



### Committee and Date

Cabinet

8<sup>th</sup> February 2017

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## **ESTIMATED COLLECTION FUND OUTTURN FOR 2016/17**

### **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 15<sup>th</sup> January each year.
- 1.3 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 31<sup>st</sup> January each year.
- 1.4 The purpose of this report is to advise Cabinet of the estimated Collection Fund surpluses/deficits for 2016/17, calculated as at the 15<sup>th</sup> January 2017 for Council Tax and as at 31<sup>st</sup> January 2017 for NDR, for the year ending 31<sup>st</sup> March 2017.
- 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 £6.109m for the year ending 31<sup>st</sup> March 2017, comprised of an estimated surplus of £2.669m for Council Tax and an estimated surplus of £3.440m for Non-Domestic Rates (NDR).
- 2.2 To note the distribution of the Collection Fund estimated surplus for Council Tax and NDR to the major / relevant precepting authorities and the Secretary of State.
- 2.3 To note Shropshire Council's share of the overall estimated deficit of £4.162m, comprised of an estimated surplus of £2.183m for Council Tax and an estimated deficit of £1.979m for NDR.
- 2.4 To note the inclusion of Shropshire Council's share of the overall estimated deficit in the 2017/18 budget.

## REPORT

### 3. Risk Assessment and Opportunities Appraisal

- 3.1 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.
- 3.2 Estimation of the Non-Domestic Rates (NDR) Collection Fund surplus or deficit is a comparatively new process for local authorities and a degree of variance on the Collection Fund under the new system should be anticipated.

### 4. Background

- 4.1 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.
- 4.2 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.
- 4.3 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).
- 4.4 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 & Crime Commissioner 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).
- 4.5 The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Collection Fund estimate by 15<sup>th</sup> 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 31<sup>st</sup> January each year for NDR. Both estimates relate to the Collection Fund Income and Expenditure Account for the year ending 31<sup>st</sup> March and the impact of this on the Collection Fund Balance.

## **5. 2016/17 Estimated Surplus / Deficit for Council Tax**

- 5.1 The forecast of the Council Tax Collection Fund Balance for the year ending 31<sup>st</sup> March 2017 shows a forecast surplus of £2.669m based on figures as at 15<sup>th</sup> January 2017. This is comprised of an in year estimated surplus of £2.987m and a deficit of £0.318m from the previous year's actual Council Tax Collection Fund. The estimated surplus on the Council Tax Collection Fund is due to an increase in the taxbase. 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.
- 5.2 The detailed determination of the estimated Council Tax Collection Fund surplus for 2016/17 is shown in Appendix A and the allocation of the estimated surplus to each of the major precepting authorities is summarised in Table 1 on page 4.

## **6. 2016/17 Estimated Surplus / Deficit for Non-Domestic Rates (NDR)**

- 6.1 The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31<sup>st</sup> March 2017 shows a forecast surplus of £3.440m based on figures as at 31<sup>st</sup> January 2017. This is comprised of an in year estimated surplus of £0.037m and a surplus of £3.403m due to a difference in the previous year's estimated deficit to the actual deficit.
- 6.2 The forecast surplus on the Business Rates Collection Fund is primarily attributable to a significant reduction in the appeals provision between the estimated Collection Fund and the actual Collection Fund for 2015/16. In the estimated Collection Fund for 2015/16 the appeals provision included an estimate for potential losses arising from the request for mandatory business rates relief submitted to the Council on behalf of NHS trusts. Further details were obtained and legal advice was sought in relation to this request and the decision was made not to include this in the appeals provision for the actual Collection Fund in 2015/16. This treatment is still considered appropriate for the Collection Fund in 2016/17.
- 6.3 The year end estimated surplus 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.
- 6.4 An exception to this distribution method exists, however, in relation to Business Rates income from renewable energy projects. This income is retained in full by the Billing Authority and as such the income is disregarded from calculations in the rates retention scheme. In 2015/16 and 2016/17 income from Renewable Energy Schemes (RES) was £1.377m and £0.472m respectively. The 2016/17 Business Rates Collection Fund estimate includes a total of £0.576m to be retained in full by Shropshire Council as the billing authority. This is comprised of an in year estimated surplus of £0.472m and an adjustment for the previous year's actual surplus of £0.104m.
- 6.5 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.
- 6.6 The detailed determination of the estimated Business Rates Collection Fund deficit for 2016/17 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 2016/17 Estimated Collection Fund (Surplus) / Deficit**

	<b>Council Tax</b>	<b>NDR</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Secretary of State	-	(1.432)	(1.432)
Shropshire Council	(2.183)	(1.979)	(4.162)
West Mercia Police & Crime Commissioner	(0.325)	-	(0.325)
Shropshire & Wrekin Fire Authority	(0.161)	(0.029)	(0.190)
<b>Total Estimated (Surplus) / Deficit</b>	<b>(2.669)</b>	<b>(3.440)</b>	<b>(6.109)</b>

- 6.7 Shropshire Council's share of the overall estimated Collection Fund deficit has been incorporated into the 2017/18 budget.
- 6.8 The Secretary of State and major / relevant precepting bodies were notified of these surpluses / deficits by 31<sup>st</sup> January 2017.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b> N/A
<b>Cabinet Member</b> Malcolm Pate, Leader of the Council.
<b>Local Member</b> N/A
<b>Appendices</b> <b>Appendix A:</b> Shropshire Council 2016/17 Estimated Council Tax Collection Fund Account <b>Appendix B:</b> Shropshire Council 2016/17 Estimated Non-Domestic Rates Collection Fund Account

<b>APPENDIX A</b>			
<b>SHROPSHIRE COUNCIL ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT</b>			
<b>(Estimate As At 15th January 2017)</b>			
<b>2015-16</b>			<b>2016-17</b>
<b>Actual</b>			<b>Estimate</b>
<b>£'000</b>			<b>£'000</b>
	<b>Income</b>		
(158,061)	Council Tax Income		(166,952)
(47)	Income from Specific Grants		(52)
	Transfers from General Fund		
2	- Transitional Relief		3
<b>(158,106)</b>	<b>Total Income</b>		<b>(167,001)</b>
	<b>Expenditure</b>		
	<b>2016/17 Precepts</b>		
119,281	Shropshire Council		127,069
19,039	West Mercia Police & Crime Commissioner		19,892
9,444	Shropshire & Wrekin Fire Authority		9,867
6,307	Parish & Town Councils		6,659
	<b>Bad &amp; doubtful debts</b>		
(24)	Write Offs		(84)
572	Increase in Bad Debt Provision		611
<b>154,619</b>	<b>Total Expenditure</b>		<b>164,014</b>
<b>(3,487)</b>	<b>(Surplus)/Deficit for the year</b>		<b>(2,987)</b>
	<b>Impact on Collection Fund Accumulated Surplus</b>		
(4,920)	Accumulated (surplus)/deficit brought forward		(3,346)
5,061	Distribution of prior year estimated surplus		3,664
<b>(3,486)</b>	<b>(Surplus)/Deficit for the year</b>		<b>(2,987)</b>
<b>(3,346)</b>	<b>Estimated Accumulated Surplus Carried Forward</b>		<b>(2,669)</b>
	<b>Distribution of Estimated Collection Fund Surplus</b>		
(2,987)	Shropshire Council		(2,183)
(453)	West Mercia Police & Crime Commissioner		(325)
(224)	Shropshire & Wrekin Fire Authority		(161)
<b>(3,664)</b>			<b>(2,669)</b>

APPENDIX B				
SHROPSHIRE COUNCIL ESTIMATED NON-DOMESTIC RATES COLLECTION FUND ACCOUNT				
(Estimate As At 31st January 2017)				
2015-16		2016-17	2016-17	2016-17
Actual £'000		Estimate £'000	Estimate Excluding Renewable Energy Schemes £'000	Estimate Renewable Energy Schemes Only £'000
	<b>Income</b>			
(75,519)	Business Rates Income	(79,936)	(79,464)	(472)
(337)	Transitional Protection	16	16	-
<b>(75,856)</b>	<b>Total Income</b>	<b>(79,920)</b>	<b>(79,448)</b>	<b>(472)</b>
	<b>Expenditure</b>			
	<b>2016/17 Payments to Major Preceptors</b>			
39,965	Secretary of State	39,537	39,537	-
39,166	Shropshire Council	38,747	38,747	-
799	Shropshire & Wrekin Fire Authority	791	791	-
463	Cost of Collection	463	463	-
	<b>Bad &amp; doubtful debts</b>			
(375)	Write Offs	(188)	(188)	-
594	Increase in Bad Debt Provision	408	408	-
	<b>Appeal Losses &amp; Provisions</b>			
(2,258)	Losses	(1,775)	(1,775)	-
3,852	Increase in Appeal Provision	1,900	1,900	-
<b>82,207</b>	<b>Total Expenditure</b>	<b>79,883</b>	<b>79,883</b>	<b>-</b>
<b>6,351</b>	<b>(Surplus)/Deficit for the year</b>	<b>(37)</b>	<b>435</b>	<b>(472)</b>
	<b>Impact on Collection Fund Accumulated Surplus</b>			
7,916	Accumulated (surplus)/deficit brought forward	12,361	15,921	(3,560)
(1,906)	Distribution of prior year estimated surplus	(15,764)	(19,220)	3,456
6,351	(Surplus)/Deficit for the year	(37)	435	(472)
<b>12,361</b>	<b>Estimated Accumulated (Surplus) / Deficit Carried Forward</b>	<b>(3,440)</b>	<b>(2,864)</b>	<b>(576)</b>
	<b>Distribution of Estimated Collection Fund (Surplus) / Deficit</b>			
9,610	Secretary of State	(1,432)	(1,432)	-
5,962	Shropshire Council	(1,979)	(1,403)	(576)
192	Shropshire & Wrekin Fire Authority	(29)	(29)	-
<b>15,764</b>		<b>(3,440)</b>	<b>(2,864)</b>	<b>(576)</b>