
- 2.2 To note the distribution of the Collection Fund estimated surplus and deficit for Council Tax and NDR respectively to the major / relevant precepting authorities and the Secretary of State.
- 2.3 To note Shropshire Council's share of the overall estimated surplus of £1,033,493, comprised of an estimated surplus of £2,018,834 for Council Tax and an estimated deficit of £985,341 for NDR.
- 2.4 To note the inclusion of Shropshire Council's share of the overall estimated surplus in the 2014/15 budget.

REPORT

3. Background

- 3.1 As a Council Tax and Non-Domestic Rates (NDR) Billing Authority the Council is required by legislation to estimate the surplus or deficit for each financial year on the Collection Fund.
- 3.2 Prior to 2013/14 this estimate was only required for Council Tax. However, as part of the Local Government Finance Act 2012 the Government implemented a Business Rates Retention Scheme from April 2013, whereby the collection and distribution of NDR is collected and distributed via the Collection Fund (distribution of NDR had previously been managed nationally). Local Authorities as a result took on an additional level of risk and uncertainty of NDR funding.
- 3.3 In a similar way to Council Tax precepts from the Collection Fund, NDR precepts are now fixed prior to the start of a financial year and any variations from this realised through the Collection Fund in year are distributed in the following two financial years (based on estimated in the following year and actuals in the subsequent year).
- 3.4 The Collection Fund is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for:
- **Income into the Fund:** The Fund is credited with the amount of receipts of Council Tax and NDR it collects.
 - **Payments out of the Fund:** In relation to Council Tax payments are made to the Council, the two major precepting authorities (West Mercia Police Authority and Shropshire & Wrekin Fire Authority) and the local preceptors (parish and town councils). In relation to NDR payments are made to the Council, the Secretary of State and the single relevant precepting authority (Shropshire & Wrekin Fire Authority).
- 3.5 The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Collection Fund estimate by 15th January each year for Council Tax. The Non-Domestic Rating (Rates Retention) Regulations 2013 require the Council as the Billing Authority to calculate a Collection Fund estimate by 31st January each year for NDR. Both estimates relate to the Collection Fund Income and Expenditure Account for the year ending 31st March and the impact of this on the Collection Fund Balance.

4. 2013/14 Estimated Surplus / Deficit for Council Tax

- 4.1 The forecast of the Council Tax Collection Fund Balance for the year ending 31st March 2014 shows a forecast surplus of £2,461,001 based on figures as at 15th January 2014. The year end estimated surplus is distributed to the major precepting authorities in proportion to the current year demands and precepts on the Collection Fund. The percentages are likely to change each year due to different inflationary adjustments being applied by the major precepting authorities
- 4.2 The detailed determination of the estimated Council Tax Collection Fund surplus for 2013/14 is shown in Appendix A and the allocation of the estimated surplus to each of the major precepting authorities is summarised in Table 1 over the page.

5. 2013/14 Estimated Surplus / Deficit for Non-Domestic Rates (NDR)

- 5.1 The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31st March 2014 shows a forecast deficit of £2,010,900 based on figures as at 31st January 2014. The year end estimated deficit is distributed to the Secretary of State and relevant precepting authorities in proportion to the current year demands and NDR payments on the Collection Fund. The percentages are fixed in accordance with The Non-Domestic Rating (Rates Retention) Regulations 2013.
- 5.2 The introduction of the Business Rates Retention Scheme from April 2013 has increased uncertainty and volatility in Council funding. The estimation of the NDR base each January now sets the amount of NDR to be distributed from the Collection Fund to preceptors in the following year. Any variances to the base during the year will be borne by the Collection Fund and distributed to preceptors in future years through the declaration of a surplus or deficit on the fund.
- 5.3 The detailed determination of the estimated NDR Collection Fund deficit for 2013/14 is shown in Appendix B and the allocation of the estimated deficit to the Secretary of State and the relevant precepting authorities is summarised in Table 1 below.

Table 1: Distribution of the 2013/14 Estimated Collection Fund (Surplus) / Deficit

	Council Tax	NDR	Total
	£	£	£
Secretary of State	-	1,005,450	1,005,450
Shropshire Council	(2,018,834)	985,341	(1,033,493)
West Mercia Police Authority	(295,550)	-	(295,550)
Shropshire & Wrekin Fire Authority	(146,617)	20,109	(126,508)
Total Estimated Surplus	(2,461,001)	2,010,900	(450,101)

- 5.4 Shropshire Council's share of the overall estimated Collection Fund surplus has been incorporated into the 2014/15 budget.
- 5.5 The Secretary of State and major / relevant precepting bodies were notified of these surpluses / deficits on 5th February 2014.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)
Human Rights Act Appraisal None.
Environmental Appraisal None.
Risk Management Appraisal Estimation of the Council Tax Collection Fund surplus or deficit is a well understood process and any potential for error is mitigated to a large extent by adhering to the relevant legislation. However, small variations in collection rate or changes in the taxbase can have a significant financial impact. Estimation of the Non-Domestic Rates Collection Fund surplus or deficit is a new process for local authorities and a degree of variance on the Collection Fund under the new system should be anticipated.
Community / Consultations Appraisal None.
Cabinet Member Keith Barrow, Leader of the Council.
Local Member N/A.
Appendices Appendix A: Shropshire Council 2013/14 Council Tax Estimated Collection Fund Account Appendix B: Shropshire Council 2013/14 Non-Domestic Rates Collection Fund Account

		APPENDIX A
SHROPSHIRE COUNCIL 2013/14 ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT		
(Estimate As At 15th January 2014)		
2012/13		2013/14
Actual		Estimate
£'000		£
Income		
146,783	Council Tax Income	152,206,746
Transfers From General Fund		
20,078	- Council Tax Benefits	-
(4)	- Transitional Relief	-
71,886	- Income From Business Rate Payers	-
238,744	Total Income	152,206,746
Expenditure		
2013/14 Precepts		
129,728	Shropshire Council	115,632,994
19,659	West Mercia Police Authority	17,743,259
9,562	Shropshire & Wrekin Fire Authority	8,802,134
6,053	Parish / Town Councils	5,567,224
Business Rates		
71,191	Payments to National Pool	-
461	Costs of Collection	-
Bad & Doubtful Debts		
(1,520)	Write Offs	(165,000)
2,708	Increase in Bad Debt Provision	2,515,867
237,843	Total Expenditure	150,096,478
(901)	(Surplus) / Deficit For Year	(2,110,268)
Impact on Collection Fund Accumulated Surplus		
(2,271)	Accumulated Surplus Brought Forward	(857,068)
2,315	Distribution of prior year estimated surplus	506,335
(901)	(Surplus) / Deficit for Year	(2,110,268)
(857)	Estimated Accumulated Surplus Carried Forward	(2,461,001)
Distribution of Estimated Collection Fund Surplus		
(417)	Shropshire Council	(2,018,834)
(60)	West Mercia Police Authority	(295,550)
(29)	Shropshire & Wrekin Fire Authority	(146,617)
(506)		(2,461,001)

SHROPSHIRE COUNCIL 2013/14 ESTIMATED BUSINESS RATES COLLECTION FUND ACCOUNT
(Estimate As At 31st January 2014)

	2013/14 Estimate £
Income	
Business Rates Income	76,516,550
Transitional Protection	223,834
Year End Reconciliation	-
Total Income	76,740,384
Expenditure	
2013/14 Payments to Major Preceptors	
Central Government	38,248,922
Shropshire Council	37,483,944
Shropshire & Wrekin Fire Authority	764,978
Cost of Collection Allowance	463,653
Bad & Doubtful Debts	
Write Offs	(100,000)
Increase in Bad Debt Provision	69,000
Appeal Losses & Provision	
Losses	(1,097,613)
Increase in Appeal Provision	2,918,399
Total Expenditure	78,751,284
(Surplus) / Deficit For Year	2,010,900
Impact on Collection Fund Accumulated Surplus	
Accumulated Surplus Brought Forward	-
Distribution of prior year estimated surplus	-
(Surplus) / Deficit for Year	2,010,900
Estimated Accumulated Surplus Carried Forward	2,010,900
Distribution of Estimated Collection Fund Deficit	
Shropshire Council	1,005,450
West Mercia Police Authority	985,341
Shropshire & Wrekin Fire Authority	20,109
	2,010,900