

Collection Fund Monitoring

Q1 2023/24

Summary

1. In 2023/24 approximately £360.6m of the Council's net expenditure was forecast to be financed directly through locally collected taxation. This taxation is initially collected by the Council and credited to the Collection Fund.
2. As at the end of July, the local share of the Collection Fund Income Stream is forecasting a small surplus of £1.8m across the Fund.
3. This surplus will not affect the 2023/24 general fund position, and instead will be accounted for within the 2024/25 revenue budget.

Income Stream, retained by SCC (all figures £m)	Budget 23/24	Forecast Year End Position	Variance
Council Tax	(267.8)	(268.4)	(0.6)
Business Rates (<i>excl related grants</i>)	(92.8)	(94.0)	(1.2)
Total	(360.6)	(362.4)	(1.8)

Council Tax

4. The forecast year end position for Council Tax is a surplus of £0.6m.

Collection Fund - Council Tax (all figures £m)	Budget 23/24	Forecast Year End Position	Variance
Gross Council Tax income yield for 2023/24	(439.7)	(439.8)	(0.1)
Revenue foregone due to Council Tax Support	40.8	40.0	(0.8)
Other discounts and exemptions	69.6	69.1	(0.5)
Prior year liability adjustments		1.4	1.4
Net Collectible Council Tax	(329.3)	(329.3)	(0.0)
Losses on collection and increase/(decrease) to bad debt provision	14.8	14.1	(0.7)
Council Tax Income	(314.5)	(315.2)	(0.7)
Allocation of Council Tax Income (<i>%age share in brackets</i>)			
Sheffield City Council (85.2%)	(267.8)	(268.4)	(0.6)
South Yorkshire Police and Crime Commissioner (11.0%)	(34.6)	(34.7)	(0.1)
South Yorkshire Fire & Rescue (3.8%)	(12.0)	(12.0)	(0.0)
Total Allocations	(314.5)	(315.2)	(0.7)

5. The estimates used for the purposes of setting the 23/24 Budget appear to be reasonably accurate. The Net Collectible Council Tax (after exemptions and discounts) are in line with original estimates. The driver for the surplus position is a £0.7m improvement against the expected bad debt provision. This is due to an expected recovery in the collection relating to this year's liability, as well as prudent estimates of the rate at which the Council collects historic debts.

6. The main threat to the position is the uncertainty created by the ongoing inflationary context, and the impact this may have on residents' ability to pay Council Tax. The headline position assumes a level of decline in future months, so we are proceeding on a cautious footing and estimating a level of payment failure and additional provision needed for eventual bad debt.
7. As above, any variance to the budgeted position will not affect the 23/24 outturn position but must be accounted for in future years. The above table demonstrates a surplus payment into 24/25, if this position holds true.

Business Rates

8. The forecast year end position for Business Rates is a £1.2m surplus.

Collection Fund - Business Rates (all figures £m)	Budget 23/24	Forecast Year End Position	Variance
Gross Business Rates income yield	(267.1)	(267.0)	0.1
Estimated Reliefs	76.5	76.5	0.0
Losses on collection, appeals and increase/(decrease) to bad debt provision	11.7	9.7	(2.0)
Net Collectable Business Rates	(178.9)	(180.8)	(1.9)
Transitional Protection Payments due to Authority	(9.3)	(9.3)	(0.0)
Cost of Collection allowance	0.7	0.7	0.0
Disregarded amounts (see breakdown below)	3.5	3.4	(0.1)
Non Domestic Rating Income	(184.0)	(186.0)	(2.0)
Allocation of net business rates (<i>percentage share in brackets</i>)			
(a) Sheffield City Council (49%)	(90.2)	(91.1)	(0.9)
SY Fire Authority (1%)	(1.8)	(1.9)	(0.1)
Central Government (50%)	(92.0)	(93.0)	(1.0)
Total Allocations	(184.0)	(186.0)	(2.0)
Share of disregarded amounts			
(b) Sheffield City Council	(2.6)	(2.9)	(0.3)
South Yorkshire Mayoral Combined Authority	(0.9)	(0.5)	0.4
Sheffield City Council NNDR Income, (a) + (b)	(92.8)	(94.0)	(1.2)

9. This is mainly due to a £2.0m improvement against losses on collection – as payment rates of both 23/24 and historic debt remain strong (having already recovered to the pre-COVID trend), less of the credit within the Fund is needed to be set aside to cover risk of default. As such, this credit can be released as surplus to the General Fund.
10. This position is sensitive to a number of risks – that aggregate rating liability remains stable, and that payment rates continue to be strong. The assessment of bad debt and payment rates at this stage proceeds on a prudent footing, and regular monitoring is conducted to give confidence to the forecast year end position.

Conclusion

11. The above forecast of a modest surplus position rests on a number of assumptions – detailed above. For avoidance of doubt, it must be remembered that any eventual deficit at year end does not affect the 2023/24 General Fund revenue outturn, and will be accounted for within future revenue budgets.
12. Due to the size of the Collection Fund, a small percentage variation in income or expenditure over the coming months will have a significant impact on the forecast position. The surplus outlined above is less than 1% of the 23/24 Collection Fund income share. Monthly monitoring of the Collection Fund position is conducted to ensure that we are fully aware of any changes and the potential budget impacts.

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