



Committee and Date

Cabinet
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ESTIMATED COLLECTION FUND OUTTURN FOR 2015/16

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 2015/16, calculated as at the 15th January 2016 for Council Tax and as at 31st January 2016 for NDR, for the year ending 31st March 2016.
- 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 deficit of £12.099m for the year ending 31st March 2016, comprised of an estimated surplus of £3.664m for Council Tax and an estimated deficit of £15.763m 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 deficit of £2.974m, comprised of an estimated surplus of £2.987m for Council Tax and an estimated deficit of £5.961m for NDR.
- 2.4 To note the inclusion of Shropshire Council's share of the overall estimated deficit in the 2016/17 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 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. 2015/16 Estimated Surplus / Deficit for Council Tax

- 4.1 The forecast of the Council Tax Collection Fund Balance for the year ending 31st March 2016 shows a forecast surplus of £3.664m based on figures as at 15th January 2016. This is comprised of an in year estimated surplus of £3.805m and an adjustment for the previous year's actual surplus of £0.141m. The estimated surplus on the Council Tax Collection Fund is due to a combination of factors including the actual collection rate and variations in discounts and exemptions 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 2015/16 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.

5. 2015/16 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 2016 shows a forecast deficit of £15.763m based on figures as at 31st January 2016. This is comprised of an in year estimated deficit of £9.753m and an adjustment for the previous year's actual deficit of £6.010m.
- 5.2 The in year deficit on the Business Rates Collection Fund is primarily attributable to a significant increase in the appeals provision as a result of two occurrences: Business Rates appeals currently lodged with the Valuation Office Agency in relation to surgeries and health centres and a request for mandatory business rates relief submitted to the Council on behalf of NHS trusts.
- 5.3 These two occurrences, together with other additional appeals and losses on appeals incurred during the year, have resulted in the need to increase the provision by £5.797m. The remaining in year deficit of £3.957m is due to differences between the latest position in relation to business rates income and the original estimate. As previously noted business rates income is volatile and depends on a number of factors which are difficult to predict.
- 5.4 The NHS trusts submissions for mandatory business rates relief is a national issue and the Council is currently considering its position.
- 5.5 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.
- 5.6 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. The total amount of business rates income resulting from a new renewable energy project is disregarded. In 2014/15 and 2015/16 income from Renewable Energy Schemes (RES) was £2.184m and £1.272m respectively. Income from RES received in 2014/15 was not identified at the time that the 2014/15 Business Rates Collection Fund estimate was determined and, consequently, the income was not distributed in 2015/16. Therefore, the 2015/16 Business Rates Collection Fund estimate includes a total of £3.456m to be retained in full by Shropshire Council as the billing authority.
- 5.7 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.

- 5.8 The detailed determination of the estimated Business Rates Collection Fund deficit for 2015/16 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 2015/16 Estimated Collection Fund (Surplus) / Deficit

	Council Tax	NDR	Total
	£m	£m	£m
Secretary of State	-	9.610	9.610
Shropshire Council	(2.987)	5.961	2.974
West Mercia Police & Crime Commissioner	(0.453)	-	(0.453)
Shropshire & Wrekin Fire Authority	(0.224)	0.192	(0.032)
Total Estimated (Surplus) / Deficit	(3.664)	15.763	12.099

- 5.9 Shropshire Council's share of the overall estimated Collection Fund deficit has been incorporated into the 2016/17 budget.
- 5.10 The Secretary of State and major / relevant precepting bodies were notified of these surpluses / deficits on 5th February 2016.

<p>List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)</p>
<p>Human Rights Act Appraisal None.</p>
<p>Environmental Appraisal None.</p>
<p>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 comparatively new process for local authorities and a degree of variance on the Collection Fund under the new system should be anticipated.</p>
<p>Community / Consultations Appraisal None.</p>
<p>Cabinet Member Malcolm Pate, Leader of the Council.</p>
<p>Local Member N/A.</p>
<p>Appendices Appendix A: Shropshire Council 2015/16 Council Tax Estimated Collection Fund Account Appendix B: Shropshire Council 2015/16 Non-Domestic Rates Collection Fund Account</p>

			APPENDIX A
SHROPSHIRE COUNCIL 2015/16 ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT			
(Estimate As At 15 th January 2016)			
2014/15 Actual £'000			2015/16 Estimate £
	Income		
154,576	Council Tax Income		158,171,181
	Transfers From General Fund		
(3)	- Transitional Relief		(2,186)
154,573	Total Income		158,168,995
	Expenditure		
	2015/16 Precepts		
117,025	Shropshire Council		119,280,524
18,314	West Mercia Police & Crime Commissioner		19,038,714
9,085	Shropshire & Wrekin Fire Authority		9,444,373
5,908	Parish / Town Councils		6,306,679
	Bad & Doubtful Debts		
(277)	Write Offs		(101,159)
650	Increase in Bad Debt Provision		394,892
150,705	Total Expenditure		154,364,023
(3,868)	Surplus (-) / Deficit (+) For Year		(3,804,972)
	Impact on Collection Fund Accumulated Surplus		
(3,514)	Accumulated Surplus (-) / Deficit (+) Brought Forward		(4,920,334)
2,461	Distribution of prior year estimated surplus		5,060,852
(3,868)	Surplus (-) / Deficit (+) for Year		(3,804,972)
(4,920)	Estimated Accumulated Surplus Carried Forward		(3,664,454)
	Distribution of Estimated Collection Fund Surplus		
(4,138)	Shropshire Council		(2,987,003)
(617)	West Mercia Police & Crime Commissioner		(452,823)
(306)	Shropshire & Wrekin Fire Authority		(224,628)
(5,061)			(3,664,453)

APPENDIX B				
SHROPSHIRE COUNCIL ESTIMATED BUSINESS RATES COLLECTION FUND ACCOUNT				
(Estimate As At 31 st January 2016)				
2014/15 Actual		2015/16 Total Estimate	2015/16 Estimate Excluding Renewable Energy Schemes	2015/16 Estimate Renewable Energy Schemes Only
£'000		£	£	£
	Income			
76,294	Business Rates Income	76,162,092	74,889,953	1,272,139
(257)	Transitional Protection	375,364	375,364	-
76,037	Total Income	76,537,457	75,265,318	1,272,139
	Expenditure			
	2015/16 Payments to Major Preceptors			
38,170	Central Government	39,965,475	39,965,475	-
37,406	Shropshire Council	39,166,166	39,166,166	-
763	Shropshire & Wrekin Fire Authority	799,309	799,309	-
464	Cost of Collection Allowance	463,056	463,056	-
	Bad & Doubtful Debts			
(760)	Write Offs	(280,777)	(280,777)	-
703	Increase in Bad Debt Provision	381,017	381,017	-
	Appeal Losses & Provision			
(1,993)	Losses	(2,907,076)	(2,907,076)	-
8,122	Increase in Appeal Provision	8,703,742	8,703,742	-
82,876	Total Expenditure	86,290,913	86,290,913	-
6,839	Surplus (-) / Deficit (+) For Year	9,753,456	11,025,595	(1,272,139)
	Impact on Collection Fund Accumulated Surplus			
3,089	Accumulated Surplus (-) / Deficit (+) Brought Forward	7,916,484	10,100,841	(2,184,357)
(2,011)	Distribution of prior year estimated surplus / deficit	(1,906,226)	(1,906,226)	-
6,839	Surplus (-) / Deficit (+) for Year	9,753,456	11,025,595	(1,272,139)
7,916	Estimated Accumulated Surplus Carried Forward	15,763,714	19,220,210	(3,456,496)
	Distribution of Estimated Collection Fund Surplus			
953	Central Government	9,610,105	9,610,105	-
934	Shropshire Council	5,961,407	9,417,903	(3,456,496)
19	Shropshire & Wrekin Fire Authority	192,202	192,202	-
1,906		15,763,714	19,220,210	(3,456,496)