



## **EXECUTIVE MEMBER DECISION**

**13 JANUARY 2017**

<b>REPORT TITLE</b>	<b>COLLECTION FUND 2016/17</b>
<b>REPORT OF</b>	<b>ASSISTANT DIRECTOR: FINANCE (SECTION 151 OFFICER)</b>

### **REPORT SUMMARY**

This report estimates the Collection Fund position for the year ending 31 March 2017. A decision on the distribution of any Collection Fund surplus has to be notified to the precepting bodies by 22 January 2017.

### **RECOMMENDATIONS**

- 1 That the declaration of an estimated £4.62 million surplus balance position for the Council Tax proportion of the Collection Fund for the year ending 31 March 2017 be notified to the precepting bodies. Wirral's share is £3.9 million.
- 2 That the declaration of the 2016/17 National Non-Domestic Rates (Business Rates) surplus/deficit position and 2017/18 initial forecast be made by the Leader in conjunction with the Assistant Director: Finance (Section 151 Officer) on, or before, 31 January 2017. The latest forecast shows a £1.4 million surplus in 2016/17 of which Wirral's share would be £0.7 million.
- 3 That the Council share of the 'one-off' distribution from the Collection Fund, currently estimated as £4.6 million (or as amended per the final NNDR return of 31 January 2017), be added to the General Fund balances for use in supporting the General Fund budget.

## **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 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.
- 1.3 The release of 'one-off' Collection Fund resources is added to the General Fund Balances. This can then be available to support the General Fund Budget.

### **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.

#### **Council Tax**

- 3.1 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.
- 3.2 Council Tax income (including transferred from the General Fund) currently exceeds £146 million per annum. In January 2016 the forecast Collection Fund 2015/16 resulted in a surplus of £3.6 million, which was distributed to the precepting bodies. The actual Council Tax Collection Fund position at 31 March 2016 was better than this with a surplus of £5.1 million, of which Wirral is entitled to 85% of the total distribution.

- 3.3 The in-year surplus is primarily due to additional Council Tax receipts from increases in the Council Tax TaxBase through additional chargeable property (including less properties receiving discount or exemptions), increasing beyond previous forecasts.
- 3.4 Any shortfall against predicted income will impact upon the Collection Fund balance and subsequent surplus/deficit position. In its forecasting of Council Tax income the authority must take account of likely payment levels and any issues arising from the Local Council Tax Support Scheme or other policies.
- 3.5 Any surplus or deficit on the Fund must be shared pro-rata to the existing precepts on the Fund. Based upon the 2016/17 precepts and taking the above factors into account the Collection Fund balance for the year ending 31 March 2017 in respect of Council Tax is estimated to be a surplus of £4.62 million. This will be allocated to precepting bodies as follows:-

<b>Precepting Body</b>	<b>% share</b>	<b>£m</b>
Wirral Council	84.94	3.92
Police & Crime Commissioner for Merseyside	10.40	0.48
Merseyside Fire and Rescue Service	4.66	0.22
<b>Total</b>	<b>100.00</b>	<b>4.62</b>

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

- 3.6 Under the Local Government Finance System arrangements introduced from 1 April 2013, 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. From 1 April 2017 the Liverpool City Region authorities (including Wirral) are to take part in a DCLG pilot 100% rate retention scheme.
- 3.7 A declaration of an estimated surplus or deficit for the 2016/17 financial year must be submitted to the DCLG by 31 January 2017. Any surplus or deficit will be allocated in the proportions in the following table. Under the rules in place for 2016/17 Wirral receives 49% of the surplus. In future years under the 100% Business Rates Retention Pilot Scheme arrangements Wirral will receive or be liable for 99% of any surplus or deficit.

<b>Recipient Body</b>	<b>2016/17 % Share</b>	<b>2017/18 % Share</b>
Wirral Council	49	99
Central Government	50	0
Merseyside Fire and Rescue Service	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

- 3.8 The NNDR Collection Fund position as at 31 March 2016 was a deficit of £5.3 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. 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 2016. Although many appeals are likely to be speculative, this has resulted in the requirement to maintain a provision for the possible cost of settled appeals.
- 3.9 There has been a sizeable increase in the amount of NNDR billable by the Authority in 2016/17. A budgeted contribution has also been made in 2016/17 to settle the forecast element of the 2015/16 deficit. Taking these factors into account it is currently estimated that the NNDR Collection Fund at 31 March 2016 will be in a surplus position by approximately £1.4 million. The forecast is still being finalised as explained below.
- 3.10 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 for 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.
- 3.11 The Authority is required to provide to the DCLG by 31 January 2017 the forecast surplus/deficit position for 2016/17 and a forecast of predicted income for 2017/18. Besides the issues highlighted in Section 3.10 there are two significant changes applicable from April 2017 being the national revaluation which includes transitional relief arrangements and that Wirral is part of the Liverpool City Region 100% Business Rates Retention Pilot Scheme Along with the recently issued Government Return this entails system changes during mid-January in order to ensure the Return is completed in late January.

3.12 It is recommended that the final NNDR surplus/deficit forecast for 2016/17 and the 2017/18 initial estimate be made via a delegated decision of the Leader in conjunction with the Assistant Director: Finance (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 gap between writing this report and the required submission date so data and circumstances could change,
- The changes for the national 2017 revaluation and participation in the Liverpool City Region 100% Business Rates Retention Pilot.
- 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 2017 Wirral Council will receive a payment of £3.92 million in 2017/18. The Police & Crime Commissioner for Merseyside will receive £0.48 million and Merseyside Fire & Rescue Service £0.22 million.

4.2 Based on the current Collection Fund NNDR forecasts Wirral will receive payment of £0.7 million in respect of its share of a 2016/17 surplus position. This figure is subject to change and will be finalised on the completion of the Government NNDR 1 form on 31 January.

#### **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 2016/17 and notify the precepting Authorities of the Fund by 22 January 2017.

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 2017/18, or a larger surplus requiring to be distributed during 2017/18. To mitigate the risks, the estimate takes account of past performance and current known collection levels.

7.2 The introduction of Business Rates Retention has passed increased risk to local authorities as outlined in the report. Reductions in income including those arising from appeals relating to past years will now partially fall on the authority (and almost entirely from April 2017). 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 2017.

## 9.0 EQUALITY IMPLICATIONS

9.1 There are no direct equality implications from this report.

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## REFERENCE MATERIAL

Statement of Accounts 2015/16: Additional Financial Statements: Collection Fund  
<http://www.wirral.gov.uk/about-council/budget-and-spending/annual-accounts>

<b>SUBJECT HISTORY</b>	<b>Date</b>
<b>Council Meeting</b>	
Executive Member Decision 2015/16	17 January 2016
Cabinet – Collection Fund 2014/15	15 January 2015
Cabinet – Collection Fund 2013/14	16 January 2014