



Committee and Date

Cabinet
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Item

Public



Estimated Collection Fund Outturn for 2024/25

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

1. Synopsis

This report sets out the expected outturn position for the Collection Fund for 2024/25. It shows that collection was overall £2.9m above target in the year, which is a benefit into next year and will be used to help manage our overall financial position in the interim.

2. Executive Summary

- 2.1. The main council budget is the General Fund. The Collection Fund is a separate account which is ringfenced to Council Tax and Business Rates collection. The Collection Fund comprises all the cash receipts for council tax and business rates as well as necessary adjustments for any outstanding debts, any debts brought forward from previous years but collected in cash in the current year, and any property revaluations (which may increase or decrease payable amounts). The collection fund outturn position is carried forward into the new year and applied to the general fund in that year. Any deficit is a charge to the general fund; any surplus is a benefit to the general fund.
- 2.2. Each year, the council plans to collect around £250m of business rates and council tax relating to its own services, with amounts collected on behalf of Police, Fire, and towns and parish councils. This is set out in appendix A. 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.

- 2.3. 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, enabling delivery of our outcomes and strategic objectives as set out in The Shropshire Plan.
- 2.4. The Collection Fund estimated outturn for the year ending 31st March 2025 are:
 - A. Overall council tax surplus of £1.676m (Council's share is £1.378m)
 - B. Overall business rates surplus of £2.603m (Council's share is £1.549m)

3. Recommendations

- 3.1. To note the overall Collection Fund estimated surplus of £4.279m for the year ending 31st March 2025, comprised of an estimated surplus of £1.676m for Council Tax and an estimated surplus of £2.603m for Non-Domestic Rates (NDR).
- 3.2. 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.
- 3.3. To note Shropshire Council's share of the overall estimated surplus of £2.927m, comprised of an estimated surplus of £1.378m for Council Tax and an estimated surplus of £1.549m 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 2025/26 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. Shropshire Council is currently managing an unprecedented financial position as budgeted for within the Medium Term Financial Strategy approved by Council on 29 February 2024 and detailed in our monitoring position presented to Cabinet on a monthly basis. This demonstrates that significant management action is required over the remainder of the financial year to ensure the Council's financial survival. While all Cabinet Reports provide the financial implications of decisions being taken, this may change as officers review the overall financial situation and make decisions aligned to financial survivability. Where non-essential spend is identified within the Council, this will be reduced. This may involve
- scaling down initiatives,
 - changing the scope,
 - delaying implementation, or
 - extending delivery timescales.
- 5.2. 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

- 5.3. The forecast of the Council Tax Collection Fund Balance for the year ending 31st March 2025 shows a forecast surplus of £1.676m based on figures as at 15th January 2025. This is comprised of an in year estimated surplus of £2.562m and an additional deficit of £0.885m in the outturn position from the previous financial year. The estimated surplus on the Council Tax Collection Fund is due to a decrease in the contribution to the bad debt provision.
- 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 Council's 2025/26 budget in relation to the Council Tax Collection Fund surplus is £1.378m. This is comprised of an in year estimated surplus of £2.106m and a deficit of £0.728m from the previous year's actual Council Tax Collection Fund.
- 5.6. The detailed determination of the estimated Council Tax Collection Fund surplus for 2024/25 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)

- 5.7. The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31st March 2025 shows a forecast surplus of £2.603m based on figures as at 31st January 2025. This is comprised of an in year estimated surplus of £0.388m and a surplus of £2.215m in the outturn position from the previous financial year.
- 5.8. The forecast surplus on the Non-Domestic Rates Collection Fund is attributable to the decrease in the appeals provision.
- 5.9. 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.
- 5.10. 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 2023/24 income from Renewable Energy Schemes (RES) was £1.222m and is forecast to be £1.852m in 2024/25. The 2024/25 Business Rates Collection Fund estimate includes a surplus of £0.537m to be retained in full by Shropshire Council as the billing authority.
- 5.11. The amount incorporated into the Council's 2025/26 budget in relation to the Business Rates Collection Fund is a surplus of £1.549m. This is comprised of an in year estimated surplus of £0.349m and a surplus of £1.200m from the previous year's actual Business Rates Collection Fund.
- 5.12. The detailed determination of the estimated Business Rates Collection Fund deficit for 2024/25 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 2024/25 Estimated Council Tax Collection Fund Account

Appendix B: Shropshire Council 2024/25 Estimated Non-Domestic Rates Collection Fund Account

Appendix C: Distribution of the 2024/25 Estimated Collection Fund (Surplus) / Deficit

APPENDIX A

SHROPSHIRE COUNCIL ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT
(Estimate As At 15th January 2025)

	2024-25 Estimate £'000
Income	
Council Tax Income	(265,619)
Transfers from General Fund - Discretionary Relief	(160)
Total Income	<u>(265,779)</u>
Expenditure	
2024/25 Precepts	
Shropshire Council	205,104
West Mercia Police & Crime Commissioner	33,076
Shropshire & Wrekin Fire Authority	13,646
Parish & Town Councils	10,831
Bad & doubtful debts	
Increase in Bad Debt Provision	561
Total Expenditure	<u>263,217</u>
(Surplus)/Deficit for the year	(2,562)
Impact on Collection Fund Accumulated (Surplus)/Deficit	
Accumulated (surplus)/deficit brought forward	1,902
Distribution of prior year estimated surplus	(1,016)
(Surplus)/Deficit for the year	(2,562)
Estimated Accumulated (Surplus)/Deficit Carried Forward	<u>(1,676)</u>
Estimated Collection Fund (Surplus) / Deficit	
Prior year (surplus)/deficit	885
In year (surplus)/deficit	(2,562)
	<u>(1,676)</u>
Share of Estimated Collection Fund Surplus	
Shropshire Council	(1,378)
West Mercia Police & Crime Commissioner	(211)
Shropshire & Wrekin Fire Authority	(87)
	<u>(1,676)</u>

SHROPSHIRE COUNCIL ESTIMATED NON-DOMESTIC RATES COLLECTION FUND ACCOUNT
(Estimate As At 31st January 2025)

	2024-25 Estimate £'000	2024-25 Excluding Renewable Energy Schemes £'000	2024-25 Renewable Energy Schemes Only £'000
Income			
Business Rates Income	(81,431)	(79,579)	(1,852)
Transitional Protection	(3,051)	(3,051)	-
Total Income	(84,482)	(82,630)	(1,852)
Expenditure			
2024/25 Payments to Major Preceptors			
Secretary of State	40,578	40,578	-
Shropshire Council	41,306	39,766	1,540
Shropshire & Wrekin Fire Authority	812	812	-
Cost of Collection	460	460	-
Bad & doubtful debts			
Increase in Bad Debt Provision	624	624	-
Appeal Losses & Provisions			
Losses	(5,249)	(5,249)	0
Increase in Appeal Provision	5,563	5,563	0
Total Expenditure	84,094	82,554	1,540
(Surplus)/Deficit for the year	(388)	(76)	(312)
Impact on Collection Fund Accumulated (Surplus) / Deficit			
Accumulated (surplus)/deficit brought forward	3,055	2,897	158
Distribution of prior year estimated surplus/(deficit)	(5,269)	(4,886)	(383)
(Surplus)/Deficit for the year	(388)	(76)	(312)
Estimated Accumulated (Surplus) / Deficit Carried Forward	(2,603)	(2,065)	(537)
Estimated Collection Fund (Surplus) / Deficit			
Prior year (surplus)/deficit	(2,215)	(1,989)	(226)
In year (surplus)/deficit	(388)	(76)	(312)
	(2,603)	(2,065)	(537)
Distribution of Estimated Collection Fund (Surplus) / Deficit			
Secretary of State	(1,033)	(1,033)	-
Shropshire Council	(1,549)	(1,012)	(537)
Shropshire & Wrekin Fire Authority	(21)	(21)	-
	(2,603)	(2,065)	(537)

**DISTRIBUTION OF THE 2024/25 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 2024/25 Estimated Collection Fund (Surplus) / Deficit

	Council Tax	NDR	Total
	£m	£m	£m
Secretary of State	-	(1.033)	(1.033)
Shropshire Council	(1.378)	(1.549)	(2.927)
West Mercia Police & Crime Commissioner	(0.211)	-	(0.211)
Shropshire & Wrekin Fire Authority	(0.087)	(0.021)	(0.108)
Total Estimated (Surplus) / Deficit	(1.676)	(2.603)	(4.279)

1.2 The Secretary of State and major / relevant precepting bodies were notified of these surpluses by 31st January 2025.