

EXECUTIVE MEMBER DECISION**17 JANUARY 2016**

REPORT TITLE	COLLECTION FUND 2015/16
REPORT OF	SECTION 151 OFFICER / HEAD OF FINANCIAL SERVICES

REPORT SUMMARY

This report estimates the Collection Fund position for the year ending 31 March 2016. A decision on the distribution of any Collection Fund surplus has to be notified to the precepting bodies by 22 January 2016.

RECOMMENDATIONS

- 1 That the declaration of an estimated £3.555 million surplus balance position for the Council Tax proportion of the Collection Fund for the year ending 31 March 2016 be notified to the precepting bodies. Wirral's share is £3.0 million.
- 2 That the declaration of the 2015/16 National Non-Domestic Rates (Business Rates) surplus/deficit position and 2016/17 initial forecast be made by the Leader in conjunction with the Acting Section 151 Officer on, or before, 31 January 2016. The large volume of appeals received at the end of 2014/15 resulted in a deficit which will need recovering in 2016/17. The current forecast shows a £5.2 million deficit in 2015/16 of which Wirral's share would be £2.6 million.
- 3 That the Council share of the 'one-off' distribution from the Collection Fund, currently estimated as a net £0.4 million (or as amended per the final NNDR return of 31 January 2016), be used to replenish General Fund Balances.

SUPPORTING INFORMATION

1.0 REASONS FOR RECOMMENDATIONS

- 1.1 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.
- 1.2 For national non-domestic rates the Non-Domestic Rating (Rates Retention) Regulations 2013 require billing authorities to calculate the central share and each relevant receiving 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.
- 1.3 Due to ongoing financial pressures, General Fund Balances have reduced in recent years and would benefit from being replenished by this 'one-off' Collection Fund distribution to help support future pressures.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 As this requirement is specified in legislation no other options have been considered in this report.

3.0 BACKGROUND INFORMATION

The Council is required to maintain a Collection Fund to record the Council Tax and National Non-Domestic Rates collected and paid to the precepting authorities and to Central Government.

3.1 Council Tax

- 3.1.1 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.
- 3.1.2 Council Tax income (including transferred from the General Fund) currently exceeds £139 million per annum. In January 2015 the forecast Collection Fund 2014/15 resulted in a surplus of £4.4 million, which was distributed to the precepting bodies. The actual Council Tax Collection Fund position at 31 March 2015 was a surplus of £5.8 million, of which Wirral is entitled to 85% of the total distribution.

3.1.3 Current Council Tax collection rates are currently lower than the equivalent period for last year. However in overall terms there is an in year surplus primarily due to additional Council Tax receipts from additional property numbers increasing beyond previous forecasts, as well as reducing levels of Council Tax Support.

3.1.4 The Local Council Tax Support Scheme introduced on 1 April 2013 involves 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 was 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.

3.1.5 Any surplus or deficit on the Fund must be shared pro-rata to the existing precepts on the Fund. Based upon the 2015/16 precepts and taking the above factors into account the Collection Fund balance for the year ending 31 March 2016 in respect of Council Tax is estimated to be a surplus of £3.555 million. This will be allocated to precepting bodies as follows:-

Precepting Body	% share	£m
Wirral Council	84.69	3.011
Police & Crime Commissioner for Merseyside	10.58	0.376
Merseyside Fire and Rescue Service	4.73	0.168
Total	100.00	3.555

3.2 National Non-Domestic Rates (NNDR)

3.2.1 Under the Local Government Finance System arrangements introduced from 1 April 2013, billing authorities now 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.

3.2.2 A declaration of an estimated surplus or deficit for the 2015/16 financial year must be submitted to the DCLG by 31 January 2016. Any surplus or deficit will be allocated in the following proportions:

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

3.2.3 The NNDR Collection Fund position as at 31 March 2015 was a deficit of £4.7 million. This figure was higher than anticipated due to the substantial increase in the provision for refunds from appeals. Wirral, like most billing authorities, received an unprecedented number of appeals immediately prior to the deadline of 31 March 2015 for submitting backdated claims to April 2010. Although many appeals are likely to be speculative some provision has had to be set aside to cover any loss. The Valuation Office Agency which is responsible for rating and subsequent appeals has a large backlog of appeals to process and in terms of outstanding amounts there has been little movement since March 2015. The deficit is therefore currently expected to increase to £5.2 million by 31 March 2016 reflecting an additional year of rates under appeal. The deficit will require 'making good' in 2016/17 and will be reflected in the amount of NNDR retained for General Fund use being reduced. The 2015/16 NNDR forecast figure is still to be finalised as explained below.

3.2.4 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 (as above);
- 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.

3.2.5 The authority is required to provide to the DCLG by 31 January 2016 the forecast surplus/deficit position for 2015/16 and a forecast of predicted business rates income for the 2016/17 year. The detailed guidance and instruction for this is yet to be received from Central Government at the time of writing.

3.2.6 It is recommended that the NNDR surplus/deficit forecast for 2015/16 and the 2016/17 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 a month's gap between writing this report and the required submission date so data and circumstances could change,
- The guidance currently anticipated could impact upon the 2016/17 estimate.
- There is no Cabinet meeting before the NNDR forecasts submission date of 31 January.

4.0 FINANCIAL IMPLICATIONS

- 4.1 Based on the estimated Collection Fund Council Tax position at 31 March 2016 Wirral Council will receive a payment of £3.011 million in 2016/17.
- 4.2 Primarily as a consequence of the large rise in backdated appeals received in March 2015, and which require consideration by the Valuation Office Agency, provision has been made for potential refunds. As a consequence the NNDR 31 March 2016 position shows an estimated £5.2 million deficit with Wirral's share of the deficit being £2.6 million.
- 4.3 Offsetting the NNDR deficit against the Council Tax surplus, Wirral's share of the overall estimated Collection Fund is currently a £0.4 million surplus.

5.0 LEGAL IMPLICATIONS

- 5.1 Under the Local Authority (Funds) (England) Regulations 1992, the Authority must annually estimate the likely surplus or deficit on its Collection Fund for 2015/16 and notify the precepting Authorities of the Fund by 22 January 2016.
- 5.2 The Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 452) requires the billing authority to estimate the surplus or deficit for business rates and notify the Secretary of State and precepting authorities on or before 31 January each year.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 There are no ICT, staffing or asset implications arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 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 2016/17, or a larger surplus requiring to be distributed during 2016/17. To mitigate the risks, the estimate takes account of past performance and current known collection levels.
- 7.2 The introduction of the retained business rates system has passed increased risk to local authorities as outlined in paragraph 3.2.4. 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.

8.0 ENGAGEMENT / CONSULTATION

8.1 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 2016.

9.0 EQUALITY IMPLICATIONS

9.1 Has the potential impact of your proposal(s) been reviewed with regard to equality? No because there is no relevance to equality.

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REFERENCE MATERIAL

Statement of Accounts 2014/15: Additional Financial Statements: Collection Fund
<http://www.wirral.gov.uk/about-council/budget-and-spending/annual-accounts>

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet – Collection Fund 2014/15	15 January 2015
Cabinet – Collection Fund 2013/14	16 January 2014
Cabinet – Collection Fund 2012/13	24 January 2013