

Collection Fund Monitoring

As at 31st December

Summary

1. In 2023/24 approximately £361.2m 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 December, the local share of the Collection Fund Income Stream is forecasting a surplus of £6.3m 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	(268.4)	(271.1)	(2.7)
Business Rates (<i>excl related grants</i>)	(92.8)	(96.4)	(3.6)
Total	(361.2)	(367.5)	(6.3)

Council Tax

4. The forecast year end position for Council Tax is a surplus of £3.1m, of which the Council will receive £2.7m

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)	(440.4)	(0.7)
Revenue foregone due to Council Tax Support	40.8	39.8	(1.0)
Other discounts and exemptions	69.6	70.9	1.3
Prior year liability adjustments		2.2	2.2
Net Collectible Council Tax	(329.3)	(327.5)	1.8
Losses on collection and increase/(decrease) to bad debt provision	14.8	9.9	(4.9)
Council Tax Income	(314.5)	(317.6)	(3.1)
Allocation of Council Tax Income (<i>%age share in brackets</i>)			
Sheffield City Council (85.4%)	(268.4)	(271.1)	(2.7)
South Yorkshire Police and Crime Commissioner (10.9%)	(34.2)	(34.5)	(0.3)
South Yorkshire Fire & Rescue (3.8%)	(11.9)	(12.0)	(0.1)
Total Allocations	(314.5)	(317.6)	(3.1)

5. The estimates used for the purposes of setting the 23/24 Budget appear to be accurate. The Net Collectible Council Tax (after exemptions and discounts) are in line with original estimates. The driver for the surplus position is a £4.9m 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 revised 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 cost of living crisis, 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.

Business Rates

7. The forecast year end position for Business Rates is a £6.3m surplus, of which the Council will retain £3.6m.

Collection Fund - Business Rates (all figures £m)	Budget 23/24	Forecast Year End Position	Variance
Gross rates yield relating to 23/24	(267.1)	(267.9)	(0.8)
Estimated reliefs relating to 23/24	76.5	72.9	(3.6)
Prior year liability adjustments		9.8	9.8
Losses on collection, appeals and increase/(decrease) to bad debt provision	11.7	2.6	(9.1)
Net Collectable Business Rates	(178.9)	(182.6)	(3.7)
Transitional Protection Payments due to Authority	(9.3)	(12.1)	(2.8)
Cost of Collection allowance	0.7	0.7	-
Disregarded amounts (see breakdown below)	3.5	3.7	0.2
Non Domestic Rating Income	(184.0)	(190.3)	(6.3)
Allocation of net business rates (%age share in brackets)			
(a) Sheffield City Council (49%)	(90.2)	(93.2)	(3.0)
SY Fire Authority (1%)	(1.8)	(1.9)	(0.1)
Central Government (50%)	(92.0)	(95.2)	(3.2)
Total Allocations	(184.0)	(190.3)	(6.3)
Share of disregarded amounts			
(b) Sheffield City Council	(2.6)	(3.2)	(0.6)
South Yorkshire Mayoral Combined Authority	(0.9)	(0.5)	0.4
Sheffield City Council NNDR Income, (a) + (b)	(92.8)	(96.4)	(3.6)

8. This **£6.3m** surplus is a healthy position and can be explained by larger variances, mainly:

- (a) The net liability (gross liability less reliefs) for 23/24 is currently **£4.4m** better than assumed in Budget – this is due to some reliefs being claimed at a lower rate than assumed in the Budget.

- (b) The Council must account for **£9.8m** of liability adjustments that relate to prior years, as appeals are settled and other adjustments to bills are made. It should be borne in mind that the Council's ability to control or influence these decisions is minimal and these decisions are taken by the Valuation Office Agency.
- (c) The **£9.1m** favourable variance against Losses in Collection relates to two main drivers. £4.6m relates to the bad debt provision – due to strong collection rates of this years, and historic debt, the Council is able to set less aside in order to provide against the risk of default. £4.5m relates to the appeals provision – as historic appeals are decided, the Council can release from the provision to cover the 'loss' due to the appeals (some of which relate to points (a) and (b), above), or because the provision is no longer needed.
- (d) Transitional protection was introduced within 23/24 bills to smooth out increases to bills following the new ratings List in from 1/4/23. As the claims for this increase in excess of the budget estimate, the Council can recognise **£2.8m** income to compensate for the cost of the scheme.
9. 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

10. 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 surplus at year end does not affect the 2023/24 General Fund revenue outturn and are included within the 2024/25 General Fund revenue budget as income from the Collection Fund surplus.
11. 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 2% 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 for future years.

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