



| <u>Committee and Date</u> | <u>Item</u> | <u>Paper</u> |
|---|-------------|--------------|
| Cabinet 12 th February 2020 | | |

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ESTIMATED COLLECTION FUND OUTTURN FOR 2019/20

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 2019/20, calculated as at the 15th January 2020 for Council Tax and as at 31st January 2020 for NDR, for the year ending 31st March 2020.
- 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 £4.474m for the year ending 31st March 2020, comprised of an estimated surplus of £3.355m for Council Tax and an estimated surplus of £1.119m for Non-Domestic Rates (NDR).
- 2.2 To note the distribution of the Collection Fund estimated surplus for Council Tax and surplus 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 £3.650m, comprised of an estimated surplus of £2.758m for Council Tax and an estimated surplus of £0.892m for NDR.
- 2.4 To note the inclusion of Shropshire Council's share of the overall estimated surplus in the 2020/21 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 can be affected by changes in rateable values and the level of appeals. There is comparatively little data available in relation to appeals on the 2017 list therefore a degree of variance on the Collection Fund due to changes in the appeals provision should be anticipated.

4. Financial Implications

- 4.1 Council Tax and NDR precepts are fixed prior to the start of the financial year. Any variations to these amounts are realised through the Collection Fund. The estimated Collection Fund Outturn projects the variation for the financial year end and any surplus or deficit is included in the following year's budget. Variations in collection rate and changes in the taxbase for Council Tax and rateable values for NDR will have an impact on the Collection Fund and therefore affect the amount available to be distributed.

5. Climate Change Appraisal

- 5.1 The estimated Collection Fund Outturn report and recommendations have no direct effect on climate change.
- 5.2 From financial year 2020/21 onwards, additional NDR receipts retained from renewable energy schemes (RES) will be ringfenced to support climate change initiatives by Shropshire Council. The projected RES of £0.960m for 2020/21 will be used to support climate change initiatives such as the LED street lighting project as approved in the capital programme.

6. Background

- 6.1 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.
- 6.2 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.
- 6.3 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).
- 6.4 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).

6.5 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.

7. 2019/20 Estimated Surplus / Deficit for Council Tax

7.1 The forecast of the Council Tax Collection Fund Balance for the year ending 31st March 2020 shows a forecast surplus of £3.355m based on figures as at 15th January 2020. This is comprised of an in year estimated surplus of £3.420m and a deficit of £0.065m 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.

7.2 The detailed determination of the estimated Council Tax Collection Fund surplus for 2019/20 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.

8. 2019/20 Estimated Surplus / Deficit for Non-Domestic Rates (NDR)

8.1 The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31st March 2020 shows a forecast surplus of £1.119m based on figures as at 31st January 2020. This is comprised of an in year estimated surplus of £1.573m and a deficit of £0.454m due to a difference in the previous year's estimated deficit to the actual deficit.

8.2 The forecast surplus on the Non-Domestic Rates Collection Fund is attributable to a lower than forecasted contribution to the appeals provision.

8.3 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.

8.4 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.

8.5 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 2018/19 and 2019/20 income from Renewable Energy Schemes (RES) was £1.183m and £0.673m respectively. The 2019/20 Business Rates Collection Fund estimate includes a total of £0.673m to be retained in full by Shropshire Council as the billing authority relating to the in year estimated surplus of £0.673m.

- 8.6 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.
- 8.7 The detailed determination of the estimated Business Rates Collection Fund deficit for 2019/20 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 2019/20 Estimated Collection Fund (Surplus) / Deficit

| | Council Tax £m | NDR £m | Total £m |
|--|---------------------------|-------------------|---------------------|
| Secretary of State | - | (0.223) | (0.223) |
| Shropshire Council | (2.758) | (0.892) | (3.650) |
| West Mercia Police & Crime Commissioner | (0.409) | - | (0.409) |
| Shropshire & Wrekin Fire Authority | (0.189) | (0.004) | (0.193) |
| Total Estimated (Surplus) / Deficit | (3.355) | (1.119) | (4.474) |

- 8.8 Shropshire Council's share of the overall estimated Collection Fund surplus has been incorporated into the 2020/21 budget.
- 8.9 The Secretary of State and major / relevant precepting bodies were notified of these surpluses / deficits by 31st January 2020.

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| 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 2019/20 Estimated Council Tax Collection Fund Account

Appendix B: Shropshire Council 2019/20 Estimated Non-Domestic Rates Collection Fund Account

| APPENDIX A | | | |
|---|--|--|------------------|
| SHROPSHIRE COUNCIL ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT | | | |
| (Estimate As At 15th January 2020) | | | |
| 2018-19 | | | 2019-20 |
| Actual | | | Estimate |
| £'000 | | | £'000 |
| | Income | | |
| (189,801) | Council Tax Income | | (202,203) |
| (68) | Income from Specific Grants | | 0 |
| | Transfers from General Fund | | |
| 2 | - Transitional Relief | | 1 |
| (42) | - Discretionary Relief | | (36) |
| (189,909) | Total Income | | (202,238) |
| | Expenditure | | |
| | 2019/20 Precepts | | |
| 145,638 | Shropshire Council | | 154,427 |
| 21,499 | West Mercia Police & Crime Commissioner | | 24,101 |
| 10,619 | Shropshire & Wrekin Fire Authority | | 11,152 |
| 7,755 | Parish & Town Councils | | 8,211 |
| | Bad & doubtful debts | | |
| (100) | Write Offs | | (129) |
| 779 | Increase in Bad Debt Provision | | 1,056 |
| 186,190 | Total Expenditure | | 198,818 |
| (3,719) | (Surplus)/Deficit for the year | | (3,420) |
| | Impact on Collection Fund Accumulated Surplus | | |
| (2,666) | Accumulated (surplus)/deficit brought forward | | (3,601) |
| 2,784 | Distribution of prior year estimated surplus | | 3,666 |
| (3,719) | (Surplus)/Deficit for the year | | (3,420) |
| (3,601) | Estimated Accumulated Surplus Carried Forward | | (3,355) |
| | Distribution of Estimated Collection Fund Surplus | | |
| (3,031) | Shropshire Council | | (2,758) |
| (425) | West Mercia Police & Crime Commissioner | | (409) |
| (210) | Shropshire & Wrekin Fire Authority | | (189) |
| (3,666) | | | (3,355) |

| | | | | | APPENDIX B |
|---|--|-------------------|---|--|------------|
| SHROPSHIRE COUNCIL ESTIMATED NON-DOMESTIC RATES COLLECTION FUND ACCOUNT | | | | | |
| (Estimate As At 31st January 2020) | | | | | |
| 2018-19 | | 2019-20 | 2019-20 | 2019-20 | |
| Actual £'000 | | Estimate £'000 | Estimate Excluding Renewable Energy Schemes £'000 | Estimate Renewable Energy Schemes Only £'000 | |
| | Income | | | | |
| (82,476) | Business Rates Income | (84,113) | (83,440) | (673) | |
| (4,037) | Transitional Protection | (2,530) | (2,530) | - | |
| (86,513) | Total Income | (86,643) | (85,970) | (673) | |
| | Expenditure | | | | |
| | 2019/20 Payments to Major Preceptors | | | | |
| 41,132 | Secretary of State | 40,872 | 40,872 | - | |
| 40,310 | Shropshire Council | 40,055 | 40,055 | - | |
| 823 | Shropshire & Wrekin Fire Authority | 817 | 817 | - | |
| 461 | Cost of Collection | 457 | 457 | - | |
| | Bad & doubtful debts | | | | |
| (411) | Write Offs | (121) | (121) | - | |
| 502 | Increase in Bad Debt Provision | 579 | 579 | - | |
| | Appeal Losses & Provisions | | | | |
| (1,284) | Losses | (1,777) | (1,777) | - | |
| 5,857 | Increase in Appeal Provision | 4,188 | 4,188 | - | |
| 87,390 | Total Expenditure | 85,070 | 85,070 | - | |
| 877 | (Surplus)/Deficit for the year | (1,573) | (900) | (673) | |
| | Impact on Collection Fund Accumulated (Surplus) / Deficit | | | | |
| 5,633 | Accumulated (surplus)/deficit brought forward | 1,014 | 2,211 | (1,197) | |
| (5,496) | Distribution of prior year estimated surplus/(deficit) | (560) | (1,757) | 1,197 | |
| 877 | (Surplus)/Deficit for the year | (1,573) | (900) | (673) | |
| 1,014 | Estimated Accumulated (Surplus) / Deficit Carried Forward | (1,119) | (446) | (673) | |
| | Distribution of Estimated Collection Fund (Surplus) / Deficit | | | | |
| 878 | Secretary of State | (223) | (223) | - | |
| (336) | Shropshire Council | (892) | (219) | (673) | |
| 18 | Shropshire & Wrekin Fire Authority | (4) | (4) | - | |
| 560 | | (1,119) | (446) | (673) | |