

SUBJECT: COLLECTION FUND SURPLUS/DEFICIT – COUNCIL TAX

DIRECTORATE: CHIEF EXECUTIVE AND TOWN CLERK

REPORT AUTHOR: JACLYN GIBSON – CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 To inform Members of the estimated balance for the Council Tax element of the Collection Fund and the surplus or deficit to be declared for 2022/23.

2. Executive Summary

- 2.1 Prior to setting the Council Tax for 2023/24 the City Council is required to estimate whether there is to be a surplus or deficit on Council Tax element of the Collection Fund for the current financial year (2022/23).
- 2.2 The Council will declare a deficit on Council Tax £629,307 for the financial year 2022/23, with the City Council's share being £91,532, to be distributed in 2023/24.
- 2.3 In addition, as part of a spreading adjustment in respect of 2020/21 deficits, a deficit of £297,589, with the City Council's share being £44,595, will be distributed in 2023/24.
- 2.4 The net position to be distributed in 2023/24, for the City Council's share, is therefore a deficit of £136,126, as set out below:

	2023/24 CoLC Share £
Council Tax – 22/23 estimated deficit	112,204
Council Tax - prior years surplus	(20,672)
Total Deficit Declared for 22/23	91,532
Council Tax – spreading adjustment 21/22	44,595
Total Deficit to be distributed in 22/23	136,126

3. Background

- 3.1 As a Council Tax Billing Authority, the City Council is required to estimate whether there is to be a surplus or deficit on the Collection Fund for the current financial year, prior to setting its Council Tax for the next year. The calculation is based on an estimate of tax collected in year compared to the estimate made the previous year, taking into account any previously declared surplus or deficit and the expected year-end arrears position.
- 3.2 The calculation of Council Tax is based on an estimate of tax collected in year compared to the estimate made the previous year, taking into account any

previously declared surplus or deficit, and a forecast for the remainder of the current year.

3.3 A surplus or deficit may occur in the Collection Fund if actual performance during the year is higher or lower than originally estimated when Council was set. Areas of variance include:

- Council Tax base is larger or smaller than originally anticipated (reasons may be increased property development or changes in exemptions and discounts)
- Claimant numbers for the Local Council Tax Support scheme are higher or lower than expected.
- In year collection rates are higher or lower than expected,
- Arrears collection rates are higher or lower than expected

3.4 The Council is required to declare any surplus or deficit during January of each financial year and once approved has an obligation to notify its major precepting authorities (Lincolnshire County Council and the Police and Crime Commissioner for Lincolnshire) of their share of the estimated surplus or deficit.

4. Estimated Surplus/Deficit for 2022/23 – Council Tax

4.1 As at 31st March 2022 the Collection Fund is estimated to have a deficit of £771,434 for Council Tax relating to the Financial Year 2022/23.

4.2 The primary reasons for this deficit in year is due to a higher number of property exemptions than had been assumed for in the Council Tax Base, along with a lower than anticipated increase in new properties within the City.

4.3 In addition to declaring the estimated surplus or deficit position on the Collection Fund for the current financial year the Council is also required to declare any surplus or deficit relating to the difference between previously declared surplus/deficit positions and the actual outturn position as reported in the Council's Statement of Accounts. In 2022/23 there is a surplus balance of £142,127 in the Collection Fund relating to previous years.

4.4 Based on the forecast position of the in-year Collection Fund as at 31st March 2023 and taking into account an adjustment for the difference between prior year estimates compared to the actual outturn it is estimated that there will be a deficit of £629,307 on the Council Tax element of the Collection Fund in 2022/23. This surplus will be distributed between the City Council, County Council and Police and Crime Commissioner in 2023/24 as follows:

	£
City of Lincoln Council	91,532
Lincolnshire County Council	450,804
Police & Crime Commissioner	86,971
Total	629,307

5. Spreading Adjustment

- 5.1 Under normal circumstances a surplus or deficit reported in year is carried forward in the Collection Fund into the following financial year, when it is distributed and then impacts on the General Fund budget. However, on 1st December 2020 the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 came into effect. These regulations, which were mandatory, amended the rules governing the apportionment of Collection Fund surpluses and deficits for Council Tax and Non-domestic Rates. The key element of the Regulations was that Collection Fund deficits arising in 2020/21 could be spread over the following three years, rather than the usual period of one year.
- 5.2 As a result of this the deficit that the Council declared in relation to 2020/21, of £892,766, was spread over three year as follows:

	2021/22 £	2022/23 £	2023/24 £	Total £
City of Lincoln Council	44,595	44,595	44,595	133,784
Lincolnshire County Council	212,971	212,971	212,971	638,912
Police & Crime Commissioner	40,023	40,023	40,023	120,070
Total 2020/21 estimated deficit	297,589	297,589	297,589	892,766

The deficit of £297,589 will therefore also be distributed in 2023/24, in addition to the deficit of £629,307, a net position of a £926,896 deficit.

6. Strategic Priorities

- 6.1 There are no direct implications for the Council's Strategic Priorities arising as a result of this report.

7. Organisational Impacts

7.1 Finance

For City of Lincoln the financial implications of the report are summarised below:

	2022/23 £
Council Tax – 22/23 estimated deficit	112,204
Council Tax - prior years surplus	(20,672)
Council Tax – spreading adjustment	44,595
Total Deficit	136,126

The Council's share of the estimated deficit will be distributed as set out in the above table and will form part of the Medium Term Financial Strategy 2023-28.

7.2 Legal Implications incl Procurement Rules

The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to establish and maintain a Collection Fund and report each year on surplus and deficits by the 15th January each year.

7.3 Equality, Diversity and Human Rights

The Public Sector Equality Duty means that the Council must consider all individuals when carrying out their day-to-day work, in shaping policy, delivering services and in relation to their own employees.

It requires that public bodies have due regard to the need to:

- Eliminate discrimination
- Advance equality of opportunity
- Foster good relations between different people when carrying out their activities.

Due to the nature of the report, no specific Equality Impact Analysis is required.

8. Risk Implications

- 8.1 The key risks associated to this report are financial, in terms of the accuracy of forecasts to arrive at the estimation of the deficit determined for the year 2022/23. Officers will continue to track and monitor the collection fund performance. The Councils performance on recovery of Council Tax, both in-year and for its overall recovery rate needs careful monitoring as does monitoring of trends in Local Council Tax Support scheme claimant numbers. The performance of the Collection Fund is included within the relevant directorate risk register and monitored accordingly.

9. Recommendations

- 9.1 The Executive are recommended to confirm the action of the Chief Finance Officer in declaring a Council Tax deficit of £629,307 for 2022/23, to be distributed in 2023/24.
- 9.2 The Executive are asked to note the spreading adjustment of a £297,589 deficit to be distributed in 2023/24.

Is this a key decision?

Yes

Do the exempt information categories apply?

No

Does Rule 15 of the Scrutiny Procedure Rules (call-in and urgency) apply?

No

How many appendices does the report contain?

None

List of Background Papers:

None

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