

## WIRRAL COUNCIL

### CABINET

15 JANUARY 2015

<b>SUBJECT</b>	<b>COLLECTION FUND 2014/15</b>
<b>WARD/S AFFECTED</b>	<b>ALL</b>
<b>REPORT OF</b>	<b>ACTING SECTION 151 OFFICER</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 2015. A decision on the distribution of any Collection Fund surplus has to be notified to the precepting bodies by 22 January 2015.

#### 2. BACKGROUND AND KEY ISSUES

- 2.1 The Council is required to maintain 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 bodies.
- 2.2.2 Council Tax income (including transferred from the General Fund) currently exceeds £137 million per annum. In January 2014 the forecast Collection Fund 2013/14 resulted in no distribution to, or call on, the precepting bodies. The Council Tax Collection Fund position at 31 March 2014 was a surplus of £2.9 million, of which Wirral is entitled to 85% of the total distribution.
- 2.2.3 Current Council Tax Collection Rates are currently in line with the equivalent period for last year. An assessment of the level of bad debt provision has been made to reflect the ongoing impact of changes to discounts and exemptions, originally made as part of the 2013/14 budget options, the Local Council Tax Support Scheme and also the general ongoing economic climate. The 2014/15 forecast is for an in year surplus of £1.5 million to add to the balance brought forward primarily

- 2.2.4 The major reason for the surplus in each year is the additional Council Tax receipts from the changes to empty property charges agreed by Cabinet on 24 January 2013 which flow into the Collection Fund. These changes have been phased into the Council Tax Base for 2014/15 and 2015/16 so this increased income now forms part of the Revenue Budget. However for 2013/14 and 2014/15 this additional income was reflected in the Collection Fund.
- 2.2.5 The Local Council Tax Support Scheme introduced on 1 April 2013 involved billing a large number of properties at up to 22% of the full Council Tax rate. These properties had not previously paid Council Tax directly having previously received benefit at 100% and tend to be low income households. The overall Collection Rate 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 2014/15 precepts and taking the above factors into account the Collection Fund balance for the year ending 31 March 2015 in respect of Council Tax is estimated to be a surplus of £4.4 million. This will be allocated to precepting bodies as follows:-

<b>Precepting Body</b>	<b>% share</b>	<b>£m</b>
Wirral Council	84.94	3.728
Police and Crime Commissioner for Merseyside	10.41	0.457
Merseyside Fire and Rescue Service	4.65	0.204
<b>Total</b>	<b>100.00</b>	<b>4.389</b>

### **2.3 National Non-Domestic Rates (NNDR)**

- 2.3.1 On 1 April 2013 a new Local Government Finance System was introduced. The previous NNDR 'central pooling' arrangement which saw authorities receive 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, receive 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 2014/15 financial year must be submitted to the DCLG by 31 January 2015. Any surplus or deficit will be allocated in the following proportions:

<b>Recipient Body</b>	<b>% share</b>
Wirral Council	49
Central Government	50
Merseyside Fire and Rescue Service	1
<b>Total</b>	<b>100</b>

2.3.3 The NNDR Collection Fund position as at 31 March 2014 was a deficit of £4.7 million. This figure was based upon the NNDR base return submitted to the DCLG rather than Wirral's budget assumptions. The outturn position was in line with Wirral's budget assumptions for actual NNDR receivable which reflected reduced income factoring in a number of the issues below. There is therefore no budgetary impact to Wirral from the deficit figure.

2.3.4 NNDR is a particularly complex and volatile tax area that can fluctuate due to a number of reasons including:-

- 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.

2.3.5 The authority is required to provide to the DCLG by 31 January 2015 the forecast surplus/deficit position for 2014/15 and a forecast of predicted business rates income for the 2015/16 year. The detailed guidance and instruction was received from Central Government on 19 December and is being assessed.

2.3.6 It is recommended that the NNDR surplus/deficit forecast for 2014/15 and the 2015/16 initial estimate be made via a delegated decision of the Leader in conjunction with the Acting Section 151 Officer. This is because of a number of factors.

- NNDR is a volatile tax without the certainty associated with Council Tax.
- There is more than a month's gap between writing this report and the required submission date,
- The guidance recently made available could impact upon the 2014/15 estimate.
- There is no Cabinet meeting before the NNDR forecasts submission date of 31 January.

### **3.0 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 2015/16, or a larger surplus requiring to be distributed during 2015/16. To mitigate the risks, the estimate takes account of past performance and current known collection levels.

3.2 The introduction of the retained business rates system has passed increased risk to local authorities as outlined in paragraph 2.3.4. 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.

#### **4.0 OTHER OPTIONS CONSIDERED**

4.1 There are no other options considered in this report.

#### **5.0 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 2015.

#### **6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS**

6.1 There are no previously approved actions outstanding.

#### **7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

7.1 There are none arising directly out of this report.

#### **8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

8.1 Based on the estimated Collection Fund Council Tax position at 31 March 2015 Wirral Council will receive a payment of £3.728 million in 2015/16.

8.2 The NNDR 31 March 2015 position will be calculated on, or before, 31 January 2015. On current assumptions there is unlikely to be any financial change impacting on the current budget assumptions.

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

#### **9.0 LEGAL IMPLICATIONS**

9.1 Under the Local Authority (Funds) (England) Regulations 1992, the Authority must annually estimate the likely surplus or deficit on its Collection Fund for 2014/15 and notify the precepting Authorities of the Fund by 22 January 2015.

#### **10.0 EQUALITIES IMPLICATIONS**

10.1 There are none arising directly out of this report.

#### **11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS**

11.1 There are none directly arising out of this report.

## **12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

12.1 There are none directly arising out of this report.

## **13.0 RECOMMENDATIONS**

13.1 That the declaration of an estimated £4.389 million surplus balance position for the Council Tax proportion of the Collection Fund for the year ending 31 March 2015 be notified to the precepting bodies.

13.2 That the declaration of the 2014/15 NNDR surplus/deficit position and 2015/16 initial forecast be made by the Leader in conjunction with the Acting Section 151 Officer on, or before, 31 January 2015.

13.3 That the Council share of this 'one-off' distribution of £3.728 million be transferred to the Remodelling / Restructuring Reserve.

## **14.0 REASONS FOR RECOMMENDATIONS**

14.1 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. 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 bodies 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.

14.2 For national non-domestic rates the Non-Domestic rating (rates retention) Regulations 2013 require billing authorities to calculate the central share and each relevant receipting 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.

14.3 The Remodelling / Restructuring Reserve was created in 2013/14. It provides a source of funding for the investment to deliver future savings which includes any one-off costs in respect of reductions in the workforce.

**REPORT AUTHOR:** Peter Molyneux  
Senior Finance Manager  
Telephone: (0151) 666 3389  
Email: [petemolyneux@wirral.gov.uk](mailto:petemolyneux@wirral.gov.uk)

## **REFERENCE MATERIAL**

Statement of Accounts 2013/14: Additional Financial Statements: Collection Fund

## SUBJECT HISTORY

<b>Council Meeting</b>	<b>Date</b>
Cabinet - Collection Fund 2011/12	12 January 2012
Cabinet - Collection Fund 2012/13	24 January 2013
Cabinet - Collection Fund 2013/14	16 January 2014