

**Committee and Date**

Cabinet

15th February 2023

Item

Public



Estimated Collection Fund Outturn 2022/2023

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Cabinet Member (Portfolio Holder):	Gwilym Butler, Finance & Corporate Support		

1. Synopsis

The Council expects good collection rates for council tax and business rates in 2022/23, exceeding our estimates by £4.3m. This reflects strong financial resilience locally (despite pressures of the high cost of living) and high performance by the collections team.

2. Executive Summary

- 2.1. **Each year, the council plans to collect around £250m of business rates and council tax.** The Council is required by statute to maintain a Collection Fund separate from the General Fund of the Council to maintain transparency and accountability in this area. This is especially important as the Council collects council tax on behalf of other bodies as well (e.g. the Fire Service, and town and parish councils). Collection is undertaken by a dedicated revenues team.
- 2.2. For Shropshire Council, estimates are made each year of the expected collection rates for Council Tax and Business Rates, and in recent years these rates have taken account of the pandemic and more recently the cost of living crisis. Nevertheless, Local Authorities and the services they provide have never been more reliant on the collection of local taxation to provide funding for the essential interventions needed for the people, communities and businesses of Shropshire. The Council is delivering good collection rates despite these difficulties, and while

that enables greater resilience in the delivery of Council services and thereby delivery of our outcomes and strategic objectives as set out in The Shropshire Plan, it also demonstrates strong financial resilience in general across our communities. It is also reflective of the high performance of the collections team, an essential component in enabling the Council to deliver its priorities. These combined factors have together informed the increased collection rates reflected in future years in the Medium Term Financial Strategy

- 2.3. The Collection Fund estimated surpluses/deficits for the year ending 31st March 2023 are:
 - A. Overall council tax surplus of £2.836m (Council's share is £2.331m)
 - B. Overall business rates surplus of £4.005m (Council's share is £1.982m)
- 2.4. The surplus/deficit for 2022/23 includes the final share of the deficit from 2020/21 which was phased over three years. The funds generated from the Collection Fund outturn are included in the Council's budget which will contribute towards the achievement of the outcomes set out in The Shropshire Plan.
- 2.5. While this is a welcome result, it does not change the overall outlook for the financial position of the council in 2023/24 (also set out in the MTFs update, elsewhere on this agenda). Rather, it will form part of the approach the council is taking to its overall financial sustainability and resilience.

3. Recommendations

Members are asked:

- 3.1. To note the overall Collection Fund estimated surplus of £6.841m for the year ending 31st March 2023, comprised of an estimated surplus of £2.836m for Council Tax and an estimated surplus of £4.005m for Non-Domestic Rates (NDR).
- 3.2. To note the estimated surplus/deficit incorporates the final year of the three year phasing of the 2020/21 in year deficit.
- 3.3. To note the distribution of the Collection Fund estimated surplus for Council Tax and NDR to the major/relevant precepting authorities and the Secretary of State.
- 3.4. To note Shropshire Council's share of the overall estimated surplus of £4.313m, comprised of an estimated surplus of £2.331m for Council Tax and an estimated surplus of £1.982m for NDR, and how this will be applied to improve the council's overall financial sustainability and resilience.
- 3.5. To note the inclusion of Shropshire Council's share of the overall estimated surplus for Council Tax and NDR in the 2023/24 budget.

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 due to the magnitude of the sums involved.

- 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.

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.
- 5.2. The position is positive, however it was to some extent anticipated, and the improved overall position has already been factored in to the MTFS outlook for the council. The MTFS already includes higher collection rates and an increase in the assumed growth in the taxbase – there is no further benefit expected to be secured in this area.

Council Tax

- 5.3. The forecast of the Council Tax Collection Fund Balance for the year ending 31st March 2023 shows a forecast surplus of £2.836m based on figures as at 15th January 2023. This is comprised of an in year estimated surplus of £2.779m and an additional surplus of £0.058m in the outturn position from the previous financial year. 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. The calculation of the 2023/24 taxbase, agreed by Council on 15th December, reflected this increased growth in the taxbase and also an improved collection rate. This ensured that the agreed precepts for 2023/24 will be appropriately adjusted for the growth and will reduce the likelihood of a significant variation being identified when calculating the estimated collection fund outturn for 2023/24.
- 5.4. 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 final year of the estimated deficit from 2020/21.
- 5.5. 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.
- 5.6. The amount incorporated into the Council's 2023/24 budget in relation to the Council Tax Collection Fund surplus is £2.331m. This is comprised of an in year estimated

surplus of £2.284m and a surplus of £0.047m from the previous year's actual Council Tax Collection Fund.

- 5.7. The detailed determination of the estimated Council Tax Collection Fund deficit for 2022/23 is shown in Appendix A and the allocation of the estimated surplus to each of the major precepting authorities is summarised in Table 1 in Appendix C.

Non-Domestic Rates (NDR)

- 5.8. The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31st March 2023 shows a forecast surplus of £4.005m based on figures as at 31st January 2023. This is comprised of an in year estimated surplus of £0.172m and an additional surplus of £3.833m in the outturn position from the previous financial year.
- 5.9. The forecast surplus on the Non-Domestic Rates Collection Fund is attributable to the reduction in the appeals provision in 2021/22 for appeals raised against the 2017 rating list.
- 5.10. 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 Non-Domestic Rates Collection Fund includes the final year of the estimated deficit from 2020/21.
- 5.11. The year end estimated surplus 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.
- 5.12. 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 2021/22 income from Renewable Energy Schemes (RES) was £0.788m and is forecast to be £1.149m in 2022/23. The 2022/23 Business Rates Collection Fund estimate includes a surplus of £0.038m to be retained in full by Shropshire Council as the billing authority.
- 5.13. The amount incorporated into the Council's 2023/24 budget in relation to the Business Rates Collection Fund is a surplus of £1.982m. This is comprised of an in year estimated surplus of £0.086m and a surplus of £1.896m from the previous year's actual Business Rates Collection Fund.
- 5.14. The detailed determination of the estimated Business Rates Collection Fund deficit for 2022/23 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 was 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 2023/24 budget includes the 2022/23 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)

Local Member: All

Appendices

Appendix A: Shropshire Council 2022/23 Estimated Council Tax Collection Fund Account

Appendix B: Shropshire Council 2022/23 Estimated Non-Domestic Rates Collection Fund Account

Appendix C: Distribution of the 2022/23 Estimated Collection Fund (Surplus) / Deficit

APPENDIX A

SHROPSHIRE COUNCIL ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT
(Estimate As At 15th January 2023)

	2022-23 Estimate £'000
Income	
Council Tax Income	(235,439)
Transfers from General Fund - Discretionary Relief	(221)
Total Income	<u>(235,659)</u>
Expenditure	
2022/23 Precepts	
Shropshire Council	180,285
West Mercia Police & Crime Commissioner	28,832
Shropshire & Wrekin Fire Authority	12,273
Parish & Town Councils	9,534
Bad & doubtful debts	
Increase in Bad Debt Provision	1,956
Total Expenditure	<u>232,881</u>
(Surplus)/Deficit for the year	(2,779)
Impact on Collection Fund Accumulated (Surplus)/Deficit	
Accumulated (surplus)/deficit brought forward	(2,973)
Distribution of prior year estimated surplus	2,915
(Surplus)/Deficit for the year	(2,779)
Estimated Accumulated (Surplus)/Deficit Carried Forward	<u>(2,836)</u>
Estimated Collection Fund (Surplus)/Deficit	
Prior year (surplus)/deficit	(58)
In year (surplus)/deficit	(2,779)
	<u>(2,836)</u>
Share of Estimated Collection Fund Surplus	
Shropshire Council	(2,331)
West Mercia Police & Crime Commissioner	(354)
Shropshire & Wrekin Fire Authority	(151)
	<u>(2,836)</u>

SHROPSHIRE COUNCIL ESTIMATED NON-DOMESTIC RATES COLLECTION FUND ACCOUNT
(Estimate As At 31st January 2023)

	2022-23 Estimate £'000	2022-23 Excluding Renewable Energy Schemes £'000	2022-23 Renewable Energy Schemes Only £'000
Income			
Business Rates Income	(79,639)	(78,489)	(1,149)
Transitional Protection	1,453	1,453	-
Total Income	<u>(78,186)</u>	<u>(77,037)</u>	<u>(1,149)</u>
Expenditure			
2022/23 Payments to Major Preceptors			
Secretary of State	36,427	36,427	-
Shropshire Council	36,844	35,699	1,145
Shropshire & Wrekin Fire Authority	729	729	-
Cost of Collection	449	449	-
Bad & doubtful debts			
Increase in Bad Debt Provision	1,619	1,619	-
Appeal Losses & Provisions			
Losses	(1,703)	(1,703)	-
Increase in Appeal Provision	3,650	3,650	-
Total Expenditure	<u>78,014</u>	<u>76,869</u>	<u>1,145</u>
(Surplus)/Deficit for the year	<u>(172)</u>	<u>(168)</u>	<u>(4)</u>
Impact on Collection Fund Accumulated (Surplus) / Deficit			
Accumulated (surplus)/deficit brought forward	19,112	18,864	248
Distribution of prior year estimated surplus/(deficit)	(22,946)	(22,663)	(283)
(Surplus)/Deficit for the year	(172)	(168)	(4)
Estimated Accumulated (Surplus) / Deficit Carried Forward	<u>(4,005)</u>	<u>(3,967)</u>	<u>(38)</u>
Estimated Collection Fund (Surplus) / Deficit			
Prior year (surplus)/deficit	(3,833)	(3,799)	(35)
In year (surplus)/deficit	(172)	(168)	(4)
	<u>(4,005)</u>	<u>(3,967)</u>	<u>(38)</u>
Distribution of Estimated Collection Fund (Surplus) / Deficit			
Secretary of State	(1,984)	(1,984)	-
Shropshire Council	(1,982)	(1,944)	(38)
Shropshire & Wrekin Fire Authority	(40)	(40)	-
	<u>(4,005)</u>	<u>(3,967)</u>	<u>(38)</u>

APPENDIX C

**DISTRIBUTION OF THE 2022/23 ESTIMATED COLLECTION FUND
(SURPLUS)/ DEFICIT**

- 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 2022/23 Estimated Collection Fund (Surplus) / Deficit

	Council Tax	NDR	Total
	£m	£m	£m
Secretary of State	-	(1.984)	(1.984)
Shropshire Council	(2.331)	(1.982)	(4.313)
West Mercia Police & Crime Commissioner	(0.354)	-	(0.354)
Shropshire & Wrekin Fire Authority	(0.151)	(0.040)	(0.191)
Total Estimated (Surplus) / Deficit	(2.836)	(4.005)	(6.841)

- 1.2 The Secretary of State and major / relevant precepting bodies were notified of these deficits by 31st January 2023.