



Northumberland

County Council

CABINET

10 DECEMBER 2019

2019-20 Estimated Year End Collection Fund Balances – Council Tax and Business Rates

Report of Alison Elsdon, Service Director Finance

Cabinet Member: Nicholas Oliver, Portfolio Holder for Corporate Services and Cabinet Secretary

Purpose of report

To advise members of the estimated year end balances on the Collection Fund in relation to Council Tax and Business Rates for the year ending 31 March 2020.

Recommendations

Members are requested to:

- 1. Note the overall estimated surplus on the Collection Fund for the year ending 31 March 2020 in relation to Council Tax of £3.616 million; the Council's share being £3.351 million.**
- 2. Note the overall estimated surplus on the Collection Fund for the year ending 31 March 2020 in relation to Business Rates of £0.229 million; the Council's share being £0.172 million.**
- 3. Note the distribution of the estimated Collection Fund surplus for Council Tax to the Northumbria Police & Crime Commissioner of £0.265 million and the distribution of the estimated Collection Fund surplus for Business Rates of £0.057 million to the Secretary of State.**
- 4. Note the inclusion of the Council's share of the estimated Collection Fund balances of £3.351 million surplus and £0.172 million surplus, for Council Tax and Business Rates respectively, within the Council's budget 2020-21.**

Link to Corporate Plan

The Council's budget and Medium Term Financial Plan are aligned to the priorities outlined in the Corporate Plan 2018-21 "A Council that Works for Everyone".

Key issues

1. Northumberland County Council is required by statute to maintain a Collection Fund separate from the General Fund of the Council.
2. The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Council Tax Collection Fund estimate by 15 January each year.
3. The Non-Domestic Rating (Rates Retention) Regulations 2013 require the Council as the Billing Authority to calculate a Business Rates Collection Fund estimate on or before 31 January each year.
4. The purpose of this report is to advise Cabinet of the estimated Collection Fund balances for 2019-20.
5. The report also determines the respective shares of the estimated balances notifiable to the major precepting authorities.

Background

1. As a Council Tax and Business Rates Billing Authority the Council is required by legislation to estimate the surplus or deficit for each financial year on the Collection Fund.
2. Both Council Tax and Business Rates precepts are fixed prior to the start of a financial year and any variations from this realised through the Collection Fund in year are distributed in the following two financial years (based on estimates in the following year and actuals in the subsequent year).
3. The Collection Fund is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for:
 - a) Income into the Fund: The Fund is credited with the amount of receipts of Council Tax and Business Rates it collects.
 - b) Payments out of the Fund: In relation to Council Tax, payments are made to the Council; the one major precepting authority (Northumbria Police & Crime Commissioner); and, the local preceptors (parish and town councils). In relation to Business Rates, payments are made to the Council and the Secretary of State.
4. The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Collection Fund estimate by 15 January each year for Council Tax.
5. The Non-Domestic Rating (Rates Retention) Regulations 2013 require the Council as the Billing Authority to calculate a Collection Fund estimate on or before 31 January each year for Business Rates.
6. Both estimates relate to the Collection Fund for the year ending 31 March 2020 and show the impact of this on the cumulative Collection Fund balance.
7. The estimated balances at the end of the current year are distributed to the relevant bodies in the next financial year, with any residual balance remaining in the Collection Fund and forming part of the estimated year end balance in the following year.

Estimated Surplus for Council Tax

1. The Council Tax Collection Fund balance for the year ending 31 March 2020 shows a forecast surplus of £3.616 million based on figures up to the end of September 2019. This is comprised of an in year estimated surplus of £3.612 million and an adjustment for the previous year's actual surplus of £0.004 million (£2.411 million forecast surplus compared to a £2.415 million actual surplus). The estimated surplus on the Council Tax Collection Fund is due to a combination of factors including an increase in the council tax base compared to budgeted tax base; variations in the actual collection rate; and,

variations in discounts and exemptions which affect the total Council Tax liability.

2. The year end estimated surplus is distributed to the major precepting authorities in the following year in proportion to the current year demands and precepts on the Collection Fund.

Estimated Surplus for Business Rates

1. The Business Rates Collection Fund balance for the year ending 31 March 2020 shows a forecast surplus of £0.229 million based on figures up to the end of September 2019. This is comprised of an in year estimated surplus of £1.818 million and an adjustment for the previous year's actual deficit of £1.589 million (£2.692 million forecast deficit compared to a £4.281 million actual deficit). The prior year deficit on the Business Rates Collection Fund is mainly due to an increase in the provision set aside to meet rating appeals.
2. The estimation of the Business Rates base each January now sets the amount of Business Rates income to be distributed from the Collection Fund to preceptors in the following year. Any variations to the base during the year will be borne by the Collection Fund and distributed to preceptors in future years through the declaration of a surplus or deficit on the fund.
3. The NNDR1 return to central government is the mechanism by which the estimated business rates balances are set for the following year. Unless there are any major changes to any of the assumptions detailed within this report then the figures included within this report will be reported to central government on the Council's NNDR1 return.

Distribution of the Estimated Collection Fund Surplus Balances

1. The following table shows the distribution of the estimated balances between the relevant precepting bodies.

Precepting Body	Council Tax	Business Rates	Total
	£m	£m	£m
Northumberland County Council	(3.351)	(0.172)	(3.523)
Northumbria Police & Crime Commissioner	(0.265)	n/a	(0.265)
Secretary of State	n/a	(0.057)	(0.057)
Total Surplus	(3.616)	(0.229)	(3.845)

2. The Council's share of the estimated balances will be incorporated into the Council's budget for 2020-21.
3. The Northumbria Police and Crime Commissioner and the Secretary of State will be notified of their respective shares of the estimated balances in January 2020.
4. A full breakdown of the estimated Council Tax surplus is shown at Appendix 1 and a full breakdown of the estimated Business Rates surplus is shown at Appendix 2.

Implications

Policy	The report supports all of the objectives in the Corporate Plan
Finance and value for money	The Collection Fund is a statutory stand-alone fund. The estimated balances on the fund ultimately feed into the General Fund and are incorporated into the Council's Budget and Medium Term Financial Plan.
Legal	The provisions of the Local Government Finance Act 1992 set out what the Council has to base its budget calculations upon, and require the Council to set a balanced budget with regard to the advice of its Chief Finance Officer. The Act also states that the Council has got to set its budget before 11 March in the financial year preceding the one in respect of which the budget is set.
Procurement	There are no specific procurement implications within this report.
Human Resources	There are no specific human resources implications within this report.
Property	There are no specific property implications within this report.
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input type="checkbox"/>	There are no specific equalities implications within this report.
Risk Assessment	There is a risk that the actual position on the Collection Fund may not be in line with the estimated position contained within this report. In order to mitigate these risks monthly budget monitoring is undertaken. Any variation between the actual and estimated balance is contained within the Collection Fund in year and has no immediate impact on the General Fund.
Crime & Disorder	There are no specific crime & disorder implications within this report.
Customer Consideration	There are no specific customer consideration implications within this report.
Carbon reduction	There are no specific carbon reduction implications within this report.
Health & Wellbeing	The Council's budget is founded on the principle of promoting inclusivity.
Wards	All wards.

Background papers:

None.

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

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Portfolio Holder(s)	Nick Oliver

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2018-19	COLLECTION FUND ACCOUNT - COUNCIL TAX	2019-20
Actual		Estimate
£		£
	Income	
(190,627,979)	Income from Council Tax	(204,450,308)
(305,043)	Ministry of Defence Payments	(309,785)
(190,933,022)	Total Income	(204,760,093)
	Expenditure	
	<u>Precepts</u>	
167,726,122	Northumberland County Council (NCC)	177,740,416
8,562,109	Parish Councils	8,947,724
11,327,437	Northumbria Police & Crime Commissioner (NPCC)	14,080,029
	<u>Bad & Doubtful Debts</u>	
487,646	Increase in Bad Debt Provision	380,000
188,103,314	Total Expenditure	201,148,169
(2,829,708)	Surplus for year	(3,611,924)
	Collection Fund accumulated surplus	
(3,262,833)	Balance Brought Forward	(2,415,245)
3,460,456	Distribution of NCC share of prior year estimated surplus	2,258,410
216,840	Distribution of NPCC share of prior year estimated surplus	152,522
(2,829,708)	Surplus for year	(3,611,924)
(2,415,245)	Accumulated surplus carried forward	(3,616,237)
	Distribution of Collection Fund accumulated surplus	
(2,262,450)	Northumberland County Council (NCC)	(3,350,798)
(152,795)	Northumbria Police & Crime Commissioner (NPCC)	(265,439)
(2,415,245)	Total	(3,616,237)

2018-19	COLLECTION FUND ACCOUNT - BUSINESS RATES	2019-20
Actual		Estimate
£		£
	Income	
(78,820,908)	Income from Business Rates	(84,821,176)
(2,408,186)	Transitional Protection	(1,785,270)
(81,229,094)	Total Income	(86,606,446)
	Expenditure	
	<u>Precepts and Payments</u>	
38,747,017	Northumberland County Council (NCC)	57,819,735
38,747,017	Secretary of State (SoS)	19,177,050
477,623	Cost of Collection Allowance	476,776
	<u>Bad & Doubtful Debts</u>	
1,260,926	Increase in Bad Debt Provision	500,000
	<u>Appeals & Losses</u>	
(4,666,522)	Losses on appeal (funded from provision)	(193,743)
5,149,726	Increase in appeals provision	3,500,000
	<u>Disregarded Amounts</u>	
2,174,386	Renewable Energy	3,302,289
257,207	Enterprise Zone Growth	206,101
82,147,380	Total Expenditure	84,788,208
918,286	(Surplus)/deficit for year	(1,818,238)
	Collection Fund accumulated (surplus)/deficit	
1,198,894	Balance Brought Forward	4,281,304
1,082,062	Distribution of NCC share of prior year estimated (deficit)/surplus	(1,346,364)
1,082,062	Distribution of SoS share of prior year estimated (deficit)/surplus	(1,346,364)
918,286	(Surplus)/Deficit for year	(1,818,238)
4,281,304	Accumulated (surplus)/deficit carried forward	(229,662)
	Distribution of Collection Fund accumulated (surplus)/deficit	
2,140,652	Northumberland County Council (NCC)	(172,246)
2,140,652	Secretary of State (SoS)	(57,416)
4,281,304	Total	(229,662)