



<u>Committee and Date</u>	<u>Item</u>	<u>Paper</u>
Cabinet 13 th February 2019		

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ESTIMATED COLLECTION FUND OUTTURN FOR 2018/19

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 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 2018/19, calculated as at the 15th January 2019 for Council Tax and as at 31st January 2019 for NDR, for the year ending 31st March 2019.
- 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 £3.106m for the year ending 31st March 2019, comprised of an estimated surplus of £3.666m for Council Tax and an estimated deficit of £0.560m for Non-Domestic Rates (NDR).
- 2.2 To note the distribution of the Collection Fund estimated surplus for Council Tax and deficit for NDR 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 £3.367m, comprised of an estimated surplus of £3.031m for Council Tax and an estimated surplus of £0.336m for NDR.
- 2.4 To note the inclusion of Shropshire Council's share of the overall estimated surplus in the 2019/20 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 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.

5. 2018/19 Estimated Surplus / Deficit for Council Tax

- 5.1 The forecast of the Council Tax Collection Fund Balance for the year ending 31st March 2019 shows a forecast surplus of £3.666m based on figures as at 15th January 2019. This is comprised of an in year estimated surplus of £3.784m and a deficit of £0.118m 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 and a lower than forecast contribution to the bad debt provision. 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 2018/19 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. 2018/19 Estimated Surplus / Deficit for Non-Domestic Rates (NDR)

- 6.1 The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31st March 2019 shows a forecast deficit of £0.560m based on figures as at 31st January 2019. This is comprised of an in year estimated deficit of £0.423m and a deficit of £0.137m due to a difference in the previous year's estimated deficit to the actual deficit.
- 6.2 The forecast deficit on the Non-Domestic Rates Collection Fund is attributable to an increase in the appeals provision.
- 6.3 A new rating list and appeals process were introduced in 2017. Currently there is little data available in relation to appeals to rateable value for the 2017 list. The appeals provision has been calculated based on losses incurred in relation to previous appeals that have been settled. As data becomes available the appeals provision will be reviewed and any changes will impact the Non-Domestic Rates Collection Fund estimate in future years.
- 6.4 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.
- 6.5 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 2017/18 and 2018/19 income from Renewable Energy Schemes (RES) was £0.534m and £1.183m respectively. The 2018/19 Business Rates Collection Fund estimate includes a total of £1.197m to be retained in full by Shropshire Council as the billing authority. This is comprised of an in year estimated surplus of £1.183m and an adjustment for the previous year's actual surplus of £0.014m.
- 6.6 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.
- 6.7 The detailed determination of the estimated Business Rates Collection Fund deficit for 2018/19 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 2018/19 Estimated Collection Fund (Surplus) / Deficit

	Council Tax	NDR	Total
	£m	£m	£m
Secretary of State	-	0.878	0.878
Shropshire Council	(3.031)	(0.336)	(3.367)
West Mercia Police & Crime Commissioner	(0.425)	-	(0.425)
Shropshire & Wrekin Fire Authority	(0.210)	0.018	(0.192)
Total Estimated (Surplus) / Deficit	(3.666)	0.560	(3.106)

- 6.8 Shropshire Council's share of the overall estimated Collection Fund surplus has been incorporated into the 2019/20 budget.
- 6.9 The Secretary of State and major / relevant precepting bodies were notified of these surpluses / deficits by 31st January 2019.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information) N/A
Cabinet Member Councillor David Minnery
Local Member N/A
Appendices Appendix A: Shropshire Council 2018/19 Estimated Council Tax Collection Fund Account Appendix B: Shropshire Council 2018/19 Estimated Non-Domestic Rates Collection Fund Account

APPENDIX A			
SHROPSHIRE COUNCIL ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT			
(Estimate As At 15th January 2019)			
2017-18			2018-19
Actual			Estimate
£'000			£'000
	Income		
(175,179)	Council Tax Income		(190,070)
(56)	Income from Specific Grants		(68)
	Transfers from General Fund		
2	- Transitional Relief		2
	- Discretionary Relief		(21)
(175,233)	Total Income		(190,157)
	Expenditure		
	2018/19 Precepts		
134,221	Shropshire Council		145,638
20,205	West Mercia Police & Crime Commissioner		21,499
10,073	Shropshire & Wrekin Fire Authority		10,619
7,155	Parish & Town Councils		7,755
	Bad & doubtful debts		
(44)	Write Offs		(148)
606	Increase in Bad Debt Provision		1,010
172,216	Total Expenditure		186,373
(3,017)	(Surplus)/Deficit for the year		(3,784)
	Impact on Collection Fund Accumulated Surplus		
(2,318)	Accumulated (surplus)/deficit brought forward		(2,666)
2,669	Distribution of prior year estimated surplus		2,784
(3,017)	(Surplus)/Deficit for the year		(3,784)
(2,666)	Estimated Accumulated Surplus Carried Forward		(3,666)
	Distribution of Estimated Collection Fund Surplus		
(2,293)	Shropshire Council		(3,031)
(328)	West Mercia Police & Crime Commissioner		(425)
(163)	Shropshire & Wrekin Fire Authority		(210)
(2,784)			(3,666)

					APPENDIX B
SHROPSHIRE COUNCIL ESTIMATED NON-DOMESTIC RATES COLLECTION FUND ACCOUNT					
(Estimate As At 31st January 2019)					
2017-18		2018-19	2018-19	2018-19	
Actual £'000		Estimate £'000	Estimate Excluding Renewable Energy Schemes £'000	Estimate Renewable Energy Schemes Only £'000	
	Income				
(74,880)	Business Rates Income	(83,240)	(82,057)	(1,183)	
(4,031)	Transitional Protection	(4,059)	(4,059)	-	
(78,911)	Total Income	(87,299)	(86,116)	(1,183)	
	Expenditure				
	2018/19 Payments to Major Preceptors				
42,470	Secretary of State	41,132	41,132	-	
41,621	Shropshire Council	40,310	40,310	-	
849	Shropshire & Wrekin Fire Authority	823	823	-	
463	Cost of Collection	461	461	-	
	Bad & doubtful debts				
(321)	Write Offs	(418)	(418)	-	
425	Increase in Bad Debt Provision	724	724	-	
	Appeal Losses & Provisions				
(7,484)	Losses	(1,090)	(1,090)	-	
7,914	Increase in Appeal Provision	5,780	5,780	-	
85,937	Total Expenditure	87,722	87,722	-	
7,026	(Surplus)/Deficit for the year	423	1,606	(1,183)	
	Impact on Collection Fund Accumulated (Surplus) / Deficit				
(4,833)	Accumulated (surplus)/deficit brought forward	5,633	6,177	(544)	
3,440	Distribution of prior year estimated surplus/(deficit)	(5,496)	(6,026)	530	
7,026	(Surplus)/Deficit for the year	423	1,606	(1,183)	
5,633	Estimated Accumulated (Surplus) / Deficit Carried Forward	560	1,757	(1,197)	
	Distribution of Estimated Collection Fund (Surplus) / Deficit				
3,013	Secretary of State	878	878	-	
2,423	Shropshire Council	(336)	861	(1,197)	
60	Shropshire & Wrekin Fire Authority	18	18	-	
5,496		560	1,757	(1,197)	