

Cabinet Meeting

13 January 2016

Report title	Collection Fund Estimated Outturn 2015/16	
Decision designation	AMBER	
Cabinet member with lead responsibility	Councillor Andrew Johnson Resources	
Key decision	Yes	
In forward plan	Yes	
Wards affected	All	
Accountable director	Mark Taylor, Director of Finance	
Originating service	Strategic Finance	
Accountable employee(s)	Claire Nye Tel Email	Chief Accountant 01902 550478 claire.nye@wolverhampton.gov.uk
Report to be/has been considered by	None	

Recommendations for action or 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 2015/16 is a cumulative surplus of £2.6 million. Based on their proportion of the 2015/16 council tax bill, as approved by Council in March 2015 the amounts are as follows:

- City of Wolverhampton Council £2.3 million
- West Midlands Police £179,000
- West Midlands Fire Service £92,000

2. Approve the payments to central government and the precepting authority of their share of the Business Rates, also referred to as Non-Domestic Rates (NDR), deficit in equal instalments.

The estimated outturn in 2015/16 is a cumulative deficit of £8.3 million. As prescribed by legislation the amounts are as follows:

- City of Wolverhampton Council £4.1 million
 - Central Government £4.1 million
 - West Midlands Fire Service £83,000
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 2016.

1.0 Purpose

- 1.1 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 2015/16.

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 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 and 31 March 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.

3.0 Council Tax Estimated Outturn 2015/16

- 3.1 The estimate on the Collection Fund for 2015/16 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 of £2.6 million at 31 March 2016 after taking into account the £1.6 million surplus in 2014/15.

Table 1 - Forecast Council Tax Outturn 2015/16

	£000	£000
Actual accumulated surplus at 1 April 2015		(1,563)
Estimated income 2015/16		
Income from Council Tax		(94,305)
Total estimated income		(94,305)
Estimated expenditure 2015/16		
Demands on Collection Fund		
City of Wolverhampton Council	80,951	
West Midlands Police	6,298	
West Midlands Fire Service	3,247	90,496
Provision for non-collection of council tax	1,706	1,706
Total estimated expenditure		92,202
Distribution of 2014/15 estimated surplus		
City of Wolverhampton Council	980	
West Midlands Police	76	
West Midlands Fire Service	39	1,095
Estimated accumulated surplus at 31 March 2016		(2,571)

- 3.2 The overall position in terms of the allocation of the surplus between the Council and the precepting bodies is summarised in the table below. The split is based on the 2015/16 council tax bill that was approved by Full Council in the formal council tax resolutions on 4 March 2015.

Table 2 – Recommended split of forecast Council Tax surplus for 2015/16, to be distributed in 2016/17

	2014/15 Actual Surplus £000	2015/16 Estimated Surplus £000	Total Estimated Surplus £000
City of Wolverhampton Council	(1,398)	(902)	(2,300)
West Midlands Police	(109)	(70)	(179)
West Midlands Fire Service	(56)	(36)	(92)
Total	(1,563)	(1,008)	(2,571)

- 3.3 The sums due to the two precepting authorities will be paid in equal instalments alongside the precepts payable for 2016/17 as set out in paragraph 2.3.

4.0 Business Rates (Non-Domestic Rates) Estimated Outturn 2015/16

4.1 The estimate on the Collection Fund for 2015/16 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 £8.3 million at 31 March 2016 after taking into account the £7.8 million deficit in 2014/15.

Table 3 - Forecast Business Rates Outturn 2015/16

	£000	£000
Actual accumulated deficit at 1 April 2015		7,830
Estimated income 2015/16		
Income from Business Rates (NDR)		(76,322)
Total estimated income		(76,322)
Estimated expenditure 2015/16		
Demands on Collection Fund		
City of Wolverhampton Council	37,387	
Central Government	37,989	
West Midlands Fire Service	761	76,137
Provision for non-collection of NDR (incl. appeals)	2,083	
Cost of Collection Allowance	346	
Reconciliation payment arising from audited NNDR3	76	2,505
Total estimated expenditure		78,642
Distribution of 2014/15 estimated deficit		
City of Wolverhampton Council	(914)	
Central Government	(933)	
West Midlands Fire Service	(19)	(1,866)
Estimated accumulated deficit at 31 March 2015		8,284

4.2 The overall position in terms of the allocation of the deficit between the Council, central government 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 2015/16, to be distributed in 2016/17

	2014/15 Actual Deficit £000	2015/16 Estimated Deficit £000	Total Estimated Deficit £000
City of Wolverhampton Council	3,837	222	4,059
Central Government	3,915	227	4,142
West Midlands Fire Service	78	5	83
Total	7,830	454	8,284

4.3 The sums due to central government and the precepting body will be paid in equal instalments alongside the precepts payable for 2016/17 as set out in paragraph 2.3.

5.0 Financial implications

5.1 The total Collection Fund accumulated deficit in 2015/16 is estimated to be £5.7 million, of which the Council will be expected to retain £1.8 million.

5.2 During the 2014/15 outturn process, a Business Rates Equalisation reserve was established to support the Council in relation to the deficit on the Collection Fund, primarily arising as a result of Business Rates appeals. A forecast deficit has been reflected in the Council's Medium Term Financial Strategy for 2016/17, with the forecast use of the Business Rates Equalisation Reserve to neutralise the impact on the Council's General Fund.

5.3 It is important to note however that the forecast outturn is based upon information available at a point in time, and therefore any changes to these assumptions will have an impact on Council Tax and Business Rates collected. Any resulting change to the surplus or deficit will be recovered in future years.
[MH/04012015/G]

6.0 Legal implications

6.1 Relevant legislation is contained in the body of the report.
[TS/04012016/N]

7.0 Equalities implications

7.1 There are no relevant equalities implications arising from this report.

8.0 Environmental implications

8.1 There are no relevant environmental implications arising from this report.

9.0 Human resources implications

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

10.0 Corporate landlord implications

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

11.0 Schedule of background papers

11.1 Council Tax Formal Resolutions, report to Full Council, 4 March 2015.