

Collection Fund Monitoring

As at 31st May 2020

Summary

1. In 2020/21 approximately £331.2m of SCC 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 May, the local share of the Collection Fund Income Stream is forecasting an overall in-year deficit of £22.7m made up of a £18.2m deficit on Council Tax and a £4.5m deficit on Business Rates. Due to Collection Fund accounting regulations, this deficit will not impact on 2020/21 and will be fed into the budget process for 2021/22.
3. Covid-19 is forecast to have a significant impact on both revenue streams both for 2020/21 and for future years. This is both from an increase in people on Council tax Support leading to less Council Tax receivable plus a reduction in the Business Rates payable across the city.

Income Stream (all figures £m)	Budget 19/20	Forecast Year End Position	Variance
Council Tax	(227.4)	(209.2)	18.2
Business Rates Locally Retained	(103.8)	(99.2)	4.5
Total	(331.2)	(308.4)	22.7

Council Tax

4. The forecast year end position for Council Tax is a deficit of £18.2m. This is primarily because of forecast increase in the number of CTS claimants of £4.5m and an increase in the bad debt provision of £13.7m. This is in anticipation of households struggling to pay their bills as a result of the Covid-19 pandemic. Not all of these increases have materialised yet however they are forecast to be recognised as the year progresses. Further analysis will be done on the evolving position over the next four months and a clearer position is anticipated to be evident by month 6 monitoring.

Business Rates

5. The forecast year end position for Business Rates is a £9.0m deficit of which Sheffield's share is £4.5m. The £9.0m deficit is primarily made up of an increase in the losses on collection and the increase in the bad debt provision, again this is a direct result of the Covid pandemic, resulting lockdown and anticipated closure of businesses. Further analysis of the business rates position can be found on the following pages.

Collection Fund - Business Rates (all figures £m)	Budget 20/21	Forecast Year End Position	Variance
Gross Business Rates income yield	(274.9)	(274.1)	0.8
Estimated Reliefs	49.4	158.9	109.5
Losses on collection, appeals and increase/(decrease) to bad debt provision	11.4	20.4	9.0
Net Collectable Business Rates	(214.1)	(94.8)	119.3
Transitional Protection Payments due from Authority	3.3	3.0	(0.3)
Cost of Collection allowance	0.8	0.8	0.0
Additional S31 Grants for retail relief	-	(110.0)	(110.0)
Non Domestic Rating Income	(210.0)	(201.0)	9.0
Appropriation of net business rates:			
Sheffield City Council (49.2%)	(103.8)	(99.3)	4.5
SY Fire Authority (1%)	(2.1)	(2.0)	0.1
Central Government (49.4%)	(103.5)	(99.1)	4.4
Designated Areas (0.4%)	(0.6)	(0.6)	-
Total Appropriations	(210.0)	(201.0)	9.0

Gross Rates Income Yield

6. The Gross Business Rates Income Yield is forecast to remain relatively static for the year and is currently £0.8m under budget. As part of the 2020/21 budget setting process, we built in expected Retail Relief of 50% for eligible properties. Following the Covid-19 reliefs announcement by the government which expanded both the scope and size of the retail relief for a significant number of properties, we have experienced a significant decline in expected income to be collected from these businesses. The Government recognised this and we have subsequently received additional Section 31 Grants to compensate us for the loss in income.

Reliefs and Discounts

Reliefs (all figures £m)	Budget 2019/20	Forecast Year End Position	Variance
Small Business Rates Relief	13.1	13.6	0.5
Transitional Relief	(3.3)	(3.0)	0.3
Mandatory Charity Relief	24.5	24.1	(0.4)
Discretionary Relief	1.3	1.3	0.0
Empty Property / Statutory Exemption	8.5	7.5	(1.0)
Partly Occupied Premises Relief	0.7	0.7	(0.0)
New discretionary reliefs	4.6	114.7	110.1
Total Reliefs	49.4	158.9	109.5

7. Following the outbreak of Covid-19, the Government issued enhanced retail relief for all retail properties. This retail relief amounted to approximately £110m for Sheffield properties and is highlighted in the reliefs table
8. Most reliefs and discounts are generally awarded in full at the point of billing in March. The total level of reliefs awarded to the end of May amounts to £158.9m which is £109.5m above the £49.4m in the original budget. These reliefs are expected to rise to remain relatively consistent by year end.

Appeals

9. The 2020/21 Council budget anticipated £7.7m of in year refunds resulting from appeals. To date, the number of Check, Challenges and Appeals being processed by the VOA are significantly reduced on previous years however there is expected to be an upturn in appeals following the Covid-19 pandemic.
10. There have been discussions with MHCLG and the VOA about the data that we receive with the hope of extracting more user friendly management information. This is ongoing and is anticipated to see improved results in 2020/21.
11. The VOA had committed to resolving all outstanding 2010 list appeals bar for any in litigation by September 2019; this deadline was met on the whole. There are currently less than 330 cases outstanding relating to the 2010 list however the majority of these relate to one major case currently under litigation.
12. The major case relates to Supermarkets and ATM's and whether the ATM's should have their own rateable value. The case was decided at the Supreme Court in favour of the parties bringing this suit and will see a significant refund due to these parties in due course. These refunds are 100% provided for and will not see any impact on the surplus/deficit for the Collection Fund.

Conclusion

13. The forecast in year position of a £22.7m deficit for Sheffield on the Collection Fund is the anticipated worst case scenario and it is not forecast to deteriorate further. 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 outturn. 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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