

## WIRRAL COUNCIL

### CABINET

16 JANUARY 2014

<b>SUBJECT</b>	<b>COLLECTION FUND 2013/14</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>DIRECTOR OF RESOURCES</b>
<b>RESPONSIBLE PORTFOLIO HOLDER</b>	<b>COUNCILLOR PHIL DAVIES</b>
<b>KEY DECISION</b>	<b>YES</b>

#### 1. EXECUTIVE SUMMARY

- 1.1 This report estimates the Collection Fund position for the year ending 31 March 2014.

#### 2. BACKGROUND AND KEY ISSUES

- 2.1 The Council maintains a Collection Fund to record the Council Tax and Non-Domestic Rates collected and paid to the precepting authorities and to central Government.

##### 2.2. Council Tax

- 2.2.1 Council Tax collected is paid to the precepting authorities based upon their initial precepts with any surplus / deficit after the end of each financial year paid to / recovered from the precepting authorities.
- 2.2.2 Council Tax income (including transfers from the General Fund) currently exceeds £111 million per annum. In January 2013 the forecast Collection Fund 2012/13 outturn was for a balanced position which resulted in no distribution or call to/on the precepting bodies.
- 2.2.3 The actual position on the Collection Fund as at 31 March 2013 was a surplus of £452,000 of which Wirral would be entitled to approximately 85% if distributed. The surplus was a result in the main of higher council tax receipts being received in 2012/13 and resultant lower than anticipated contributions to the bad debt provisions. The surplus represented approximately 0.3% of the 2012/13 collectable council tax.
- 2.2.4 Current Council Tax collection rates are approximately 2% less than at the equivalent period for last year. This reflects the anticipated reduction to collection rates arising from the introduction of the local Council Tax Support Scheme and changes to the Council Tax exemptions. A reassessment of the level of bad debt provision is also required to reflect the impact of changes made to discounts and exemptions as part of the 2013/14 budget options, the introduction of the local Council Tax Support Scheme and also the general ongoing economic climate.

2.2.5 The local Council Tax Support Scheme was introduced from 1 April 2013. It involved billing a large number of properties at up to 22% of the full Council Tax rate. These properties have not previously paid Council Tax directly having previously received benefit at 100% and tend to be low income households. The overall collection rate for the year has been reduced to reflect the increased risk of non-payment. Any shortfall against predicted income will impact upon the Collection Fund balance and subsequent surplus/deficit position.

2.2.6 Any surplus or deficit on the Fund must be shared pro-rata to the existing precepts on the Fund. Based upon the 2012/13 precepts and taking the above factors into account the Collection Fund balance for the year ending 31 March 2012 in respect of Council Tax is estimated to be nil. Any surplus or deficit position would be allocated to precepting bodies as follows:-

Precepting Authority	% share	£
Wirral Council	85.18	0
Police and Crime Commissioner for Merseyside	10.24	0
Merseyside Fire and Rescue Services	<u>4.58</u>	<u>0</u>
Total	<u>100.00</u>	<u>0</u>

### 2.3 National Non Domestic Rates ‘Business Rates

2.3.1 On 1 April 2013 a new Local Government Finance System was introduced. The previous NNDR ‘central pooling’ arrangement under which authorities received a guaranteed payment ceased. Under the new arrangements, billing authorities retain a proportion of locally raised business rates and either pay a tariff or as in Wirral’s case receiving a top-up to ensure a comparable starting position with the previous funding system.

2.3.2 A declaration of an estimated surplus or deficit for the 2013/14 financial year must be submitted to the DCLG by 31 January. Any surplus or deficit will be allocated in the following proportions

Central Government	50%
Wirral Council	49%
Merseyside Fire and Rescue	1%

2.3.3 NNDR is a particularly complex and volatile tax area that can fluctuate due to a number of reasons. These include:

- Appeals against rating decisions which are dealt with by the Valuation Office Agency and which can be large and backdated a number of years
- Changes in liability relating to changes in occupancy
- Changes in building use
- Alterations to buildings size and layout
- Demolitions and new builds
- Actions to avoid full liability including empty property and charitable reliefs
- Assessment of bad and doubtful debts

2.3.4 The authority is required at the same of forecasting its 2013/14 surplus/deficit position (31 January 2014) to provide a forecast of predicted business rates income for the 2014/15 year. The detailed guidance and instruction will be confirmed by Government on 17 January 2014

2.3.5 It is recommended that the NNDR surplus deficit forecast for 2013/14 and 2014/15 initial estimate be made via a delegated decision of the Council leader in conjunction with the Director of Resources. This is because of a number of factors. NNDR is a volatile tax area, there is a month's gap between writing this report and the required submission date, the above guidance is not yet available which could impact upon the 2013/14 estimate and Cabinet dates mean that there is no other meeting before the NNDR forecasts submission date of 31 January.

### **3. RELEVANT RISKS**

3.1 In estimating the end of year position on the Collection Fund the actual position could be either a deficit position, requiring recovery from the precepting authorities in 2014/15, or a larger surplus requiring to be distributed during 2014/15. To mitigate the risks, the estimate takes account of past performance and current known collection levels.

3.2 The introduction of the new retained business rates system has passed increased risk to local authorities as outlined above in paragraph 2.3.3. Reductions in income including those arising from appeals relating to past years will now partially fall on the authority. There may also be opportunity to share in any increased income where collection is above forecast amounts.

### **4. OTHER OPTIONS CONSIDERED**

4.1 There are no other options considered in this report.

### **5. CONSULTATION**

5.1 The Merseyside Police and Crime Commissioner for Merseyside and Merseyside Fire and Rescue Service will be informed of their share of the declared surplus by 22 January 2014.

### **6. IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

6.1 There are none arising directly out of this report.

### **7. RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

7.1 Wirral Council will neither receive any additional distribution or pay an additional contribution on the basis of the estimated 31 March 2014 position on the Collection Fund.

7.2 The 2014/15 Council Budget assumptions assume a nil balance at 31 March 2014. The estimate is therefore in line with this assumption.

7.3 There are no IT, staffing or asset implications arising directly from this report.

## **8. LEGAL IMPLICATIONS**

8.1 Under the Local Authority (Funds) (England) Regulations 1992, the Authority must annually estimate the likely surplus or deficit on its Collection Fund for 2013/14 and notify the precepting Authorities of the Fund by 22 January 2014.

## **9. EQUALITIES IMPLICATIONS**

9.1 There are none arising directly out of this report.

9.2 An Equality Impact Assessment (EIA) is not required.

## **10. CARBON REDUCTION IMPLICATIONS**

10.1 There are none directly arising out of this report.

## **11. PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

11.1 There are none directly arising out of this report.

## **12. RECOMMENDATION**

12.1 That the declaration of an estimated nil balance position for the Collection Fund for the year ending 31 March 2014 which is in accordance with current budget assumptions be noted.

12.2 That the declaration of the 2013/14 NNDR surplus/deficit position and 2014/15 initial forecast be made under delegated powers by the Leader in conjunction with the Director of Resources on or before 31 January 2014.

## **13. REASON FOR RECOMMENDATION**

13.1 In accordance with the Local Authority (Funds) (England) Regulations 1992, the Authority must annually estimate the likely surplus or deficit on its Collection Fund for the current financial year. For council tax the estimate should be made on, or as close to, the 15 January as possible but cover the period up to 31 March. The Authority must notify the precepting Authorities of the Fund within 7 days of the 15 January and the estimated surplus or deficit can then be taken into account by the precepting bodies in setting their Budget and likely precept requirements on the Collection Fund for the following year.

13.2 For national non-domestic rates the Non-Domestic rating (rates retention) Regulations 2013 require billing authorities to calculate the central share and each relevant precepting authority's share of its non-domestic rating income. This should be notified on or before 31 January and include a forecast surplus/deficit position for the current year and an initial forecast for the following financial year.

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#### **REFERENCE MATERIAL**

Statement of Accounts 2012/13: Additional Financial Statements: Collection Fund

#### **SUBJECT HISTORY**

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Collection Fund 2010/11	13 January 2011
Cabinet - Collection Fund 2011/12	12 January 2012
Cabinet - Collection Fund 2012/13	24 January 2013