



Committee and Date

Cabinet 16th February 2022

Item

Public

Estimated Collection Fund Outturn For 2021/2022

**Responsible
Officer**

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1. Synopsis

This report sets out the estimated Collection Fund surpluses/deficits for 2021/22 as at 15th January 22 for Council Tax and 31st January 22 for Non-Domestic Rates for the year ending 31st March 22 and respective shares notifiable to the major precepting authorities.

2. Executive Summary

- 2.1. Shropshire Council is required by statute to maintain a Collection Fund separate from the General Fund of the Council.
- 2.2. The Collection Fund estimated surpluses/deficits for the year ending 31st March 2022 are:
 - A. An overall surplus of £2.915m for Council Tax
 - B. An overall deficit of £22.946m for Non-Domestic Rates (NDR)
 - C. Shropshire Council's share of the Council Tax surplus is £2.393m
 - D. Shropshire Council's share of the NDR deficit is £11.388m
- 2.3. The surplus/deficit for 2021/22 includes a one year share of the deficit from 2020/21 which was phased over three years.
- 2.4. The deficit for NDR will be offset by s31 grants from Central Government.

3. Recommendations

Members are asked:

- 3.1. To note the overall Collection Fund estimated deficit of £20.031m for the year ending 31st March 2022, comprised of an estimated surplus of £2.915m for Council Tax and an estimated deficit of £22.946m for Non-Domestic Rates (NDR).
- 3.2. To note the estimated surplus/deficit incorporates the three year phasing of the 2020/21 in year deficit.
- 3.3. To note the estimated deficit for NDR will be offset by the receipt of s31 grants for extra reliefs awarded as a result of the Covid-19 pandemic.
- 3.4. 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.
- 3.5. To note Shropshire Council's share of the overall estimated deficit of £8.995m, comprised of an estimated surplus of £2.393m for Council Tax and an estimated deficit of £11.388m for NDR.
- 3.6. To note the inclusion of Shropshire Council's share of the overall estimated surplus for Council Tax and deficit for NDR in the 2022/23 budget.

REPORT

4. Risk Assessment and Opportunities Appraisal

- 4.1. 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.
- 4.2. 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. A degree of variance on the Collection Fund due to changes in the appeals provision should be anticipated.
- 4.3. As a result of the Covid-19 pandemic Central Government announced new reliefs to be awarded during the year to assist businesses. This reduction in collectable rates impacts directly on the NDR Collection Fund. Shropshire Council will receive s31 grants from Central Government to cover the reduction in income received

from businesses as a result of these reliefs. It is anticipated that there will be no long term implications from this changed approach.

5. Financial Implications

- 5.1. 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.

2021/22 Estimated Surplus / Deficit for Council Tax

- 5.2. The forecast of the Council Tax Collection Fund Balance for the year ending 31st March 2022 shows a forecast surplus of £2.801m based on figures as at 15th January 2022. This is comprised of an in year estimated surplus of £2.939m and a deficit of £0.137m 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 reduced contribution to the bad debt provision.
- 5.3. As a result of the impact of Covid-19 on the Collection Fund Central Government announced that authorities would be allowed to spread the in year estimated deficit on the 2020/21 Collection Fund over three years, 2021/22 to 2023/24. Therefore, the estimated surplus on the Council Tax Collection Fund includes two years of the estimated deficit from 2020/21. After accounting for the phasing of this deficit the adjusted estimated Collection Fund surplus for Council Tax is £2.915m.
- 5.4. 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.
- 5.5. The amount incorporated into the 2022/23 budget in relation to the Council Tax Collection Fund surplus is £2.393m. This is comprised of an in year estimated surplus of £2.413m and a deficit of £0.020m from the previous year's actual Council Tax Collection Fund.
- 5.6. The detailed determination of the estimated Council Tax Collection Fund deficit for 2021/22 is shown in Appendix A and the allocation of the estimated deficit to each of the major precepting authorities is summarised in Table 1 in Appendix C.

2021/22 Estimated Surplus / Deficit for Non-Domestic Rates (NDR)

- 5.7. The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31st March 2022 shows a forecast deficit of £23.289m based on figures as at 31st January 2022. This is comprised of an in year estimated deficit of £25.879m and an additional surplus of £2.590m in the outturn position from the previous financial year.
- 5.8. The forecast deficit on the Non-Domestic Rates Collection Fund is attributable to the additional reliefs awarded to businesses in response to the coronavirus pandemic (Covid-19). Central Government will provide s31 grant funding to billing and precepting authorities to compensate for this reduction in funding.
- 5.9. As a result of the impact of Covid-19 on the Collection Fund Central Government announced that authorities would be allowed to spread the in year estimated deficit on the 2020/21 Collection Fund over three years, 2021/22 to 2023/24. Therefore, the estimated deficit on the Non-Domestic Rates Collection Fund includes two years of the estimated deficit from 2020/21. After accounting for the phasing of this deficit the adjusted estimated Collection Fund deficit for Business Rates is £22.946m.
- 5.10. 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.
- 5.11. 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 2020/21 and 2021/22 income from Renewable Energy Schemes (RES) was £0.895m and £1.061m respectively. The 2021/22 Business Rates Collection Fund estimate includes a deficit of £0.283m to be retained in full by Shropshire Council as the billing authority. The deficit has arisen due to changes in rateable values on Renewable Energy Schemes.
- 5.12. The amount incorporated into the 2022/23 budget in relation to the Business Rates Collection Fund is a deficit of £11.388m. This is comprised of an in year estimated deficit of £12.825m and a surplus of £1.437m from the previous year's actual Business Rates Collection Fund.
- 5.13. The detailed determination of the estimated Business Rates Collection Fund deficit for 2021/22 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 in Appendix C.

6. Climate Change Appraisal

- 6.1. The estimated Collection Fund Outturn report and recommendations have no direct effect on climate change.
- 6.2. NDR receipts received from renewable energy schemes (RES) are retained in full by the Council. As a result of this a dedicated base budget of £0.500m has been built in from 2022/23 to support climate change initiatives.

7. Background

- 7.1. 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.
- 7.2. Council Tax and NDR precepts from the Collection Fund are 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 estimates in the following year and actuals in the subsequent year).
- 7.3. 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).
- 7.4. 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.

- 7.5. The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 required any in year deficit from 2020/21 to be phased over three years, 2021/22 to 2023/24. Therefore, the amount incorporated into the 2022/23 budget includes the 2021/22 deficit and a third of the in year deficit from 2020/21.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Cabinet Member (Portfolio Holder)

Gwilym Butler

Local Member

Appendices

Appendix A: Shropshire Council 2021/22 Estimated Council Tax Collection Fund Account

Appendix B: Shropshire Council 2021/22 Estimated Non-Domestic Rates Collection Fund Account

Appendix C: Distribution of the 2021/22 Estimated Collection Fund (Surplus) / Deficit

APPENDIX A

SHROPSHIRE COUNCIL ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT
(Estimate As At 15th January 2022)

	2021-22 Estimate £'000
Income	
Council Tax Income	(223,189)
Transfers from General Fund - Discretionary Relief	(1,033)
Total Income	(224,223)
Expenditure	
2021/22 Precepts	
Shropshire Council	170,672
West Mercia Police & Crime Commissioner	27,307
Shropshire & Wrekin Fire Authority	11,846
Parish & Town Councils	9,110
Bad & doubtful debts	
Increase in Bad Debt Provision	2,349
Total Expenditure	221,284
(Surplus)/Deficit for the year	(2,939)
Impact on Collection Fund Accumulated (Surplus)/Deficit	
Accumulated (surplus)/deficit brought forward	796
Distribution of prior year estimated surplus	(659)
(Surplus)/Deficit for the year	(2,939)
Estimated Accumulated (Surplus)/Deficit Carried Forward	(2,801)
Adjusted Estimated Collection Fund (Surplus)/Deficit	
Prior year (surplus)/deficit	137
Less 2020/21 deficit carried forward to 2023/24 *	(114)
In year (surplus)/deficit	(2,939)
	(2,915)
Share of Adjusted Estimated Collection Fund Surplus	
Shropshire Council	(2,393)
West Mercia Police & Crime Commissioner	(364)
Shropshire & Wrekin Fire Authority	(158)
	(2,915)

* Phasing of 2020/21 deficit over 3 years due to covid-19

SHROPSHIRE COUNCIL ESTIMATED NON-DOMESTIC RATES COLLECTION FUND ACCOUNT
(Estimate As At 31st January 2022)

	2021-22 Estimate £'000	2021-22 Estimate Excluding Renewable Energy Schemes £'000	2021-22 Estimate Renewable Energy Schemes Only £'000
Income			
Business Rates Income	(58,457)	(57,704)	(753)
Transitional Protection	(274)	(274)	-
Total Income	(58,731)	(57,979)	(753)
Expenditure			
2021/22 Payments to Major Preceptors			
Secretary of State	42,895	42,895	-
Shropshire Council	43,073	42,038	1,036
Shropshire & Wrekin Fire Authority	858	858	-
Cost of Collection	453	453	-
Bad & doubtful debts			
Increase in Bad Debt Provision	1,224	1,224	-
Appeal Losses & Provisions			
Losses	(4,286)	(4,286)	-
Increase in Appeal Provision	394	394	-
Total Expenditure	84,610	83,575	1,036
(Surplus)/Deficit for the year	25,879	25,596	283
Impact on Collection Fund Accumulated (Surplus) / Deficit			
Accumulated (surplus)/deficit brought forward	40,329	40,702	(373)
Distribution of prior year estimated surplus/(deficit)	(42,920)	(43,292)	373
(Surplus)/Deficit for the year	25,879	25,596	283
Estimated Accumulated (Surplus) / Deficit Carried Forward	23,289	23,006	283
Adjusted Estimated Collection Fund (Surplus) / Deficit			
Prior year (surplus)/deficit	(2,590)	(2,590)	(0)
Less 2020/21 deficit carried forward to 2023/24 *	(343)	(343)	-
In year (surplus)/deficit	25,879	25,596	283
	22,946	22,663	283
Distribution of Adjusted Estimated Collection Fund (Surplus) / Deficit			
Secretary of State	11,331	11,331	-
Shropshire Council	11,388	11,105	283
Shropshire & Wrekin Fire Authority	227	227	-
	22,946	22,663	283

* Phasing of 2020/21 deficit over 3 years due to covid-19

APPENDIX C

- 1.1 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 2021/22 Estimated Collection Fund (Surplus) / Deficit

	Council Tax	NDR	Total
	£m	£m	£m
Secretary of State	-	11.331	11.331
Shropshire Council	(2.393)	11.388	8.995
West Mercia Police & Crime Commissioner	(0.364)	-	(0.364)
Shropshire & Wrekin Fire Authority	(0.158)	0.227	0.069
Total Estimated (Surplus) / Deficit	(2.915)	22.946	20.031

- 1.2 The Secretary of State and major / relevant precepting bodies were notified of these deficits by 31st January 2022.