

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 2023/24.

2. Executive Summary

- 2.1 Prior to setting the Council Tax for 2024/25 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 (2023/24).
- 2.2 The Council will declare a deficit on Council Tax £730,117 for the financial year 2023/24, with the City Council's share being £104,334, to be distributed in 2024/25.

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 2023/24 – Council Tax

- 4.1 As at 31st March 2023 the Collection Fund is estimated to have a deficit of £825,869 for Council Tax relating to the Financial Year 2023/24.
- 4.2 The primary reasons for this deficit in year is due to a reduction in collection rates which have been impacted by the cost of living crisis and the effect on household incomes, resulting in the subsequent increase in arrears and provision for doubtful debts, along with a higher number of property exemptions than had been assumed for in the Council Tax Base
- 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 2023/24 there is a surplus balance of £95,752 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 2024 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 £730,117 on the Council Tax element of the Collection Fund in 2023/24. This deficit will be distributed between the City Council, County Council and Police and Crime Commissioner in 2024/25 as follows:

	£
City of Lincoln Council	104,334
Lincolnshire County Council	524,242
Police & Crime Commissioner	101,541
Total	730,117

5. Strategic Priorities

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

6. Organisational Impacts

- 6.1 Finance

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

	2024/25 £
Council Tax – 23/24 estimated deficit	118,017
Council Tax – prior years surplus	(13,683)
Total Deficit	104,334

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 2024-29.

6.2 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.

6.3 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.

7. Risk Implications

- 7.1 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 2023/24. Officers will continue to track and monitor the collection fund performance. The Council's 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.

8. Recommendations

- 8.1 Executive are recommended to confirm the action of the Chief Finance Officer in declaring a Council Tax deficit of £730,117 for 2023/24, to be distributed in 2024/25.

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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