



EXECUTIVE MEMBER DECISION

16 JANUARY 2018

REPORT TITLE	COLLECTION FUND 2017/18
REPORT OF	DIRECTOR OF FINANCE AND INVESTMENT

REPORT SUMMARY

This report estimates the Collection Fund position for the year ending 31 March 2018. A decision on the distribution of any Collection Fund surplus has to be notified to the precepting bodies by 22 January 2018.

RECOMMENDATIONS

- (1) That the declaration of an estimated £1.70 million surplus balance position for the Council Tax proportion of the Collection Fund for the year ending 31 March 2018 be notified to the precepting bodies. Wirral's share is £1.45 million.
- (2) That the declaration of the 2017/18 National Non-Domestic Rates (Business Rates) surplus/deficit position and 2018/19 initial forecast be made by the Cabinet Member for Finance & Income Generation in conjunction with the Director of Finance & Investment (Section 151 Officer) on, or before, 31 January 2018.
- (3) That any Council share of the 'one-off' distribution from the Collection Fund, currently estimated as surplus regarding Council Tax be added to the General Fund balances for use in supporting the General Fund budget.
- (4) That any surplus or deficit position arising from the estimated NNDR position as at 31 January 2018 be reflected in the 2018/19 budget and 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 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 £154 million per annum. In January 2017 the forecast Collection Fund 2016/17 resulted in a surplus of £4.6 million, which was distributed to the precepting bodies. The actual Council Tax Collection Fund position at 31 March 2017 was not quite to that level this with a surplus of £4.1 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 Base through additional chargeable property (including less properties receiving discount or exemptions), increasing beyond previous forecasts. Added to this there has also been a single person discount review which has reduced the level of discounts awarded.
- 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 2017/18 precepts and taking the above factors into account the Collection Fund balance for the year ending 31 March 2018 in respect of Council Tax is estimated to be a surplus of £1.70 million. This will be allocated to precepting bodies as follows:-

Precepting Body	% share	£m
Wirral Council	85.31	1.45
Police & Crime Commissioner for Merseyside	10.15	0.17
Merseyside Fire and Rescue Service	4.54	0.08
Total	100.00	1.70

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) agreed to take part in a DCLG pilot 100% rate retention scheme.
- 3.7 A declaration of an estimated surplus or deficit for the 2017/18 financial year must be submitted to the DCLG by 31 January 2018. Any surplus or deficit will be allocated in the proportions in the following table. Under the rules in place for 2017/18 Wirral will receive or be liable for 99% of any surplus or deficit.

Recipient Body	2017/18 % Share
Wirral Council	99
Merseyside Fire and Rescue Service	1
Total	100

3.8 The NNDR Collection Fund position as at 31 March 2017 was a surplus of £1.4 million. Within 2016/17 there needed to be a 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. 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 Regarding NNDR forecast, this is still being finalised as explained below. 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.

3.10 The Authority is required to provide to the DCLG by 31 January 2018 the forecast surplus/deficit position for 2017/18 and a forecast of predicted income for 2018/19.

3.11 It is recommended that the final NNDR surplus/deficit forecast for 2017/18 and the 2018/19 initial estimate be made via a delegated decision of the Cabinet Member for Finance & Income Generation in conjunction with the Director of Finance & Investment (Section 151 Officer). This is due to the following 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.

4.0 FINANCIAL IMPLICATIONS

4.1 Based on the estimated Collection Fund Council Tax position at 31 March 2018 Wirral Council will receive a payment of £1.45 million in 2017/18. The Police & Crime Commissioner for Merseyside will receive £0.17 million and Merseyside Fire & Rescue Service £0.08 million.

4.2 Collection Fund forecasts regarding 2017/18 NNDR are 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 the current year and notify the precepting Authorities of the Fund by 22 January 2018.
- 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 2018/19, or a larger surplus requiring to be distributed during 2018/19. 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 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 2018.

9.0 EQUALITY IMPLICATIONS

- 9.1 There are no direct equality implications from this report.

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REFERENCE MATERIAL

Statement of Accounts 2016/17: Additional Financial Statements: Collection Fund

<http://www.wirral.gov.uk/about-council/budget-and-spending/annual-accounts>

SUBJECT HISTORY	Date
Council Meeting	
Executive Member Decision 2016/17	18 January 2017
Cabinet – Council Tax Base 2017/18	08 December 2016