

1. The Local Government Finance Act 1992 (as amended) requires the Council to determine the estimated surplus or deficit on the Collection Fund in respect of Council Tax by 15 January. This will enable the precepting authorities (the Police and Crime Commissioner for Avon and Somerset and Avon Fire and Rescue) to take into account their share of any surplus or deficit before finalising their precepts for 2019/20.

Similarly, following the introduction of the Business Rates Retention Scheme from April 2013, in accordance with the Non-Domestic Rating (Rates Retention) Regulations 2013, the Council must determine the estimated surplus or deficit on the Collection Fund in respect of Business Rates prior to 31 January.

2. Income from Council Tax and Business Rates are fixed at the start of each financial year. Any variations from this are realised through the Collection Fund and are distributed in the following two financial years (based on estimated in the following year and actuals in the subsequent year.) The Council is required by statute to maintain a Collection Fund separate from the General Fund. The Collection Fund accounts independently for:
  - Income into the Fund: the Fund is credited with the amount of receipts of Council Tax and (Non Domestic Rates) NDR it collects.
  - Payments out of the Fund: in relation to Council Tax payments that are made to the Council and the two major precepting authorities (Avon and Somerset Police and Crime Commissioner and Avon Fire and Rescue ). In relation to NDR payments that are made to the Council, the Secretary of State, Avon Fire and Rescue Service and WECA.

### **2018/19 Estimated Surplus for Council Tax**

3. The forecast of the Council Tax Collection Fund Balance for the year ending 31 March 2019 is an estimated surplus of £2.1m. After accounting for savings of £300k arising from anti-fraud initiatives carried out during the year a balanced position is anticipated for 2018/19. The surplus of £1.8m to be distributed in 2019/20 therefore primarily relates to balances carried forward from 2017/18.
4. The surplus in 2017/18 is due to a number of factors. There was a £1.1m reduction in losses on collection along with an associated reduction in the year-end contribution to the bad debt provision. The net yield, after discounts and exemptions saw an increase of £700k. This includes income of £1.6m in respect of new chargeable properties added to the valuation list in addition to those estimated in the 2017/18 Council Tax Base Report. However discounts and exemptions increased by £2.2m over and above those originally estimated, of which around £1.7m related to students. In line with previous trends there was a reduction in benefits awarded through the Council Tax Reduction Scheme of £1.3m.
5. Although a balanced position after savings is estimated for 2018/19 there are a number of significant variations. Since calculating the Council Tax Base for 18/19 (in October 2017), there has been a very small increase in gross yield of around £200k.

6. In addition, the value of benefits awarded through the Council Tax Support Scheme has continued to fall from an estimate of £40.3m at the beginning of the year to an anticipated outturn position of £39m. This is following a trend identified over the last few years. The table shows the split between the budgeted and likely actual cost of the scheme split between working age and pensioner claimants. This results in a reduction of £1.3m.

	Value of benefits claimed		
	Working Age	Pensioner	Total
	£m	£m	£m
Council Tax Base Estimate for 2018/19	26,522	13,759	40,281
Estimated Outturn 2018/19	26,077	12,923	39,000
Difference	445	836	1,281
Percentage Reduction	1.68%	6.08%	

7. The table below shows the number of pensioner and working age claimants recorded each year on the CTB return since October 2014.

	October 2014	October 2015	October 2016	October 2017	October 2018
Pensioners	11,663	11,019	10,054	9,594	9,077
Working Age	20,949	20,163	19,447	19,100	18,938
Total	32,612	31,182	29,501	28,694	28,015

8. The table above shows that the reduction in tax base due to pensioner claimants has fallen by 2,586 , or 22.2% since 2014, primarily because pensioner benefit income is rising more quickly than the cost of living (“triple lock”), while the number of working age claimants has reduced by 2,011 or 9.6% over the same period of time. This is in line with previously reported trends and therefore has been reflected in the calculation of the Tax Base.
9. Conversely, discounts and exemptions have also increased by £2.1m since the original tax base estimate in October 2017. Student exemptions are estimated to have increased by £1.8m and other discounts by £300k over the original budgeted for 2018/19.
10. Losses on collection continue to fall, with an estimated reduction in losses of £1.0m in 2018/19. This is in line with trends over the last few years.
11. The estimated surplus is distributed to the major precepting authorities in proportion to the current year’s demands and precepts on the Collection Fund. A detailed determination of the estimated Council Tax Collection Fund surplus for 2018/19 is shown in Appendix A and the allocation of the estimated deficit to each of the major precepting authorities is summarised below:

	£'000
Bristol City Council (net of £300k saving)	1,549
Avon and Somerset Police and Crime Commissioner	217
Avon Fire and Rescue	82
	<u>1,848</u>

## 2018/19 Estimated Surplus for Non-Domestic Rates (NDR)

12. The Government introduced the first 100% pilot schemes in 2017/18. Only authorities with signed devolution deals were eligible to participate in a pilot: the pilot for the West of England (WoE) therefore includes Bath & North East Somerset Council (B&NES), Bristol City Council (BCC), South Gloucestershire Council (SGC) and the West of England Combined Authority (WECA). The 100% pilot gives the WoE the opportunity to retain 100% of any business rates growth until the next national reset of the business rates system in 2020/21.
13. In line with the Government's stated intention for the reforms to the Business Rate Retention system, authorities participating in a pilot will not have to pay a Levy on growth above their Retained Income target and will retain an increased Local Share of Non-Domestic Rating Income. Various grants, including Revenue Support Grant are 'rolled in' to the pilot, with the funding source being switched from grant to the Business Rates retained under the pilot. Through a system of tariffs and top-ups the creation of the pilot is fiscally neutral at baseline but authorities gain from retaining 100% of any above baseline growth.
14. Any estimated surplus/deficit is distributed in accordance with the 100% Business Rates Retention Pilot Agreement between the West of England authorities, so 94% Bristol City Council, 4% WECA and 1% Avon Fire and Rescue. The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31 March 2019 is an estimated surplus of £62k.
15. The detailed determination of the estimated NDR Collection Fund deficit for 2017/18 is shown in Appendix B and the allocation of the estimated deficit to the relevant precepting authorities is summarised in the table below.

	£'000
Bristol City Council	(87)
Avon Fire and Rescue	(9)
West of England Combined Authority	34
	<u>(62)</u>

This is split between current and prior years in the table below

	£'000
Accumulated (surplus)/deficit brought forward	13,725
Distribution of prior years estimated surplus	(13,976)
Prior year adjustment	(558)
Estimated in-year (surplus)/deficit	747
	<u>(62)</u>

16. The business rates income which each billing authority collects is determined by reference to local rating lists maintained by the Valuation Office Agency. These lists are subject to variation between revaluations as a result of physical changes (either to the property or the locality) and appeals. The amount of business rates income collected by billing authorities therefore varies year on year. The major factors giving rise to changes include:

- Reductions to the rateable value of business properties arising from appeals. Once settled the appeal may be backdated resulting in the Council having to refund several years rates from a single year's income. Under the business rates Pilot the risk to the Council of these large appeals is 94% of the loss.
  - Changes in the rateable values of very large business properties such as power stations or hospitals can have a material effect.
  - Business properties switching between rating lists. Large business properties which cross boundaries, such as ports, appear in the list which contains the largest area. Changes in these properties could lead to large amounts of rateable value switching from one list to another. Similarly locally rated business with infrastructure covering large areas of the Country, for example telecommunication companies, may apply to switch to the national list.
- 17.** Properties facing large rating increases are entitled to transitional relief to phase in these increases over a number of years. This relief is fully funded by the Government. In the event of a successful appeal resulting in a significant RV reduction, the transitional relief awarded is clawed back by netting off the refund. The relief is then paid back to the Government at the end of the financial year via the NNDR3 return.
- 18.** The Council is required to provide for potential appeals from its business rates income. Calculations for the provision are based upon the Valuation Office Agency 'Settled and Outstanding' proposals at end March reports. These reports show all appeals that have been lodged for each authority against the 2017 valuation listing along with remaining appeals outstanding on the 2010 list, including those which were agreed, dismissed, withdrawn or are still outstanding. This list is analysed into "types" of appeal. The average success rate and the percentage reduction in rateable value for those appeals which were successful is considered along with the potential for the backdating of any appeals decisions and the estimated annual cost was then adjusted by the ratings multiplier for the relevant year. Local intelligence is used alongside statistical modelling to inform decision making.
- 19.** As the amounts involved can be significant the Council takes a very prudent approach when calculating any likely impact of an appeal. As at the end of 2017/18 the appeals provision stood at £25.2m. Officers have determined that an estimated additional contribution to the provision of £4.0m will be required at the end of 2018/19. This is in line with Government recommendations (4.7% of net rates) and has been built into the estimates in this report. However the number of appeals against the 2010 list, has as expected, seen a significant decline, reducing the year on year increase into the provision. The provision is reviewed against valuation lists on a quarterly basis and is compared to that of both our nearest neighbours and similar sized authorities nationally.
- 20.** It should be noted that volatility in Appeals outcomes is an on-going risk of the business rates retention system which does introduce uncertainty in forecasting Collection Fund performance. However, the most significant risk that remains to the generation of gains under the pilot is the NHS/Foundation Trust applications for Charitable Relief. A claim has been made by 20 Foundation Trusts against 48 billing authorities. Bristol City Council is not one of these

however, depending on how the result of the case, the outcome may very well affect the Council. The estimated cost to BCC if successful, including backdated awards, is of the order of £38.3m.

## 21. Summary of Council Share of Collection Fund Surplus

The total share of the collection fund due to the Council in 2019/20 is as follows.

	£'000
Council Tax	1,549
NNDR	87
Prior Year Adjustment	(744)
<b>BCC Share</b>	<b>892</b>

### Appendix B - Consultation and scrutiny input:

- a. **Internal consultation:**  
Head of Revenues - Resources
- b. **External consultation:**  
Not Applicable

### Appendix D - Risk assessment:

There are a number of risks associated with estimating the amount of Council Tax and Business Rates collected during the year. These include;

- Reductions to the rateable value of business properties arising from appeals. Once settled the Council may have to settle several years business rates from a single year's income. This is a significant financial risk as the Council is now required to fund 94% of any award. Furthermore the Government have yet to set out clear proposals as to how the appeals process will be dealt with going forward.
- Changes to the rateable values of very large business properties such as power stations or hospitals can have a material effect on business rate collection.
- Business Properties switching between rating lists. This can include large cross boundary properties switching from one list to another or joining the central list.
- Difficulty in estimating Council Tax discounts and exemptions, including the take-up of the Council Tax Support Scheme.
- Effect of Brexit on the current buoyant property market in Bristol

### Appendices:

**Appendix I – Estimated Council Tax Collection Fund Account 2018/19**

**Appendix II – Estimated Non-Domestic Rates Collection Fund Account 2018/19**

### Access to information (background papers):

<b>2016/17</b>		<b>2017/18</b>	<b>2017/18</b>	<b>2018/19</b>
<b>Actual</b>		<b>Estimate as per Jan 17 Surplus/Deficit Report</b>	<b>Actual</b>	<b>Estimated Outturn</b>
<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Income</b>			
(214,094)	Council Tax Income	(226,521)	(227,200)	(240,869)
	<b>Expenditure</b>			
	<b>Precepts</b>			
178,403	Bristol City Council	192,162	192,162	204,540
21,560	Police	22,559	22,559	24,381
8,216	Fire	8,596	8,596	8,976
	<b>Bad and Doubtful Debts</b>			
2,132	Write Offs	3,398	2,268	2,632
<b>210,311</b>	<b>Total Expenditure</b>	<b>226,715</b>	<b>225,585</b>	<b>240,529</b>
<b>(3,783)</b>	<b>(Surplus)/Deficit for the year</b>	<b>194</b>	<b>(1,615)</b>	<b>(340)</b>
(5,406)	Accumulated (surplus)/deficit Bfwd	(4,761)	(4,761)	(1,772)
4,428	Distribution of prior years estimated surplus	4,604	4,604	(37)
(3,783)	(Surplus)/Deficit for the year	194	(1,615)	(340)
<b>(4,761)</b>		<b>37</b>	<b>(1,772)</b>	<b>(2,149)</b>
	<b>Distribution of estimated Collection Fund deficit:</b>			
(4,077)	Bristol City Council	32	(1,525)	(1,849)
(495)	Police	4	(179)	(217)
(189)	Fire	1	(68)	(83)
<b>(4,761)</b>		<b>37</b>	<b>(1,772)</b>	<b>(2,149)</b>

## Business Rates Collection Fund Adjustment Account

## APPENDIX II

2016/17		2017/18	2017/18	2018/19
Actual		Estimate as per surplus/deficit report Jan 17	Actual	Estimated Outturn
£'000		£'000	£'000	£'000
	<b>Income</b>			
(219,806)	Business rates income	(227,718)	(219,119)	(223,749)
6,546	Transitional Surcharge	6,410	6,050	3,533
	<b>Expenditure</b>			
	<b>Payments to Preceptors</b>			
108,137	Central Government	0	0	0
105,974	Bristol City Council	192,396	192,396	197,400
2,163	Avon Fire	2,047	2,047	2,100
	WECA	10,234	10,234	10,500
5,348	Disregarded amounts	4,432	3,259	4,417
722	Cost of collection allowance	716	716	716
	<b>Bad and Doubtful debts</b>			
2,509	Write offs	1,900	1,342	1,810
	<b>Appeals losses and provision</b>			
8,008	Increase/(decrease) in appeals provision	9,300	2,541	4,020
<b>232,861</b>	<b>Total Expenditure</b>	<b>221,025</b>	<b>212,535</b>	<b>220,963</b>
<b>19,601</b>	<b>(Surplus)/Deficit for the year</b>	<b>(283)</b>	<b>(534)</b>	<b>747</b>
	<b>Accumulated (surplus)/deficit</b>			
(2,586)	Accumulated (surplus)/deficit BFwd	1,086	1,086	13,725
(15,929)	Distribution of prior year estimated (surplus)/deficit	13,173	13,173	(13,976)
	Prior Year Adjustments			(558)
19,601	(Surplus)/deficit for the year	(283)	(534)	747
<b>1,086</b>		<b>13,976</b>	<b>13,725</b>	<b>(62)</b>
	<b>Distribution of estimated collection fund deficit</b>			
543	Central Government	0	0	0
532	Bristol City Council	13,137	12,902	(87)
11	Avon Fire and Rescue	699	686	(9)
0	WECA	140	137	34
<b>1,086</b>		<b>13,976</b>	<b>13,725</b>	<b>(62)</b>