

**Committee and Date**Cabinet
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Item

Public



Estimated Collection Fund Outturn For 2025/2026

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Cabinet Member (Portfolio Holder):	Roger Evans, Finance	

1. Synopsis

This report sets out the expected outturn position for the Collection Fund for 2025/26 and Shropshire Council's share of the position for inclusion in the 2026/27 budget.

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. In 2025/26, the council plans to collect around £375m of business rates and council tax on behalf of the Council, Central Government, Police, Fire, and town and parish councils. Of the £375m due to be collected, around £265m is for

Shropshire Council. Charts 1 and 2 below set out the amounts due to be collected for each body.

Chart 1

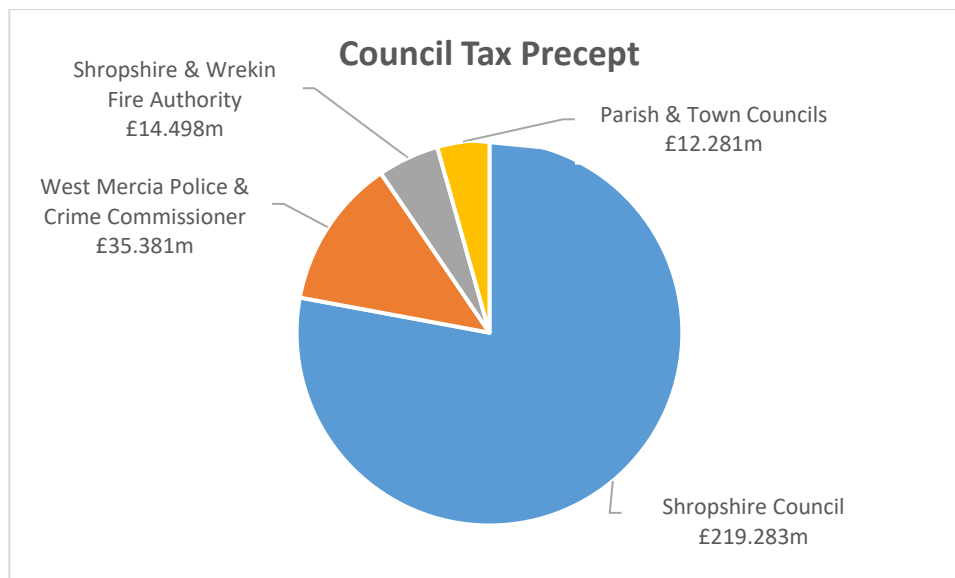
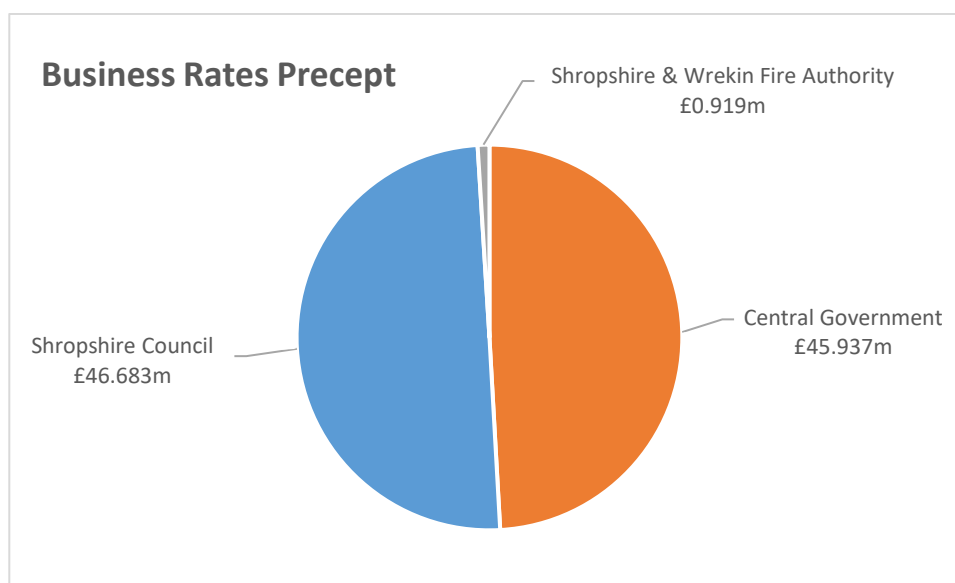
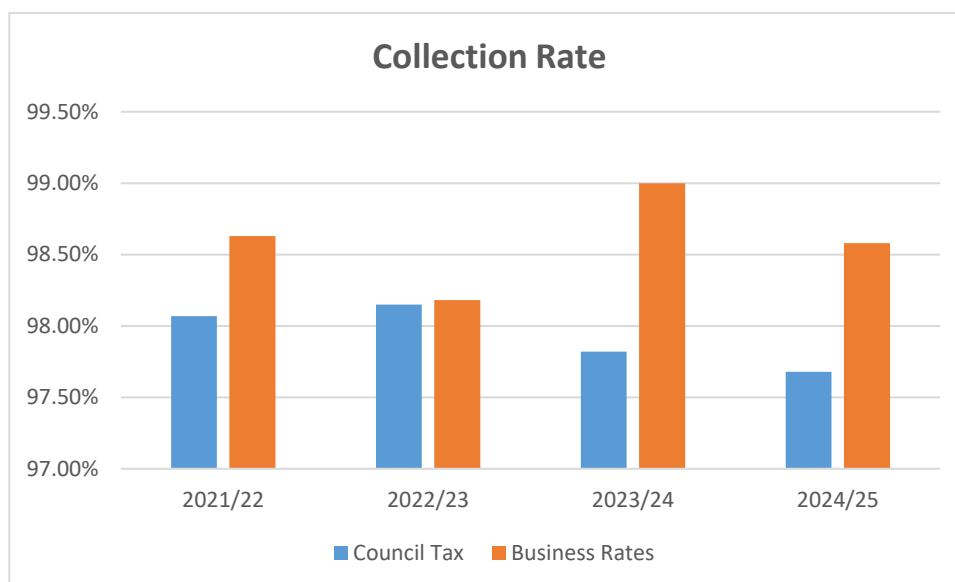


Chart 2



- 2.3. 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).
- 2.4. Collection of Council Tax and Business Rates is undertaken by a dedicated revenues team. The final amount collected for the year is impacted by a number of factors including changes to the taxbase and the collection rate. Chart 3 provides details of the collection rate for Council Tax and Business Rates for the previous 4 financial years.

Chart 3

2.5. The Collection Fund estimated outturn for the year ending 31st March 2026 are:

- A. Overall council tax deficit of £1.465m (Council's share is £1.206m)
- B. Overall business rates deficit of £2.557m (Council's share is £1.240m)

3. Recommendations

- 3.1. To note the overall Collection Fund estimated deficit of £4.022m for the year ending 31st March 2026, comprised of an estimated deficit of £1.465m for Council Tax and an estimated deficit of £2.557m for Non-Domestic Rates (NDR).
- 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 £2.446m, comprised of an estimated deficit of £1.206m for Council Tax and an estimated deficit of £1.240m 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 2026/27 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 continues to manage unprecedented financial demands and a financial emergency was declared by Cabinet on 10 September 2025. The overall financial position of the Council is set out in the monitoring position presented to Cabinet on a monthly basis. Significant management action has been instigated at all levels of the Council reducing spend to ensure the Council's financial survival. While all reports to Members provide the financial implications of decisions being taken, this may change as officers and/or Portfolio Holders review the overall financial situation and make decisions aligned to financial survivability. All non-essential spend will be stopped and all essential spend challenged. These actions may involve (this is not exhaustive):
 - scaling down initiatives,
 - changing the scope of activities,
 - delaying implementation of agreed plans, 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 2026 shows a forecast deficit of £1.465m based on figures as at 15th January 2026. This is comprised of an in year estimated deficit of £0.647m and an additional deficit of £0.818m 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.
- 5.4. 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.

- 5.5. The amount incorporated into the Council's 2026/27 budget in relation to the Council Tax Collection Fund deficit is £1.206m. This is comprised of an in year estimated deficit of £0.533m and a deficit of £0.673m from the previous year's actual Council Tax Collection Fund.
- 5.6. The detailed determination of the estimated Council Tax Collection Fund deficit for 2025/26 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 2026 shows a forecast deficit of £2.557m based on figures as at 31st January 2026. This is comprised of an in year estimated deficit of £2.526m and a deficit of £0.031m in the outturn position from the previous financial year.
- 5.8. The forecast deficit on the Non-Domestic Rates Collection Fund is attributable to an increase in the number of reliefs awarded.
- 5.9. 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.
- 5.10. 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 2024/25 income from Renewable Energy Schemes (RES) was £1.852m and is forecast to be £1.689m in 2025/26. The 2025/26 Business Rates Collection Fund estimate includes a surplus of £0.025m to be retained in full by Shropshire Council as the billing authority.
- 5.11. The amount incorporated into the Council's 2026/27 budget in relation to the Business Rates Collection Fund is a deficit of £1.240m. This is comprised of an in year estimated deficit of £1.225m and a deficit of £0.015m from the previous year's actual Business Rates Collection Fund.
- 5.12. The detailed determination of the estimated Business Rates Collection Fund deficit for 2025/26 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 2025/26 Estimated Council Tax Collection Fund Account

Appendix B: Shropshire Council 2025/26 Estimated Non-Domestic Rates Collection Fund Account

Appendix C: Distribution of the 2025/26 Estimated Collection Fund (Surplus) / Deficit

APPENDIX A

SHROPSHIRE COUNCIL ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT
(Estimate As At 15th January 2026)

	2025-26 Estimate £'000
Income	
Council Tax Income	(283,190)
Transfers from General Fund - Discretionary Relief	(160)
Total Income	<u>(283,350)</u>
Expenditure	
2025/26 Precepts	
Shropshire Council	219,283
West Mercia Police & Crime Commissioner	35,381
Shropshire & Wrekin Fire Authority	14,498
Parish & Town Councils	12,281
Bad & doubtful debts	
Increase in Bad Debt Provision	2,555
Total Expenditure	<u>283,998</u>
(Surplus)/Deficit for the year	648
Impact on Collection Fund Accumulated (Surplus)/Deficit	
Accumulated (surplus)/deficit brought forward	(858)
Distribution of prior year estimated surplus	1,676
(Surplus)/Deficit for the year	648
Estimated Accumulated (Surplus)/Deficit Carried Forward	<u>1,465</u>
Estimated Collection Fund (Surplus) / Deficit	
Prior year (surplus)/deficit	818
In year (surplus)/deficit	648
	<u>1,465</u>
Share of Estimated Collection Fund Surplus	
Shropshire Council	1,206
West Mercia Police & Crime Commissioner	184
Shropshire & Wrekin Fire Authority	75
	<u>1,465</u>

APPENDIX B

SHROPSHIRE COUNCIL ESTIMATED NON-DOMESTIC RATES COLLECTION FUND ACCOUNT
(Estimate As At 31st January 2026)

	2025-26 Estimate £'000	2025-26 Excluding Renewable Energy Schemes £'000	2025-26 Renewable Energy Schemes Only £'000
Income			
Business Rates Income	(90,778)	(89,089)	(1,689)
Transitional Protection	(783)	(783)	-
Total Income	(91,561)	(89,872)	(1,689)
Expenditure			
2025/26 Payments to Major Preceptors			
Secretary of State	45,937	45,937	-
Shropshire Council	46,683	45,019	1,664
Shropshire & Wrekin Fire Authority	919	919	-
Cost of Collection	461	461	-
Bad & doubtful debts			
Increase in Bad Debt Provision	64	64	-
Appeal Losses & Provisions			
Losses	(2,436)	(2,436)	0
Increase in Appeal Provision	2,460	2,460	0
Total Expenditure	94,087	92,423	1,664
(Surplus)/Deficit for the year	2,526	2,551	(25)
Impact on Collection Fund Accumulated (Surplus) / Deficit			
Accumulated (surplus)/deficit brought forward	(2,571)	(2,034)	(537)
Distribution of prior year estimated surplus/(deficit)	2,603	2,065	537
(Surplus)/Deficit for the year	2,526	2,551	(25)
Estimated Accumulated (Surplus) / Deficit Carried Forward	2,557	2,582	(25)
Estimated Collection Fund (Surplus) / Deficit			
Prior year (surplus)/deficit	31	31	(0)
In year (surplus)/deficit	2,526	2,551	(25)
	2,557	2,582	(25)
Distribution of Estimated Collection Fund (Surplus) / Deficit			
Secretary of State	1,291	1,291	-
Shropshire Council	1,240	1,265	(25)
Shropshire & Wrekin Fire Authority	26	26	-
	2,557	2,582	(25)

APPENDIX C

**DISTRIBUTION OF THE 2025/26 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 2025/26 Estimated Collection Fund (Surplus) / Deficit

	Council Tax	NDR	Total
	£m	£m	£m
Secretary of State	-	1.291	1.291
Shropshire Council	1.206	1.240	2.446
West Mercia Police & Crime Commissioner	0.184	-	0.184
Shropshire & Wrekin Fire Authority	0.075	0.026	0.101
Total Estimated (Surplus) / Deficit	1.465	2.557	4.022

- 1.2 The Secretary of State and major / relevant precepting bodies were notified of these deficits by 31st January 2026.