

<b>SUBJECT:</b>	<b>COLLECTION FUND SURPLUS/DEFICIT – BUSINESS RATES</b>
<b>DIRECTORATE:</b>	<b>CHIEF EXECUTIVE AND TOWN CLERK</b>
<b>REPORT AUTHOR:</b>	<b>JACLYN GIBSON, CHIEF FINANCE OFFICER</b>

## **1. Purpose of Report**

- 1.1 To inform Members of the estimated balance for the Business Rates 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 both the Council Tax and Business Rates elements of the Collection Fund for the current financial year (2023/24).
- 2.2 At the Executive meeting on 2<sup>nd</sup> January 2024 the Council declared a deficit on Council Tax of £730,117 for the financial year 2023/24, of which it's share was £104,334 The Council will declare a surplus on the Business Rates Collection Fund of £1,169,795 for 2023/24 subject to the confirmation of the Business Rates base by 31<sup>st</sup> January 2024, of which its share is £467,918.
- 2.3 This surplus has arisen primarily due to prudent estimates, in the Business Rates base for 2023/24, in relation to the level of mandatory empty property reliefs and the level of Check, Challenge and Appeals against the new 2023 Ratings List.

## **3. Background**

- 3.1 As a Business Rates Billing Authority the Council is required by legislation to estimate the surplus or deficit for each financial year on the Collection Fund. Prior to 2013/14 this estimate was only required for Council Tax. However, as part of the Local Government Finance Act 2012 the Government implemented a Business Rates Retention (BRR) Scheme from April 2013, whereby the collection and distribution of business rates is done via the Collection Fund (distribution of business rates had previously been managed nationally). Local Authorities as a result took on an additional level of risk and uncertainty of business rates funding. In a similar way to Council Tax precepts from the Collection Fund, business rate precepts are now fixed prior to the start of a financial year and any variations from this realised through the Collection Fund in year are distributed in the following financial years (based on estimated in the following year and actuals in the subsequent year).
- 3.2 The calculation of business rates is based on an estimate of rates 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:

- Business rates base is larger or smaller than originally anticipated (reasons include properties coming off and off the valuation list (e.g. as a result of redevelopments), appeals by businesses to rating valuations.
- Reliefs and exemptions 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 (for business rates these are Lincolnshire County Council and the Government) of their share of the estimated surplus or deficit.

#### **4. Estimated Surplus/Deficit for 2023/24 – Business Rates**

4.1 As at 31<sup>st</sup> March 2024 the Collection Fund is estimated to have a surplus of £1,074,433 for business rates relating to the financial year 2023/24, the City Council's share of this being £429,773. This surplus has arisen primarily due to prudent estimates, in the Business Rates base for 2023/24, in relation to the level of mandatory empty property reliefs and the level of Check, Challenge and Appeals against the new 2023 Ratings List.

4.2 In addition to declaring the estimated 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 £95,362 in the Collection Fund relating to previous years, the City Council's share of this being £38,145.

4.3 Based on the forecast position of the in-year Collection Fund as at 31<sup>st</sup> 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 surplus of £1,169,795 on the business rates element of the Collection Fund in 2023/24.

#### **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:

	<b>2023/24 £</b>
Business Rates – 23/24 estimated surplus	(429,773)
Business Rates - prior years surplus	(38,145)
<b>Total Surplus Declared for 23/24</b>	<b>(467,918)</b>

The Council's share of the estimated surplus 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

There are no direct legal implications arising as a result of this report.

## 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 Business rate income and appeals assessments are monitored on a monthly basis and form part of the overall budget monitoring and reporting to Members. However, the volatility in the level of business rate income presents a significant financial risk to the Council which has been heightened due to the current economic environment. This risk along with other key financial risks forms part of the overall risk assessment of the MTFS and in part determines the Council's approach to the level of reserves and balances that it deems prudent to hold.

## 8. **Recommendations**

- 8.1 Executive are recommended to confirm the action of the Chief Finance Officer in declaring a business rates surplus of £1,169,795 for 2023/24 subject to the confirmation of the business rates base by 31st January 2024. Any amendments to the declared deficit will be notified to the relevant preceptors and be included in the Final MTFS 2024-29 to be presented to the Executive 19<sup>th</sup> February 2024.

**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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