

# NORTHUMBERLAND

Northumberland County Council

## **CORPORATE SERVICES AND ECONOMIC GROWTH OVERVIEW AND SCRUTINY COMMITTEE**

**23 NOVEMBER 2017**

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### **ESTIMATED YEAR END COLLECTION FUND BALANCES 2017-18 – COUNCIL TAX & BUSINESS RATES**

Report of Alison Elsdon, Director of Corporate Resources

Cabinet Member: Councillor Nicholas Oliver, Portfolio Holder for Corporate Services

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#### **Purpose of Report**

To advise members of the estimated year end balances on the Collection Fund in relation to both Council Tax and Business Rates for the year ending 31 March 2018.

## CABINET

12 DECEMBER 2017

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#### **Purpose of Report**

To advise members of the estimated year end balances on the Collection Fund in relation to both Council Tax and Business Rates for the year ending 31 March 2018.

#### **Recommendations**

Members are requested:

1. To note the overall estimated surplus on the Collection Fund for the year ending 31 March 2018 in relation to Council Tax of £3.68 million; the Council's share being £3.46 million.
2. To note the overall estimated surplus on the Collection Fund for the year ending 31 March 2018 in relation to Business Rates of £2.04 million; the Council's share being £1.02 million.
3. To note the distribution of the estimated Collection Fund surpluses for Council Tax and Business Rates to the relevant major precepting bodies; £0.22 million to the Northumbria Police & Crime Commissioner and £1.02 million to the Secretary of State.
4. To note the inclusion of the Council's share of the estimated surpluses in the Council's budget 2018-19 and Medium Term Financial Plan 2018-22.

## **Link to Corporate Plan**

1. The estimated balances detailed in this report feed into the Council's Medium Term Financial Plan which supports all of the objectives within the 2013-2017 Corporate Plan.

## **Key Issues**

1. Northumberland County Council is required by statute to maintain a Collection Fund which is 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 requires 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 surpluses for 2017-18.
5. The report also determines the respective shares of the estimated surpluses 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:
  - Income into the Fund: The Fund is credited with the amount of receipts of Council Tax and Business Rates it collects.
  - 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 requires the Council as the Billing Authority to calculate a Collection Fund estimate by 31 January each year for Business Rates.
6. Both estimates relate to the Collection Fund for the year ending 31 March 2018 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/Deficit for Council Tax**

1. The forecast of the Council Tax Collection Fund balance for the year ending 31 March 2018 shows a forecast surplus of £3.68 million based on figures up to the end of September 2017. This is comprised of an in year estimated surplus of £3.97 million and an adjustment for the previous year's actual surplus of £0.29 million (£6.76 million forecast surplus compared to a £6.47 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's actual tax base compared to the budgeted tax base 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/Deficit for Business Rates**

1. The forecast of the Business Rates Collection Fund balance for the year ending 31 March 2018 shows a surplus of £2.04 million based on figures up to the end of September 2017. This is comprised of an in year estimated surplus of £2.99 million and an adjustment for the previous year's actual deficit of £0.95 million (£1.39 million forecast deficit compared to a £2.34 million actual deficit).
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 variances 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 here will be reported to central government on the Council's NNDR1 return.

### **Distribution of the Estimated Collection Fund Surplus Balances for 2017-18**

1. The table below shows the distribution of the estimated surplus balances between the relevant precepting bodies:

Precepting Body	Council Tax	Business Rates	Total
	£m	£m	£m
Northumberland County Council	(3.46)	(1.02)	(4.48)
Northumbria Police & Crime Commissioner	(0.22)	-	(0.22)
Secretary of State	-	(1.02)	(1.02)
<b>Total Surplus</b>	<b>(3.68)</b>	<b>(2.04)</b>	<b>(5.72)</b>

2. The Council's share of the estimated surpluses has been incorporated in the Council's budget for 2018-19 and Medium Term Financial Plan for 2018-2022.
3. The Northumbria Police and Crime Commissioner and the Secretary of State will be notified of their respective shares of the estimated surpluses in January 2018.
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.

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**ESTIMATED YEAR END COLLECTION FUND BALANCES 2017-18 – COUNCIL TAX  
& BUSINESS RATES**

**BACKGROUND PAPERS**

None

## **IMPLICATIONS ARISING OUT OF THE REPORT**

**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 Medium Term Financial Plan.

**Human Resources:** Not applicable.

**Property:** Not applicable.

**Equalities:** Not applicable.  
(Impact Assessment attached)

Yes  No  N/A

**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.

**Carbon Reduction:** Not applicable

**Crime & Disorder:** Not applicable.

**Customer Considerations:** Not applicable.

**Consultation:** Not applicable.

**Wards:** All wards.

**List of Appendices**

**Appendix 1            Collection Fund Account – Council Tax**

**Appendix 2            Collection Fund Account - Business Rates**

**Report sign off**

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

	Name
Finance Officer	Alison Elsdon
Monitoring Officer/Legal	Liam Henry
Human Resources	n/a
Procurement	n/a
I.T.	n/a
Chief Executive	Daljit Lally
Portfolio Holder(s)	Nick Oliver



2016-17	COLLECTION FUND ACCOUNT - COUNCIL TAX	2017-18
Actual		Estimate
£		£
	<b>Income</b>	
(168,757,007)	Income from Council Tax	(179,735,411)
(291,215)	Ministry of Defence Payments	(302,177)
<b>(169,048,222)</b>	<b>Total Income</b>	<b>(180,037,588)</b>
	<b>Expenditure</b>	
	<u>Precepts</u>	
147,059,644	Northumberland County Council (NCC)	157,598,283
7,823,193	Parish Councils	8,168,414
9,245,042	Northumbria Police & Crime Commissioner (NPCC)	9,945,853
	<u>Bad &amp; Doubtful Debts</u>	
0	Write Offs (In excess of Bad Debt Provision)	0
348,921	Increase in Bad Debt Provision	350,000
<b>164,476,800</b>	<b>Total Expenditure</b>	<b>176,062,550</b>
<b>(4,571,422)</b>	<b>Surplus for year</b>	<b>(3,975,038)</b>
	<b>Collection Fund accumulated (surplus)/deficit</b>	
(6,184,185)	Balance Brought Forward	(6,465,005)
4,040,602	Distribution of NCC share of prior year estimated surplus	6,362,746
250,000	Distribution of NPCC share of prior year estimated surplus	400,000
(4,571,422)	Surplus for year	(3,975,038)
<b>(6,465,005)</b>	<b>Accumulated surplus carried forward</b>	<b>(3,677,297)</b>
	<b>Distribution of Collection Fund accumulated surplus</b>	
(6,082,680)	Northumberland County Council (NCC)	(3,460,457)
(382,325)	Northumbria Police & Crime Commissioner (NPCC)	(216,840)
<b>(6,465,005)</b>	<b>Total</b>	<b>(3,677,297)</b>

## Appendix 2

2016-17	COLLECTION FUND ACCOUNT - BUSINESS RATES	2017-18
Actual		Estimate
£		£
	<b>Income</b>	
(79,156,501)	Income from Business Rates	(80,751,255)
72,661	Transitional Protection	(1,663,781)
<b>(79,083,840)</b>	<b>Total Income</b>	<b>(82,415,036)</b>
	<b>Expenditure</b>	
	<u>Precepts and Payments</u>	
38,559,966	Northumberland County Council (NCC)	37,708,286
38,559,966	Secretary of State (SoS)	37,708,286
478,025	Cost of Collection Allowance	479,269
	<u>Bad &amp; Doubtful Debts</u>	
0	Write Offs (In excess of Bad Debt Provision)	0
1,020,397	Increase in Bad Debt Provision	681,797
	<u>Appeals &amp; Losses</u>	
(2,973,991)	Losses on appeal (funded from provision)	(4,000,000)
3,452,172	Increase in appeals provision	5,000,000
	<u>Disregarded Amounts</u>	
1,377,191	Renewable Energy	1,705,637
29,738	Enterprise Zone Growth	142,420
<b>80,503,464</b>	<b>Total Expenditure</b>	<b>79,425,695</b>
<b>1,419,624</b>	<b>(Surplus)/deficit for year</b>	<b>(2,989,341)</b>
	<b>Collection Fund accumulated (surplus)/deficit</b>	
4,024,080	Balance Brought Forward	2,338,882
(1,552,411)	Distribution of NCC share of prior year estimated deficit	(692,905)
(1,552,411)	Distribution of SoS share of prior year estimated deficit	(692,906)
1,419,624	(Surplus)/Deficit for year	(2,989,341)
<b>2,338,882</b>	<b>Accumulated (surplus)/deficit carried forward</b>	<b>(2,036,270)</b>
	<b>Distribution of Collection Fund accumulated (surplus)/deficit</b>	
1,169,441	Northumberland County Council (NCC)	(1,018,135)
1,169,441	Secretary of State (SoS)	(1,018,135)
<b>2,338,882</b>	<b>Total</b>	<b>(2,036,270)</b>