

## Collection Fund Monitoring – Quarter 2 2025/26

The council collects council tax and business rates income, which is collected through the Collection Fund. Council tax and business rates receipts are monitored within the Collection Fund throughout the year and compared with anticipated income levels.

Whilst the income credited to the council's General Fund revenue account is set through the annual council tax precept (approved at Council in February each year) and through the NNDR1 government return (which determines business rates income for the council), any variance from original assumptions is held in the Collection Fund as a surplus or deficit to be transferred to/from the General Fund in future years.

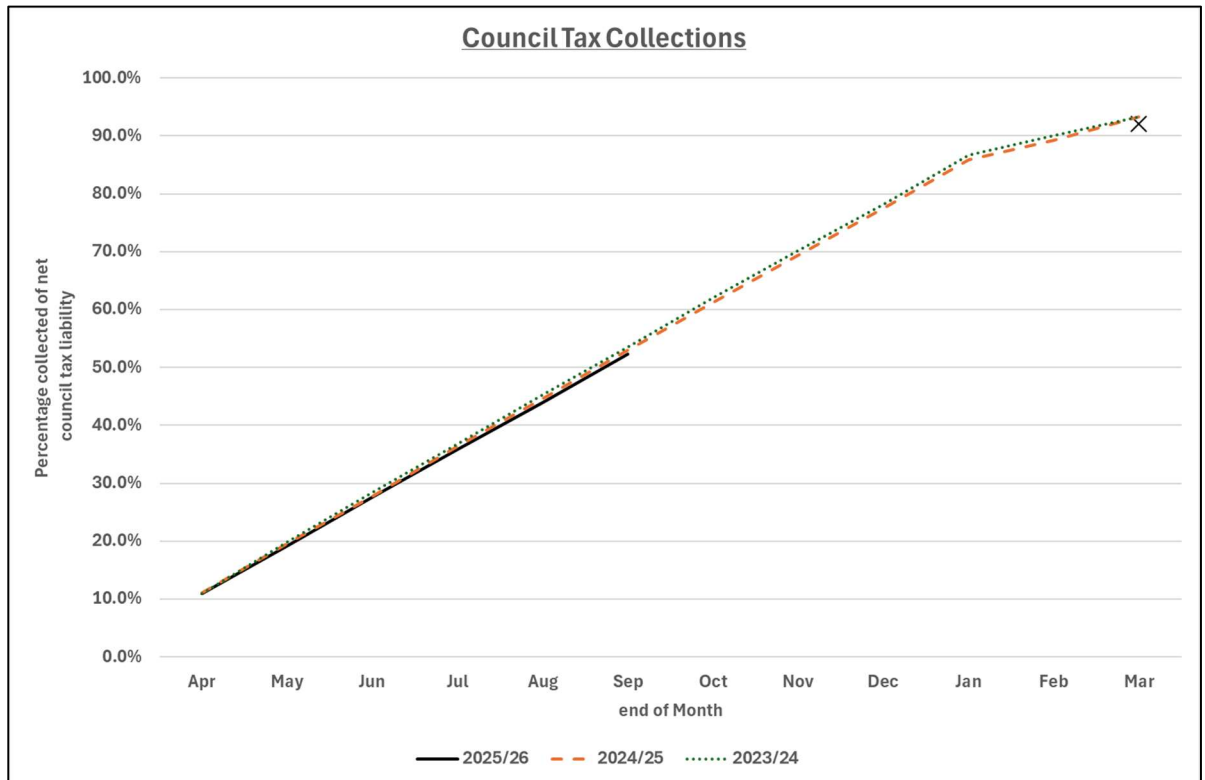
### 1. Council Tax Receipts

- 1.1. Council tax receipts are collected on behalf of all of the precepting bodies (Sandwell MBC, West Midlands Fire Service and the Police and Crime Commissioner for the West Midlands) and distributed according to agreed precepts.
- 1.2. For 2025/26, the total council tax liability issued for collection (after allowing for discounts, benefits and exemptions) amounts to approximately £177m, of which 85.5% is the council's share.
- 1.3. Monitoring of collection takes the form of comparing how much cash has been collected at the end of each accounting period, expressed as a percentage of the total amount billed. Performance is compared with previous years, to ascertain whether collections are either in-line, exceeding or falling short of usual trends.
- 1.4. From April 2025, a change was made to the Local Council Tax Reduction Scheme (LCTRS), meaning that some households who were not liable to pay council tax in previous years are now liable to pay a contribution towards their council tax from 2025/26. This presents a risk to council tax collection rates, which is being monitored closely.
- 1.5. Indications at the end of Quarter 2 show that amounts collected equated to 52.3% of the total liability. Comparison to collection rates in previous years is shown in the following table.

	End June (Q1)	End September (Q2)	End March Forecast/ Actual
2025/26	27.6%	52.3%	92.0% ( <i>Forecast</i> )
2024/25	27.9%	53.0%	93.2%
2023/24	28.4%	53.5%	93.3%

1.6. Current collection performance is only marginally below previous years and does not give cause for concern, as it was expected that for reasons indicated above regarding the LCTRS, collection rates would marginally reduce. The anticipated impact was considered when setting the council tax base at the time of setting the council's budget in February 2025.

1.7. The graph below shows how current year collections compare against previous years with the "X" representing the March forecast for 2025/26



## 2. Council Tax – Tax Base

2.1. The tax base for council tax is a calculation of the estimated number of chargeable properties within the borough, adjusted for reliefs and exemptions, expressed as a number of band D properties. This figure is then adjusted for an assumed collection rate to allow for bad debts.

2.2. For 2025/26, the tax base equated to 82,088 (before adjustments for non-collection) and included an estimate of the likely impact of the introduction of the new LCTRS. This estimate does come with a risk, as any variations in tax base assumptions to actual household numbers will create either a surplus or deficit in the Collection Fund which will impact on the council's medium term financial strategy.

2.3. Monitoring as at end of Quarter 2 indicates that the tax base currently equates to 83,147 which is in excess of the budgeted tax base and an additional

increase from 82,621 as at the end of the first quarter, representing additional growth. This reduces the risk of the Collection Fund reporting a deficit at the end of the financial year, but the position will be closely monitored throughout the year, as in-year fluctuations are to be expected as new properties are added and other properties are removed.

### **3. Council Tax – Collection Fund Forecast**

- 3.1. Taking the above matters into account and projecting forward to the end of the financial year, early indications are that the Collection Fund in respect of council tax will achieve a marginal deficit of £0.090m in 2025/26 compared to a forecast surplus of £0.020m at the end of Q1. Of the deficit forecast, £0.077m relates to Sandwell Council with the residual balance accountable to the other preceptors.
- 3.2. The forecast deficit position at Q2 is not material, but will be monitored regularly and where possible proactive measures put in place to ensure that any impact on the Medium Term Financial Strategy is minimised.

### **4. Business Rates**

- 4.1. Business rates in year liability (the amount billed) is far more volatile than council tax, resulting in monitoring of cash collections being more difficult and less informative. This is due to the nature of businesses changing throughout the year, applying for reliefs or exemptions, some of which can be of extremely large value. In many cases, losses in business rates billed, due to reliefs awarded, are recovered through Section 31 grants from the Ministry for Housing, Communities and Local Government (MHCLG), which reimburses the council for loss of income where reliefs awarded are due to Central Government policy.
- 4.2. Therefore, monitoring of business rates income is conducted differently from council tax, and looks at the projected final outturn and the forecast closing surplus/deficit position.

4.3. The following table reports forecast income for the year as at the end of Quarter 2, compared with original estimates:

	<b>NNDR1 Original Estimate</b> £m	<b>Forecast as at Quarter 1</b> £m	<b>Forecast as at Quarter 2</b> £m	<b>Forecast Variance Quarter 2</b> £m
<b>Gross Business Rates Payable (before reliefs and exemptions)</b>	<b>159.275</b>	<b>162.207</b>	<b>160.826</b>	<b>1.551</b>
<b>Reliefs and Exemptions:</b>				
Small Business Rates Relief	(13.815)	(14.271)	(14.445)	(0.630)
Charitable Occupation	(9.175)	(9.068)	(9.057)	0.118
Empty Premises	(2.799)	(4.453)	(4.205)	(1.406)
Supporting Small Business	(2.035)	(2.047)	(2.033)	0.002
Retail Hospitality & Leisure	(3.205)	(3.367)	(3.177)	0.028
Other Reliefs and Exemptions	(2.124)	(2.067)	(2.001)	0.123
<b>Total Reliefs and Exemptions</b>	<b>(33.153)</b>	<b>(35.273)</b>	<b>(34.918)</b>	<b>(1.765)</b>
<b>Net Rates Payable</b>	<b>126.122</b>	<b>126.934</b>	<b>125.908</b>	<b>(0.214)</b>
Other Movements	(3.144)	(3.115)	(1.159)	1.985
<b>Net Business Rates Income</b>	<b>122.978</b>	<b>123.819</b>	<b>124.749</b>	<b>1.771</b>
<b>Sandwell MBC Share: 99%</b>	<b>121.750</b>	<b>122.579</b>	<b>123.501</b>	<b>1.751</b>

4.4. The data presented above indicates that net rates payable (amounts chargeable after reductions for reliefs or exemptions) are only £0.214m lower than original estimates, although as the table shows there are movements in gross rates offset by reliefs awarded.

4.5. Other movements show a favourable variance of £1.985million as allowances for NDR appeals and bad debt provisions are lower than original budget predictions.

4.6. Of the forecast net additional business rates income of £1.771m that would be held in the Collection Fund, 99% is attributable to the council and would be credited to the General Fund revenue account in future years.

4.7. Net business rates income forecasts show a 1.4% favourable variance compared to initial estimates, with the resultant variance not being material at this stage.