

**Committee and Date**Cabinet
21st February 2024

Item

Public



Estimated Collection Fund Outturn for 2023/24

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Cabinet Member (Portfolio Holder):	Cllr Gwilym Butler, Finance, Corporate Resources and Communities		

1. Synopsis

This report sets out the estimated Collection Fund surpluses/deficits for 2023/24 as at 15th January 2024 for Council Tax and 31st January 2024 for Non-Domestic Rates for the year ending 31st March 24 and respective shares notifiable to the major precepting authorities.

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 we serve.
- 2.3. The Collection Fund estimated deficits for the year ending 31st March 2024 are:

- A. Overall council tax deficit of £1.016m (Council's share is £0.835m). Assumed levels of billing and collection were extended for 2023/24. Collection rates have remained strong, but the rate of new properties entering the taxbase is below previous estimates, causing collection to be below anticipated levels.
 - B. Overall business rates deficit of £5.269m (Council's share is £2.777m). The current valuation list setting out the levels of business rates to be levied against business premises was set out in 2023. In recent years the cost of living crises and inflationary pressures have led to a larger number of businesses than before seeking to challenge the valuation levels for their premises. The level of valuation challenges requires that provisions for loss of income must be set up, which is causing the majority of the impact on the business rates collection fund. Valuations which are reduced will lower the collectible amount, and be reflected in future billing. Valuations which are upheld will remain collectible at current levels and be included in collection in the coming year.
- 2.4. The inclusion of the overall estimated deficit for Council Tax and NDR in the Council's 2024/25 budget reduces the available funding for the Council. This is consistent with the treatment of the Collection Fund Balance in previous years, where surpluses have been added to reserves or reduced savings targets, and deficit have been an additional charge into budgets.

3. Recommendations

- 3.1. To note the overall Collection Fund estimated deficit of £6.285m for the year ending 31st March 2024, comprised of an estimated deficit of £1.016m for Council Tax and an estimated deficit of £5.269m for Non-Domestic Rates (NDR), and the reasons for this.
- 3.2. To note the distribution of the Collection Fund estimated deficit for Council Tax and NDR to the major/relevant precepting authorities and the Secretary of State.
- 3.3. To note Shropshire Council's share of the overall estimated deficit of £3.612m, comprised of an estimated deficit of £0.835m for Council Tax and an estimated deficit of £2.777m for NDR.
- 3.4. To note the inclusion of Shropshire Council's share of the overall estimated deficit for Council Tax and NDR in the 2024/25 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 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.

Council Tax

- 5.2. The forecast of the Council Tax Collection Fund Balance for the year ending 31st March 2024 shows a forecast deficit of £1.016m based on figures as at 15th January 2024. This is comprised of an in year estimated deficit of £0.391m and an additional deficit of £0.625m in the outturn position from the previous financial year. The estimated deficit on the Council Tax Collection Fund is due to an increase in the contribution to the bad debt provision.
- 5.3. The year end estimated deficit 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.
- 5.4. The amount incorporated into the Council's 2024/25 budget in relation to the Council Tax Collection Fund deficit is £0.835m. This is comprised of an in year estimated deficit of £0.322m and a deficit of £0.513m from the previous year's actual Council Tax Collection Fund.
- 5.5. The detailed determination of the estimated Council Tax Collection Fund deficit for 2023/24 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.

Non-Domestic Rates (NDR)

- 5.6. The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31st March 2024 shows a forecast deficit of £5.269m based on figures as at 31st January 2024. This is comprised of an in year estimated deficit of £0.432m and an additional deficit of £4.837m in the outturn position from the previous financial year.
- 5.7. The forecast deficit on the Non-Domestic Rates Collection Fund is attributable to the increase in the appeals provision for appeals raised against the 2017 rating list prior to the introduction of the new rating list in 2023.

- 5.8. 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.
- 5.9. 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 2022/23 income from Renewable Energy Schemes (RES) was £1.149m and is forecast to be £1.333m in 2023/24. The 2023/24 Business Rates Collection Fund estimate includes a deficit of £0.383m to be retained in full by Shropshire Council as the billing authority.
- 5.10. The amount incorporated into the Council's 2024/25 budget in relation to the Business Rates Collection Fund is a deficit of £2.777m. This is comprised of an in year estimated deficit of £0.407m and a deficit of £2.370m from the previous year's actual Business Rates Collection Fund.
- 5.11. The detailed determination of the estimated Business Rates Collection Fund deficit for 2023/24 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 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.

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 2023/24 Estimated Council Tax Collection Fund Account

Appendix B: Shropshire Council 2023/24 Estimated Non-Domestic Rates Collection Fund Account

Appendix C: Distribution of the 2023/24 Estimated Collection Fund (Surplus) / Deficit

APPENDIX A

SHROPSHIRE COUNCIL ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT
(Estimate As At 15th January 2024)

	2023-24 Estimate £'000
Income	
Council Tax Income	(249,534)
Transfers from General Fund - Discretionary Relief	(357)
Total Income	(249,891)
Expenditure	
2023/24 Precepts	
Shropshire Council	193,577
West Mercia Police & Crime Commissioner	31,239
Shropshire & Wrekin Fire Authority	13,129
Parish & Town Councils	10,156
Bad & doubtful debts	
Increase in Bad Debt Provision	2,182
Total Expenditure	250,283
(Surplus)/Deficit for the year	391
Impact on Collection Fund Accumulated (Surplus)/Deficit	
Accumulated (surplus)/deficit brought forward	(2,211)
Distribution of prior year estimated surplus	2,836
(Surplus)/Deficit for the year	391
Estimated Accumulated (Surplus)/Deficit Carried Forward	1,016
Share of Estimated Collection Fund Surplus	
Shropshire Council	835
West Mercia Police & Crime Commissioner	128
Shropshire & Wrekin Fire Authority	54
	1,016

APPENDIX B

SHROPSHIRE COUNCIL ESTIMATED NON-DOMESTIC RATES COLLECTION FUND ACCOUNT
(Estimate As At 31st January 2024)

	2023-24 Estimate £'000	2023-24 Excluding Renewable Energy Schemes £'000	2023-24 Renewable Energy Schemes Only £'000
Income			
Business Rates Income	(73,278)	(71,944)	(1,333)
Transitional Protection	(7,017)	(7,017)	-
Total Income	(80,295)	(78,962)	(1,333)
Expenditure			
2023/24 Payments to Major Preceptors			
Secretary of State	38,821	38,821	-
Shropshire Council	39,424	38,044	1,380
Shropshire & Wrekin Fire Authority	776	776	-
Cost of Collection	456	456	-
Bad & doubtful debts			
Increase in Bad Debt Provision	292	292	-
Appeal Losses & Provisions			
Losses	(5,519)	(5,474)	(45)
Increase in Appeal Provision	6,476	6,094	381
Total Expenditure	80,727	79,011	1,717
(Surplus)/Deficit for the year	432	49	383
Impact on Collection Fund Accumulated (Surplus) / Deficit			
Accumulated (surplus)/deficit brought forward	831	870	(39)
Distribution of prior year estimated surplus/(deficit)	4,005	3,967	38
(Surplus)/Deficit for the year	432	49	383
Estimated Accumulated (Surplus) / Deficit Carried Forward	5,269	4,886	383
Estimated Collection Fund (Surplus) / Deficit			
Prior year (surplus)/deficit	4,837	4,837	(0)
In year (surplus)/deficit	432	49	383
	5,269	4,886	383
Distribution of Estimated Collection Fund (Surplus) / Deficit			
Secretary of State	2,443	2,443	-
Shropshire Council	2,777	2,394	383
Shropshire & Wrekin Fire Authority	49	49	-
	5,269	4,886	383

APPENDIX C**DISTRIBUTION OF THE 2023/24 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 2023/24 Estimated Collection Fund (Surplus) / Deficit

	Council Tax	NDR	Total
	£m	£m	£m
Secretary of State	-	2.443	2.443
Shropshire Council	0.835	2.777	3.612
West Mercia Police & Crime Commissioner	0.128	-	0.128
Shropshire & Wrekin Fire Authority	0.054	0.049	0.103
Total Estimated (Surplus) / Deficit	1.016	5.269	6.286

- 1.2 The Secretary of State and major / relevant precepting bodies were notified of these deficits by 31st January 2024.