



**Committee and Date**

Cabinet  
11<sup>th</sup> February 2015  
12.30 pm

**Item**

**12**

**Public**

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## **ESTIMATED COLLECTION FUND OUTTURN FOR 2014/15**

### **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 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 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 2014/15, calculated as at the 15<sup>th</sup> January 2015 for Council Tax and as at 31<sup>st</sup> January 2015 for NDR, for the year ending 31<sup>st</sup> March 2015.
- 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 £3,154,626 for the year ending 31<sup>st</sup> March 2015, comprised of an estimated surplus of £5,060,852 for Council Tax and an estimated deficit of £1,906,226 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 £3,204,413, comprised of an estimated surplus of £4,138,464 for Council Tax and an estimated deficit of £934,051 for NDR.
- 2.4 To note the inclusion of Shropshire Council's share of the overall estimated surplus in the 2015/16 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 & 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).
- 3.5 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.

### 4. 2014/15 Estimated Surplus / Deficit for Council Tax

- 4.1 The forecast of the Council Tax Collection Fund Balance for the year ending 31<sup>st</sup> March 2015 shows a forecast surplus of £5,060,852 based on figures as at 15<sup>th</sup> January 2015. This is comprised of an in year estimated surplus of £4,008,308 and an adjustment for the previous year's actual surplus of £1,052,544. The estimated surplus on the Council Tax Collection Fund is due to a combination of factors including the actual collection rate and variations in discretionary and mandatory awards which affect the total Council Tax liability. 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 2014/15 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. 2014/15 Estimated Surplus / Deficit for Non-Domestic Rates (NDR)

- 5.1 The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31<sup>st</sup> March 2015 shows a forecast deficit of £1,906,226 based on figures as at 31<sup>st</sup> January 2015. This is comprised of an in year estimated deficit of £828,260 and an adjustment for the previous year's actual deficit of £1,077,966. 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 2014/15 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 2014/15 Estimated Collection Fund (Surplus) / Deficit**

	<b>Council Tax</b>	<b>NDR</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Secretary of State	-	953,113	953,113
Shropshire Council	(4,138,464)	934,051	(3,204,413)
West Mercia Police & Crime Commissioner	(616,549)	-	(616,549)
Shropshire & Wrekin Fire Authority	(305,839)	19,062	(286,777)
<b>Total Estimated (Surplus) / Deficit</b>	<b>(5,060,852)</b>	<b>1,906,226</b>	<b>(3,154,626)</b>

- 5.4 Shropshire Council's share of the overall estimated Collection Fund surplus has been incorporated into the 2015/16 budget.
- 5.5 The Secretary of State and major / relevant precepting bodies were notified of these surpluses / deficits on 6<sup>th</sup> February 2015.

<b>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</b>
<b>Human Rights Act Appraisal</b> None.
<b>Environmental Appraisal</b> None.
<b>Risk Management Appraisal</b> 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.
<b>Community / Consultations Appraisal</b> None.
<b>Cabinet Member</b> Keith Barrow, Leader of the Council.
<b>Local Member</b> N/A.
<b>Appendices</b> <b>Appendix A:</b> Shropshire Council 2014/15 Council Tax Estimated Collection Fund Account <b>Appendix B:</b> Shropshire Council 2014/15 Non-Domestic Rates Collection Fund Account

			APPENDIX A
<b>SHROPSHIRE COUNCIL 2014/15 ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT</b>			
(Estimate As At 15 <sup>th</sup> January 2015)			
2013/14 Actual £'000			2014/15 Estimate £
	<b>Income</b>		
151,348	<b>Council Tax Income</b>		<b>155,054,178</b>
	<b>Transfers From General Fund</b>		
(5)	- Transitional Relief		(2,468)
<b>151,343</b>	<b>Total Income</b>		<b>155,051,710</b>
	<b>Expenditure</b>		
	<b>2014/15 Precepts</b>		
115,633	Shropshire Council		117,025,463
17,743	West Mercia Police & Crime Commissioner		18,314,618
8,802	Shropshire & Wrekin Fire Authority		9,084,967
5,567	Parish / Town Councils		5,907,850
	<b>Bad &amp; Doubtful Debts</b>		
(146)	Write Offs		(419,017)
580	Increase in Bad Debt Provision		1,129,521
<b>148,180</b>	<b>Total Expenditure</b>		<b>151,043,402</b>
<b>(3,163)</b>	<b>Surplus (-) / Deficit (+) For Year</b>		<b>(4,008,308)</b>
	<b>Impact on Collection Fund Accumulated Surplus</b>		
(857)	Accumulated Surplus (-) / Deficit (+) Brought Forward		(3,513,546)
506	Distribution of prior year estimated surplus		2,461,001
(3,163)	Surplus (-) / Deficit (+) for Year		(4,008,308)
<b>(3,514)</b>	<b>Estimated Accumulated Surplus (-) / Deficit (+) Carried Forward</b>		<b>(5,060,852)</b>
	<b>Distribution of Estimated Collection Fund Surplus</b>		
(2,019)	Shropshire Council		(4,138,464)
(296)	West Mercia Police & Crime Commissioner		(616,549)
(147)	Shropshire & Wrekin Fire Authority		(305,839)
<b>(2,461)</b>			<b>(5,060,852)</b>

