

Collection Fund Monitoring

As at 31st December

Summary

- In 2022/23 approximately £343.6m 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.
- As at the end of December, the estimate of the year end position is a £4.0m surplus overall. When prior year reconciliations are taken into account of £0.3m, the overall surplus allocation for 2023/24 is £4.3m. It should be borne in mind that £3.0m of this surplus will be needed to repay specific reserves, leaving a 'true' surplus of £1.3m.

All figures £m	Council Tax	NNDR	Total
Reconciliation of prior year (surplus)/deficit	(0.1)	(0.2)	(0.3)
Estimate of 22/23 (surplus)/deficit <i>incl 20/21 spread deficit</i>	(0.5)	(3.5)	(4.0)
Total Collection Fund (Surplus)/Deficit Payments in 23/24	(0.6)	(3.7)	(4.3)
Surplus funding needed to replenish specific reserves		3.0	3.0
Underlying (surplus)/deficit payments in 23/24	(0.6)	(0.7)	(1.3)

- Following the timetable for the establishment of a revenue budget, these figures are now included within the 2023/24 Revenue Budget. Any changes between 31st December and 31st March to these figures will now feed into the 2024/25 Revenue Budget. This report focuses on the second line in the above table – the £4.0m surplus relating to 2022/23 activity.

Council Tax

- The forecast year end position for Council Tax is a surplus of £0.5m for the SCC element. The estimates used for the purposes of setting the 2022/23 Budget therefore appear fairly accurate.

Collection Fund - Council Tax (all figures £m)	Budget 22/23	Forecast Year End Position	Variance
Gross Council Tax income yield for 2022/23	(352.8)	(352.8)	(0.0)
Revenue foregone due to Council Tax Support	35.4	34.8	(0.6)
Other discounts and exemptions	54.3	54.3	0.0
Prior year liability adjustments	-	2.5	2.5
Losses on collection and increase/(decrease) to bad debt provision	11.8	9.4	(2.4)
Council Tax Income	(251.3)	(251.8)	(0.5)

- Payment rates continue to recover to pre-pandemic levels, and the aggregate Council Tax liability after exemptions and discounts are in line with original estimates. Revenue foregone due to Council Tax Support is slightly lower than anticipated.
- Prior year adjustments of £2.5m are offset by a subsequent reduction in the required bad debt provision.

7. The main threat to this position is the uncertainty created by the current cost of living crisis, especially given the cold winter, and the impact this may have on residents' ongoing ability to pay Council Tax.
8. The headline position assumes both a level of decline in the payment rate of this year's bills, as well as a challenging environment in terms of enforcing any outstanding arrears in future years.

Business Rates

9. The forecast year end position for Business Rates is a £3.5m surplus share, detailed below, which will release in to the 2023/24 Revenue Budget. It must be borne in mind that £3.0m of this will be needed to repay earmarked reserves¹, leaving a £0.5m underlying improvement.

Collection Fund - Business Rates (all figures £m)	Budget 22/23	Forecast Year End Position	Variance
Gross Business Rates income yield	(130.7)	(125.4)	5.3
Estimated Reliefs	33.5	27.4	(6.1)
Losses on collection, appeals and increase/(decrease) to bad debt provision	5.7	3.0	(2.7)
Cost of Collection allowance	0.4	0.4	0.0
Designated amounts	(1.2)	(1.2)	(0.0)
Net Collectable Business Rates	(92.3)	(95.8)	(3.5)
Total Locally Collected Taxation	(343.6)	(347.6)	(4.0)

10. The net collectable business rates position is a £3.5m improvement to the budget assumptions, and this contains some large movements as below:
 - Gross liability is projected to fall £5.3m below budgeted levels. This is mainly due to the impact of prior year adjustments to liability where rateable values have been reduced or hereditaments removed from the List entirely.
 - The value of reliefs awarded is forecast to be £6.1m lower than the budgeted figure. This is largely due to fewer applicants for the 2022/23 retail discount than assumed within the Budget, and the same is true for other available reliefs.
 - The necessary adjustment to maintain the bad debt and appeals provision is also forecast to be lower than estimated, leading to an improvement of £2.7m. This is due to successful enforcement and collection activity as regards historic debt, and the resolution of historic appeals meaning the Council need no longer hold the provision.
11. This position is sensitive to a number of risks – that aggregate rating liability remains stable, and that payment rates continue to be strong. As above, this position includes an amount of decline to provide against risks borne of an uncertain and changeable backdrop.

¹ The reasoning here is that the surplus is in part due to lower applications for grant-funded relief schemes, for which the Council received funding in advance. Therefore, too much grant has been received, and must therefore be recognised as a creditor to be repaid. £3.0m is therefore needed from reserves to avoid a funding shortfall within the 22/23 General Fund and will be repaid into reserves within the 2023/24 Revenue Budget.

Conclusion

12. The above forecast position rests on a number of assumptions – detailed above. For avoidance of doubt, it must be remembered that any eventual surplus or deficit at year end does not affect the 2022/23 General Fund revenue outturn and will be accounted for within future revenue budgets.
13. Due to the size of the Collection Fund, any small percentage variations in income or the level of aggregate bills over the coming months will have a significant impact on the forecast position. Monthly monitoring of the Collection Fund position is conducted to ensure that we are fully aware of any changes and the potential budget impacts.

2023 Business Rates Revaluation and the ongoing impacts

14. In 2023 there was a national Business Rates Revaluation. This saw a great deal of changes at a micro-level, but Sheffield's List remained more or less static from the previous re-valuation in 2017. This should be compared to a national average growth in rateable value terms of 7.3% - Sheffield ranked 313 out of 330 Council areas in terms of growth between lists.
15. This doesn't make for great reading in terms of the city's business growth, however the impact of this on bottom line revenue funding is minimal, as the Government has committed to ensuring that the 2023 Revaluation is net neutral for authorities – the 23/24 Revenue Budget includes compensation via additional Top Up Grant for Sheffield's below-average growth as well as the transfer of valuable hereditaments to the Central List.
16. The below table demonstrates the percentage change of rateable value between the 2017 and 2023 Lists:

	Sheffield				National			
	2017 List	2023 List	£k Change	%age Change	2017 List	2023 List	£k Change	%age Change
Retail	197,570	157,737	-39,833	-20.2%	15,952,243	14,358,028	-1,594,215	-10.0%
Industry	106,401	127,202	20,801	19.5%	13,977,325	17,856,964	3,879,639	27.8%
Office	75,235	84,815	9,580	12.7%	14,547,002	16,047,230	1,500,228	10.3%
Other	156,129	166,263	10,134	6.5%	18,796,173	19,614,386	818,213	4.4%
All	535,334	536,017	683	0.1%	63,272,744	67,876,607	4,603,863	7.3%

17. Retail as a sector has seen a re-valuation downwards nationally of 10%, double this in Sheffield (though it does remain Sheffield's biggest source of Business Rates income). Industry has seen a big jump in ratings value both nationally and locally. The Office sector has seen a bigger relative jump in rateable value in Sheffield than elsewhere.
18. Whilst it's difficult to read too much into this, it does show that rateable values in Sheffield are not keeping pace with the national average in both retail and industry. It also shows industry and office use is becoming more valuable in terms of business rates income to the city than it previously was, whilst retail declines in value.
19. This could be useful information in planning the future business strategy of the city.

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