

Report title	Collection Fund Estimated Outturn 2018-2019	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Louise Miles Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All Wards	
Accountable director	Claire Nye, Director of Finance	
Originating service	Strategic Finance	
Accountable employee	Alison Shannon	Chief Accountant
	Tel	01902 554561
	Email	alison.shannon@wolverhampton.gov.uk
Report to be/has been considered by	Corporate Leadership Team	8 January 2019
	Strategic Executive Board	11 January 2019

Recommendations for decision:

The Cabinet is recommended to:

1. Approve the payments to the precepting authorities of their share of the Council Tax surplus in equal instalments.

The estimated outturn in 2018-2019 is a cumulative surplus of approximately £1.2 million. Based on their proportion of the 2018-2019 council tax bill, as approved by Council in March 2018 the amounts are as follows:

- City of Wolverhampton Council £1.0 million
- West Midlands Police £86,000
- West Midlands Fire Service £40,000

2. Approve the apportionment of the payments from the precepting authority of their share of the Business Rates deficit, also referred to as Non-Domestic Rates, deficit in equal instalments.

The estimated outturn in 2018-2019 is a cumulative deficit of approximately £1.1 million; this is as a result of a cumulative surplus totalling £619,000 brought forward from 2017-2018 and an estimated deficit in 2018-2019 totalling approximately £1.7 million. As prescribed by legislation the amounts are as follows:

- City of Wolverhampton Council £1.1 million deficit
- West Midlands Fire Service £11,000 deficit

3. Delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to confirm any final changes to the forecast outturn reflecting any further information received ahead of the statutory deadline of 31 January 2019.

1.0 Purpose

- 1.1 The purpose of this report is to inform Cabinet of the estimated outturn for Council Tax and Business Rates, also referred to as Non-Domestic Rates (NDR), transactions on the Collection Fund in 2018-2019.

2.0 Background

- 2.1 Council Tax billing authorities are required to maintain a Collection Fund in accordance with Sections 89 and 90 of the Local Government Finance Act 1988. The operation of the Collection Fund is prescribed in detail by a series of specifications, regulations and directions made under various sections of the Local Government Finance Acts 1988 and 1992. Broadly, the Collection Fund's income comes from receipts of Council Tax and Business Rates, also referred to as Non-Domestic Rates (NDR), collected from taxpayers and any amounts transferred in (e.g. in respect of previous years' deficits). Expenses met from the Fund consist of adjustments to individuals' and companies' tax liabilities (refunds etc.), the billing authority's own budget demand, write offs, precepts and previous years' surpluses transferable out.
- 2.2 Each billing authority must make an estimate of the surplus or deficit for the Council Tax and Business Rates transactions of the Collection Fund for the current financial year. Such estimated surpluses or deficits do not remain in the Collection Fund but are shared between the billing authority, precepting authorities and central government (where applicable) in the year following the financial year to which they relate. Precepting authorities should be notified of their share of any surplus or deficit within seven working days of the estimate being made.
- 2.3 The surplus or deficit is then transferred in instalments in the financial year following the year for which the surplus or deficit has been estimated. In the case of billing authorities, the amounts are transferable in accordance with the schedule of instalments adopted for the payment of precepts and demands. Transfers to or from precepting authorities must take place in no more than ten equal instalments in the following year. The first and final instalments are to be paid by 31 May 2019 and 31 March 2020 respectively with an equal number of working days between instalments.
- 2.4 All Collection Fund surpluses or deficits for Council Tax transactions are to be ignored for the purpose of calculating the billing or precepting authority's budget requirement. They are, however, to be taken into account in calculating a billing authority's basic Council Tax or a joint authority's precept.
- 2.5 It is important to note however that the estimated Collection Fund outturn for the current financial year has to be forecast by January of that year and is based upon information available at a point in time. Therefore, any changes to the assumptions that occur in the remaining months of the financial year, will have an impact on actual Council Tax and Business Rates collected and consequentially the final outturn on the Collection Fund. Any resulting change to the surplus or deficit, will be recovered in future years.

3.0 Council Tax Estimated Outturn 2018-2019

3.1 The estimate on the Collection Fund for 2018-2019 in relation to Council Tax is set out below and includes assumptions about collection rates. It is forecast that there will be an accumulated surplus in the region of £1.2 million at 31 March 2019. This will be apportioned between precepting authorities during 2019-2020.

Table 1 – Forecast Council Tax Outturn 2018-2019

	£000	£000
Actual accumulated surplus at 1 April 2018		(1,122)
Apportionment of 2017-2018 estimated surplus calculated January 2018 (payments made during 2018-2019)		
City of Wolverhampton Council	790	
West Midlands Police	62	
West Midlands Fire Service	30	882
Net surplus 2017-2018		(240)
Estimated income 2018-2019		
Income from Council Tax	(111,606)	
Total estimated income		(111,606)
Estimated expenditure 2018-2019		
Demands on Collection Fund		
City of Wolverhampton Council	96,970	
West Midlands Police	8,093	
West Midlands Fire Service	3,705	
Provision for non-collection of council tax	1,914	
Total estimated expenditure		110,682
Net estimated surplus 2018-2019		(924)
Estimated accumulated surplus at 31 March 2019		(1,164)

3.2 The overall position in terms of the allocation of the surplus between the Council and the precepting bodies is summarised in Table 2. The split is based on the 2018-2019 council tax bill that was approved by Full Council in the formal council tax resolutions on 7 March 2018.

- 3.3 The forecast surplus has arisen as a result of a lower than anticipated bad debt charge to in 2017-2018 in addition to a higher council tax base than anticipated in 2018-2019.

Table 2 – Recommended split of forecast Council Tax surplus for 2018-2019, to be distributed in 2019-2020

Council Tax	City of Wolverhampton Council £000	West Midlands Police £000	West Midlands Fire Service £000	Total £000
Actual accumulated surplus at 1 April 2018	(1,005)	(79)	(38)	(1,122)
Less: Apportionment of 2017-2018 estimated surplus calculated January 2018 (payments made during 2018-2019)	790	62	30	882
Additional accumulated surplus at 1 April 2018 (to be apportioned during 2019-2020)	(215)	(17)	(8)	(240)
Apportionment of 2018-2019 estimated surplus calculated January 2019 (to be apportioned during 2019-2020)	(823)	(69)	(32)	(924)
Total Forecast Surplus (to be apportioned during 2019-2020)	(1,038)	(86)	(40)	(1,164)

- 3.4 The sums due to the two precepting authorities will be paid in equal instalments alongside the precepts payable for 2019-2020 as set out in paragraph 2.3.

4.0 Business Rates (Non-Domestic Rates) Estimated Outturn 2018-2019

4.1 The estimate on the Collection Fund for 2018-2019 in relation to Business Rates, also referred to as Non-Domestic Rates (NDR), is set out below. It is forecast that there will be an accumulated deficit of £1.1 million at 31 March 2019. This will be apportioned between precepting authorities during 2019-2020.

Table 3 - Forecast Business Rates Outturn 2018-2019

	£000	£000
Actual accumulated deficit at 1 April 2018		1,122
Apportionment of 2017-2018 estimated deficit calculated as at January 2018 (payments made during 2018-2019)		
City of Wolverhampton Council	936	
Central Government	(2,660)	
West Midlands Fire Service	(17)	(1,741)
Net surplus 2017-2018		(619)
Estimated income 2018-2019		
Income from Business Rates (NDR)	(73,568)	
Transitional Payment	370	
Total estimated income		(73,198)
Estimated expenditure 2018-2019		
Demands on Collection Fund		
City of Wolverhampton Council (including designated areas and renewable energy)	72,920	
West Midlands Fire Service	736	
Provision for non-collection of NDR (incl. appeals)	908	
Cost of Collection Allowance	336	
Total estimated expenditure		74,900
Net estimated deficit 2018-2019		1,702
Estimated accumulated deficit at 31 March 2019		1,083

4.2 The forecast deficit on Business Rates has arisen as a result of an increase in the provision for appeals in 2018-2019. This is offset in part by a lower in year charge against the provision for appeals in 2017-2018 than was originally anticipated.

- 4.3 The overall position in terms of the allocation of the deficit between the Council and the precepting body is summarised in Table 4 below. The split is prescribed by legislation.

Table 4 – Recommended split of forecast Business Rates deficit for 2018-2019, to be distributed in 2019-2020

Business Rates	City of Wolverhampton Council £000	West Midlands Fire Service £000	Total £000
Additional accumulated surplus at 1 April 2018 (to be apportioned during 2019-2020)	(613)	(6)	(619)
Apportionment of 2018-2019 estimated deficit calculated January 2019 (to be apportioned during 2019-2020)	1,685	17	1,702
Total Forecast Deficit (to be apportioned during 2019-2020)	1,072	11	1,083

- 4.4 The sums due from the precepting body will be paid in equal instalments alongside the precepts payable for 2019-2020 as set out in paragraph 2.3.
- 4.5 It is important to note, that it continues to be very difficult to arrive at an accurate forecast of business rates appeals made against the 2017 ratings list, due to the lack of information available from the Valuation Office and the impact of the new 'Check, Challenge, Appeal' process.

5.0 Evaluation of alternative options

- 5.1 The estimated outturn on the Collection Fund for 2018-2019 has been prepared in accordance with specifications, regulations and directions made under various sections of the Local Government Finance Acts 1988 and 1992.

6.0 Reasons for decisions

- 6.1 Cabinet is recommended to approve the payments to/from the precepting bodies based on the estimated outturn of the Collection Fund for 2018-2019. This will inform the budget setting process for 2019-2020, for the Council and precepting bodies.
- 6.2 Approval is also sought to delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to confirm any final changes to the forecast outturn reflecting any further information received ahead of the statutory deadline of 31

January 2019. This will ensure that the most up to date information is used to inform 2019-2020 budgets.

7.0 Financial implications

- 7.1 The total Collection Fund accumulated surplus in 2018-2019 is estimated to be in the region of £81,000, of which the Council will be expected to retain a deficit of approximately £34,000. This is the net sum of the forecast surplus relating to Council Tax (£1.038 million, Table 2) and forecast deficit relating to Business Rates (£1.072 million, Table 4).
- 7.2 The Council's Medium Term Financial Strategy will be updated to reflect the forecast outturn on the Collection Fund.
- 7.3 It is important to note however that the estimated Collection Fund outturn for the current financial year has to be forecast by January of that year and is based upon information available at a point in time. Therefore, any changes to the assumptions that occur in the remaining months of the financial year, will have an impact on actual Council Tax and Business Rates collected and consequentially the final outturn on the Collection Fund. Any resulting change to the surplus or deficit, will be recovered in future years.
[MH/04012019/K]

8.0 Legal implications

- 8.1 The relevant legislation is contained in the body of the report and the recommendations are made in accordance with the legislation.
[TS/03012019/R]

9.0 Equalities implications

- 9.1 There are no relevant equalities implications arising from this report.

10.0 Environmental implications

- 10.1 There are no relevant environmental implications arising from this report.

11.0 Human resources implications

- 11.1 There are no relevant human resources implications arising from this report.

12.0 Corporate landlord implications

- 12.1 There are no relevant corporate landlord implications arising from this report.

13.0 Health and wellbeing implications

- 13.1 There are no relevant health and wellbeing implications arising from this report.

14.0 Schedule of background papers

- 14.1 Council, 7 March 2018 – [‘Council Tax Formal Resolutions’](#)
- Council, 1 March 2017 – [‘Council Tax Formal Resolutions’](#)