

Dear Councillor

**CABINET - WEDNESDAY, 20TH JANUARY, 2021**

I am now able to enclose, for consideration at next Wednesday, 20th January, 2021 meeting of Cabinet, the following reports that were unavailable when the agenda was printed.

**Agenda No Item**

- 6 **Council Tax Base and Business Rates (NDR) Net Rate Yield 2021-2022, Provisional Local Government Finance Settlement Update and Outcome of Scrutiny Review (Pages 3 - 18)**  
[To approve the Council Tax Base and Business Rates (NDR) Net Yield 2021-2022 and to consider the responses from the scrutiny review process in relation to the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024]
- 7 **Collection Fund Estimated Outturn 2020-2021 (Pages 19 - 28)**  
[To approve the Collection Fund estimated outturn 2020-2021]

If you have any queries about this meeting, please contact the democratic support team:

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| <b>CITY OF<br/>WOLVERHAMPTON<br/>COUNCIL</b> | <b>Cabinet</b><br>20 January 2021 |
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| <b>Report title</b>                            | Council Tax Base and Business Rates (NDR) Net Rate Yield 2021-2022, Provisional Local Government Finance Settlement Update and Outcome of Scrutiny Review |  |
| <b>Decision designation</b>                    | AMBER   |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Louise Miles<br>Resources  |  |
| <b>Key decision</b>                            | Yes   |  |
| <b>In forward plan</b>                         | Yes   |  |
| <b>Wards affected</b>                          | All Wards   |  |
| <b>Accountable director</b>                    | Claire Nye, Director of Finance   |  |
| <b>Originating service</b>                     | Strategic Finance   |  |
| <b>Accountable employee(s)</b>                 | Alison Shannon<br>Tel<br>Email  | Chief Accountant<br>01902 554561<br><a href="mailto:alison.shannon@wolverhampton.gov.uk">alison.shannon@wolverhampton.gov.uk</a> |
| <b>Report to be/has been considered by</b>     | Strategic Executive Board   | 14 January 2021  |

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**Recommendations for decision:**

The Cabinet is recommended to:

1. Set the Collection Fund Council Tax Base for 2021-2022 at 63,580.55 Band D equivalents.
2. Set the Collection Fund Business Rates, also referred to as Non-Domestic (NDR), Net Rate Yield for 2021-2022 at £68.9 million.

3. Delegate authority to the Cabinet Member for Resources in consultation with the Director of Finance to approve amendments to:
  - a. The final Business Rates Net Yield as required as a result of changes to the NNDR 1 form (National Non-Domestic Rates return) by the Ministry of Housing, Communities and Local Government or data revisions and changes in projections;
  - b. The Council Tax Base as a result of any data revisions and changes in projections.
4. Consider the responses from the Scrutiny Board in relation to the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024.

**Recommendations for noting:**

That Cabinet is asked to note:

1. The outcome of the 2021-2022 Provisional Local Government Finance Settlement.
2. That the budget engagement process forms part of the continuous dialogue throughout the year with residents and key stakeholders on council priorities and the budget.
3. That the final budget report presented to Cabinet in February 2021 will reflect the outcome of the settlement and detailed budget work for 2021-2022, including a review of all budget reduction proposals and the risks associated with their delivery.

## **1.0 Purpose**

- 1.1 The purpose of this report is to set the estimates for Wolverhampton Collection Fund 2021-2022, which the Council manages on behalf of local precepting bodies and central government, to provide an update on the Local Government Provisional Finance Settlement 2021-2022 and the outcome of budget scrutiny.

## **2.0 Background**

- 2.1 In accordance with the Local Government Finance Act 2012, the Council must set a Council Tax Base before the end of January which will be used to set the Council Tax Requirements for the following year. It represents the total number of Band D equivalent council tax payers from whom the Council will collect council tax in the year ahead. The total tax collected is shared in agreed proportions with the West Midlands Police and Crime Commissioner and the West Midlands Fire and Rescue Authority.
- 2.2 The Council must also set a Business Rates baseline net rate yield which is used to estimate the amount that the authority will keep as its local share of business rates and pay over to the West Midlands Fire and Rescue Authority. It represents the total estimated liability for business rates, net of discounts and reliefs, in the Council's area for the year ahead.
- 2.3 The setting of the Council Tax Base and Business Rates baseline net rate yield both impact directly on the Council's General Fund budget and Medium Term Financial Strategy (MTFS).
- 2.4 The Council Base for 2021-2022 must be determined by 31 January 2021 and notified to the precepting bodies on or before that date, so that they can use the information in setting their precepts for 2021-2022. This will determine cashflows between the Collection Fund and precepting bodies during 2021-2022.
- 2.5 The Business Rates baseline net yield must be determined by 31 January 2021 and notified to the Ministry of Housing, Communities and Local Government (MHCLG) on their NNDR 1 form. This will determine cashflows between the Collection Fund and the Council and the West Midlands Fire and Rescue Authority for 2021-2022.
- 2.6 In October 2016, Cabinet approved that the Council, as one of the Constituent Members of the West Midlands Combined Authority (WMCA), participates in a business rates retention pilot from April 2017, on a no financial detriment basis. As a result of entering into this pilot, the Council will: retain 99% of business rates, no longer receive Revenue Support Grant and receive a Top Up Grant adjustment to account for the net effect of the changes. The Council will continue to be part of the business retention pilot in 2021-2022. As mentioned in section 3 Council has seen a decline in the collection rate during 2020-2021 due to the pandemic and expects this to continue into 2021-2022. The Council is currently working with other members of the pilot to review the revised business rates assumptions to ensure that the region is still in a no financial detriment position.

2.7 The NNDR 1 form was issued by MHCLG on 18 December 2020. Work has been ongoing to forecast the business rates net yield for 2021-2022, however, approval is sought to delegate authority to the Cabinet Member for Resources in consultation with the Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2021.

### **3.0 Covid 19**

3.1 Covid-19 has had a significant international, national and regional impact and will continue to do so over the short and medium term. The costs of dealing with the pandemic go beyond 2020-2021. It is not yet known how long the pandemic will go on for or what the level of future support required will be.

3.2 The Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024 reported to Cabinet on 11 November 2020, stated that following the announcement from Government it is assumed that sufficient grant funding will be provided to cover the cost pressures arising as a result of the pandemic. Taking this into account, the 2021-2022 projected budget deficit stands at £4.5 million. It was reported that in the event that Government does not provide sufficient funding to meet the cost pressures arising from Covid-19, this could rise to a minimum of £23.2 million.

3.3 The economic costs of the pandemic will place additional pressures on the Council's income collected from council tax and business rates for years to come. The Council has seen a decline in the collection rate during 2020-2021 due to the pandemic and predicts that this decline will continue into 2021-2022.

3.4 The provisional settlement has provided some clarification on what funding local authorities will receive in 2021-2022, which are detailed within this report. These assumptions will be reported back to Cabinet in the Final Budget Report in February 2021. Despite the challenging financial circumstances facing the Council, it is currently predicted that the Council will be able to set a balanced budget for 2021-2022, without the need to undertake fundamental reviews of all services in order to identify budget reductions.

### **4.0 Council Tax Base Assumptions**

4.1 The method used to calculate the Council Tax Base for 2021-2022 is set out in the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 which came into force on 30 November 2012.

4.2 The calculation starts with the base figures from December 2020 and then adjusts these for known and projected growth. It also takes into account the increase in Local Council Tax Support claimants, which has been seen in recent months as a result of changes in circumstances due to the Covid-19 pandemic, and projects this trajectory forward into 2021-2022.

4.3 The total Tax Base, expressed in terms of the number of Band D equivalents, has then been multiplied by a net collection rate of 96.06%.

**Table 1 – Council Tax Base 2021-2022**

|  | <b>Number of Band D<br/>Equivalents</b> |
|--|---|
| December 2020 baseline                                   | 77,774.70                               |
| Council Tax Reduction Scheme                             | (12,165.80)                             |
| New build and growth forecast                            | 579.95                                  |
| Total taxbase before collectability adjustment           | 66,188.85                               |
| <b>Final taxbase including collectability adjustment</b> | <b>63,580.55</b>                        |

4.4 The Council Tax Base is expressed as Band D equivalents, however, within Wolverhampton the average property falls within Band A.

## **5.0 Business Rates Yield Estimates**

5.1 The method used to calculate the Business Rates net rate yield for 2021-2022 is set out in the NNDR 1 form issued by central government and associated guidance.

5.2 It specifies that an authority starts with the base figures from October 2020 Valuation Office Agency (VOA) list, then adjusts them for known and projected growth in the base, reliefs and losses from appeals which are currently in hand. As stated above, the Covid-19 pandemic has had a significant international, national and regional impact and will continue to do so over the short and medium term. During 2020-2021 in response to the Covid-19 pandemic, the Government have provided business rates reliefs particularly to businesses within the retail sector, for which the Council has been compensated by Section 31 grant to cover the reduction in business rates income. The forecasts detailed below assume that those reliefs cease on 31 March 2021. In addition to this, current projections indicate that there will be a significant reduction in the amount of funds that are collected in 2020-2021 from Council Tax and Business Rates; a result of the impact Covid-19 has had on the economy.

**Table 2 – Business Rates Net Rates Yield Estimate 2021-2022**

|  | <b>£000</b>   |
|--|---------------|
| Baseline   | 97,869        |
| Transitional Arrangements (net cost for CWC)       | (104)         |
| Transitional Arrangements (payable from CLG)       | 104           |
| Mandatory reliefs                                  | (15,654)      |
| Unoccupied property                                | (3,100)       |
| Discretionary reliefs                              | (586)         |
| Losses on collection                               | (5,900)       |
| Appeals  | (2,752)       |
| Disregarded Amounts in respect of Designated Areas | (696)         |
| Cost of collection                                 | (331)         |
| <b>Net rate yield</b>                              | <b>68,850</b> |

- 5.3 As stated in paragraph 2.6 above, Cabinet approved that that the City of Wolverhampton Council, as one of the Constituent Members of the WMCA, is participating in a 100% business rates retention pilot from April 2017, on a no financial detriment basis. As a result of entering into this pilot, the Council will: retain 99% of business rates, no longer receive Revenue Support Grant and receive a Top Up Grant adjustment to account for the net effect of the changes.
- 5.4 The NNDR 1 form was issued by the Ministry of Housing, Communities and Local Government on 18 December 2020. Work has been ongoing to forecast the business rates net yield for 2021-2022, however, approval is sought to delegate authority to the Cabinet Member for Resources in consultation with the Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2021.
- 5.5 There is some complexity in identifying the true business rates growth between years due to business rates appeals and the 2017 revaluation, however an approach to allocate the growth in the central share for 2017-2018 to 2020-2021 has been agreed with the WMCA. The assumed growth of £7.5 million attributed to the WMCA in 2020-2021, in line with the Investment Plan assumptions, has been apportioned for each authority pro rata to the aggregate Rateable Value at the start of the year, resulting in a contribution from Wolverhampton of £564,300 (in 2019-2020 the contribution was £450,000).

## **6.0 Provisional Local Government Finance Settlement**

- 6.1 The Provisional Settlement was announced on the 17 December 2020. The key points arising from the announcement and the impact on the Council's Medium Term Financial Strategy (MTFS) are detailed in the paragraphs below.

### **Council Tax Referendum Limit**

- 6.2 The Government confirmed the Council Tax limit at 1.99% for 2021-2022, which is in line with the assumptions build into the MTFS.

### **Adult Social Care Precept**

- 6.3 The Government have announced £1 billion of additional funding to support social care. This includes £300 million of new grant (as detailed in section 6.8), and an increase in the Adult Social Care (ASC) precept flexibility that local authority can levy from 2% to 3%. There is no indication that an ASC precept will be allowed in subsequent years. However, the 3% for 2021-2022 can be spread over the two years 2021-2022 and 2022-2023
- 6.4 The MTFS currently assumes 2% will be levied each year from 2021-2022 to 2023-2024. In order to ensure that the Council can set a balanced budget for 2021-2022, it is necessary for the Council to increase the Adult Social Care precept from 2% to 3% in line with Governments expectations. The Final Budget report which will be presented to Cabinet in February and Full Council in March, will recommend this increase.

### **Business Rates Multiplier**

- 6.5 The Government have announced that there would be a freeze on the business rates multiplier for 2021-2022 and local authorities will be compensated for the shortfall in income via a section 31 grant. The Final Budget report which will be presented to Cabinet in February will be updated to reflect this change.

### **New Homes Bonus**

- 6.6 The Government have announced the continuation of the New Homes Bonus scheme for a further year with no new legacy payments.
- 6.7 The Council's provisional allocation for 2021-2022 has been announced at £1.017 million, which includes an additional £449,000 for 2021-2022. The MTFS did not assume any additional New Homes Bonus being awarded for growth from 2021-2022 onwards therefore the £449,000 allocation represents additional income to the budget for 2021-2022. The updated allocation will be reflected in the Final Budget Report to Cabinet in February.

### **Social Care Funding**

- 6.8 The Government have announced an additional £300 million of new grant funding for adult and children's social care. The provisional settlement confirms the Council's provisional allocation is £2.7 million. This allocation will be reflected in the Final Budget Report to Cabinet in February 2021.
- 6.9 In addition, the Government have confirmed the roll forward of the 2019-2020 Social Care Support Grant and the Improved Better Care Fund grants. The Council's provisional allocations total £23.0 million, this is in line with the current assumptions built into the MTFS.

### **Council Tax Support Funding**

- 6.10 In the Spending Review 2020, £670 million of funding was announced to compensate local authorities with the additional costs of providing Local Council Tax support in 2021-2022, resulting from increased unemployed. The indicative allocations were released on 11 January 2021, which confirms the Council's provisional allocation is in the region of £3.3 million. This will be offset by increased costs of providing local council tax support.

### **Collection Fund – Irrecoverable losses**

- 6.11 In the Spending Review 2020, £762 million of funding was announced to compensate local authorities for 75% of irrecoverable losses from council tax and business rates revenues in 2020-2021, that would otherwise need to be funded through local authority budgets in 2021-2022 and later years. Provisional allocations have not been announced.

### **Covid 19 Grants**

- 6.12 During 2020-2021 Government have allocated a number of grants to help local authorities address the pressures they are facing in response to the pandemic. During 2020-2021 the Council has received four tranches of the Covid Emergency Grant Funding totalling £25.5 million. The provisional settlement announced a further tranche of funding for 2021-2022 to deal with the cost pressures during the first three months of 2021-2022. The provisional settlement confirms the Council's provisional allocation is £8.7 million. Work is ongoing to forecast Covid related cost pressures in 2021-2022.

Forecast pressures along with the grant allocation will be reflected in the Final Budget Report to Cabinet in February 2021.

- 6.13 In 2020-2021, Government also announced a co-payment mechanism for irrecoverable sales, fees and charges income. The provisional settlement announced that this scheme will continue for the first three months of 2021-2022. The actual amount is not known and will depend on actual income losses and subject to a grant claim. Updates will be provided in future budget reports.

#### **Other Grants**

- 6.14 The Council receive a top up grant to 'top-up' funding as the business rates baseline funding level determined by the Government for the Council is greater than the forecast level of business rates that the Council can collect. The Council's provisional allocation of Top Up grant for 2021-2022 has been uplifted by inflation, this is an increase of approximately £124,000 above current assumptions. The updated allocation will be reflected in the Final Budget Report to Cabinet in February 2021.
- 6.15 The Government have also announced a new Lower Tier Services grant to local authorities responsible for delivering lower tier services, such as council tax collection, building regulations, parking, housing services, environmental health, recreation and refuse collection. The Council's provisional allocation is £454,000, this allocation will be reflected in the Final Budget Report to Cabinet in February 2021.

### **7.0 Government Consultation**

- 7.1 The Government have released a consultation on the Provisional Settlement with responses to be provided by 16 January 2021.

### **8.0 Budget Scrutiny Process**

- 8.1 During November 2020, each Scrutiny Panel was asked to: scrutinise the budget relevant to the remit of the Panel and how it is aligned to the priorities of the Council, and the Draft Budget and Medium Term Strategy 2021-2022 to 2023-2024. Each Panel's comments were then reviewed by the Council's Scrutiny Board on 8 December 2020 for subsequent feedback to Cabinet. The purpose of this report is to consider that feedback.
- 8.2 An extract of the minutes of the Scrutiny Board meeting on 8 December 2020, detailing the resolutions arising from its consideration of individual Scrutiny Panel comments on the Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024, is shown in Appendix 1.
- 8.3 The reports to Scrutiny Board and individual Scrutiny Panels are listed at section 16 below.

### **9.0 Budget Consultation**

- 9.1 The budget engagement process forms part of a continuous process of engagement with residents, businesses and other key stakeholders throughout the year which focuses on understanding people's priorities for Wolverhampton. The pandemic has had a

significant impact on both the Council's finances and operating environment. The council has played a vital role in delivering the pandemic response; redirecting resources to provide services to our most vulnerable residents, and working alongside city partners, resident and businesses.

- 9.2 Alongside managing the emergency response to the pandemic, the Council has also undertaken extensive planning for recovery which was approved by Cabinet in September. The Council engaged with around 2,500 people including residents, young people the voluntary and community sector and other partners, employees, Councillors and business across the City. The engagement has shaped the Council's five-point recovery plan, 'Relighting Our City'.
- 9.3 Relighting Our City sets out the priorities which will guide the Council's approach as the organisation and the City starts to transition from the response to the recovery phase of the pandemic:
- Support people who need us most
  - Create more opportunities for young people
  - Support vital local businesses
  - Generate more jobs and learning opportunities
  - Stimulate vibrant high streets and communities
- 9.4 It is vital that the city has the resources to be able to focus on recovery which will enable the city to address the key challenges and assist the government to deliver its 'levelling up' agenda and capitalise on new opportunities as the city transitions out of the response phase of the pandemic. The Council will need to prioritise how it allocates resources in order deliver its Relighting Our City plan.
- 9.5 The Council will continue to engage with our residents and key stakeholders to get their feedback around what matters to them most. The Final Budget Report to Cabinet in February 2021 will reflect the Council investment in priority areas.
- 9.6 The Council has also continued to support and engage with businesses across the city during the pandemic, including administrating grants on behalf of Government. During the period of April to November 2020, the Council has engaged with over 1,000 businesses, giving them 2/3 hours of intensive business support. In addition, 657 businesses were also engaged through the Wolves at Work programme over the same period, advising over 2,200 vacancies. The Relight Business Programme has also been developed to support 200 sole traders and micro businesses with fully funded independent financial health-checks, digital reviews, market reviews and other support identified by the businesses as key priorities. The Council will continue to engage with businesses across the City in asking for feedback on support they would like to see provided under the Relight Business Programme.
- 9.7 The Council will also be inviting residents and businesses to submit questions via social media in during February 2020. The Leader of the Council and Cabinet Member for Resources will then respond to as many of these questions as possible in a video which will go out on social media.

9.8 As reported to Cabinet (Resources) Panel 4 February 2020, the Council launched a new digital tool to enhance public engagement, with a focus on the ongoing challenge to set a balanced budget in each financial year over the medium term. The new Budget Simulator launched in February gave respondents a chance to set their own draft Council budget in line with the preferences. The digital tool was launched at the end of February 2020, before Covid-19 was declared a national pandemic and the first national lockdown was announced. This limited the number of responses as the tool could not be promoted within libraries and schools as originally planned. The council will shortly be relaunching this digital tool and will update the financial challenge periodically during the financial year. Updates will be provided in future budget report to Members.

## **10.0 Evaluation of alternative options**

10.1 The Council Tax Base and the Net Business Rates Yield have been prepared in accordance with relevant legislation.

10.2 The report also provides Cabinet with the outcome of the 2020-2021 Provisional Local Government Finance Settlement, to consider the impact on the City of Wolverhampton Council and medium term planning.

## **11.0 Reasons for decisions**

11.1 To comply with legislative requirements, Cabinet are recommended to approve the Council Tax Base and Net Business Rates Yield for 2021-2022. This will inform the budget setting process for 2021-2022, for the Council and precepting bodies.

11.2 Approval is also sought to delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to approve any final changes to the final Business Rates Net Yield as required as a result of changes to the NNDR1 form and the Council Tax Base reflecting any further information received ahead of the statutory deadline of 31 January 2021.

## **12.0 Financial Implications**

12.1 The recommended Tax Base, based on 2020-2021 levels, would provide the Council with council tax income, including adult social care precept, of £106.9 million. The MTFS assumes a council tax increase of 1.99% and a 3% adult social care precept for 2020-2021; at the recommended tax base the total council tax income would be in the region of £112.25 million.

12.2 Of the £68.9 million net rate yielded by business rates forecast to be collected in 2021-2022 the Council would retain £68.2 million under the 99% business rate retention scheme pilot. However, an element of the real terms growth in the central share of business rates will be passported to the West Midlands Combined Authority. Work is ongoing to determine this contribution for 2021-2022. An update will be provided in the Final Budget Report to Cabinet on 17 February 2021.

12.3 The NNDR1 form was issued by the Ministry for Housing, Communities and Local Government on 18 December 2020. Work has been ongoing to forecast the business rates net yield for 2020-2021, however approval is sought to delegate authority to the Cabinet Member for Resources in consultation with the Director of Finance to resolve any changes without further recourse to Cabinet approval prior to the deadline for submission of 31 January 2021; this figure is therefore preliminary and subject to change. The final position will be reported in the Final Budget Report to Cabinet on 17 February 2021. [AS/14012021/I]

### **13.0 Legal Implications**

13.1 The relevant legislation is contained in the body of the report and the recommendations will ensure the Council complies with the relevant legislation. [TS/14012021/R]

### **14.0 Equalities Implications**

14.1 There are no direct equalities implications arising from this report.

### **15.0 All other implications**

15.1 Covid implications are detailed in the body of this report.

### **16.0 Schedule of background papers**

16.1 [Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024](#), report to Cabinet, 11 November 2020.

16.2 Draft Budget and Medium Term Financial Strategy 2021-2022 to 2023-2024, reported to:

|  |                  |
|--|------------------|
| Children, Young People and Families Scrutiny Panel | 11 November 2020 |
| Stronger City Economy Scrutiny Panel               | 12 November 2020 |
| Adults and Safer City Scrutiny Panel               | 17 November 2020 |
| Health Scrutiny Panel                              | 19 November 2020 |
| Our Council Scrutiny Panel                         | 25 November 2020 |
| Vibrant and Sustainable City Scrutiny Panel        | 26 November 2020 |
| Scrutiny Board                                     | 8 December 2020  |

### **17.0 Appendices**

17.1 Appendix 1 – Scrutiny Board minutes of 8 December 2020

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### **Draft Budget and Medium-Term Financial Strategy 2021-2022 to 2023-2024**

#### **Scrutiny Board Minutes, Tuesday 8 December 2020**

The Chair welcomed Cllr Louise Miles, Cabinet Member for Resources and Alison Shannon, Chief Accountant to the meeting. Cllr Miles introduced the Draft Budget and Medium-Term Financial Strategy Report for 2021-2022 to 2023-2024. It was confirmed that the draft report had already been considered by the other scrutiny panels and comments from the panels were included with the paperwork.

Section two of the report provided an overview of the Council's financial position and showed that the Council had set a balanced budget for 2020-2021 without the use of general reserves and was reported to Council in March. However, it was projected that the Council would be faced with finding further estimated budget reductions totalling £15.5 million in 2021-2022 rising to around £20 million over the medium term to 2023-2024.

It was important to note that the budget was prepared prior to the Covid-19 pandemic. At the time of reporting to Council, the full impact of Covid-19 was not known and the impact on both the finances and operating environment could not have been foreseen. The Covid-19 pandemic had a significant international, national and regional impact, and would continue to have, significant financial implications for the Council.

Work had been ongoing across the Council to review corporate resources assumptions, growth and inflation assumptions and income generation opportunities in line with the Five-Year Financial Strategy to support the budget strategy for 2021-2022 and future years, whilst also detailing the emerging pressures that the Council currently faced in response to the Covid-19 pandemic.

On the 11 November an update was provided to Cabinet on the financial strategy, progress against the deficit and how the Council had responded to the pandemic including the projected financial implications of the pandemic against the one-off grants that had been awarded to the Council. However, following announcements made by Government it has been assumed that sufficient grant funding would be provided to cover the cost pressures arising as a result of the Covid-19 pandemic. Taking this into account, the 2021-2022 projected budget deficit stood at £4.5 million rising to £19.6 million over the medium term. In the event that the Government did not provide sufficient grant funding to meet the cost pressures arising as a result of the Covid-19 pandemic, the 2021-2022 projected budget deficit would be in the region of £23.2 million rising to £40 million over the medium term. This would have a significant impact on the Council and result in the Council undertaking a fundamental review of all services in order to identify budget reductions sufficient enough to set a balanced budget.

The Chair thanked the Chief Accountant and the Cabinet Member for the report.

The Board considered that this was a difficult situation and hoped that the Government would be able to cover the costs associated with the pandemic.

The Board requested information in relation to the current rate of Council tax and business rate collection and any impact that this may have on the Council's current assumptions. It was stated that these could be circulated by email after the meeting but that there was a reduction to the normal levels of income generated and that at this stage there was a forecast of around a £15 million reduction which the Government had indicated could be spread across three years and that grants of up to 75% of the irrecoverable loss would be available and that work was continuing to review this forecast. This was a very hard area to forecast as businesses and residents were struggling and the full impact of the pandemic was as yet unknown.

The Council was keen to support as many of its residents and businesses as it could and a lot of work was being carried out in relation to this. An update would be brought before the Cabinet in January on the matter. The Cabinet Member confirmed that many ongoing conversations were happening with local businesses and citizens though a number of avenues including the recently launched Talk to Us campaign. The number of welfare support officers had been increased and the voluntary sector were also playing an important part in reaching and advising citizens and businesses. The Council remained under a statutory obligation to bring in business rates and Council tax but were also aware of the increase in applications for universal credit and wanted to help wherever possible.

The Board thanked all of the officers and front-line staff who were working to keep citizens safe and requested to know what additional updates would be made available to ensure that all of this work was kept on track and monitored.

It was stated that there were already good controls in place in relation to finances which had been embedded into the ongoing Covid work. Good work was being carried out with budget holders across the Council, working together to understand where the pressures were. The biggest challenge was forecasting going forward as so much was still unknown. Monthly returns were being sent to the Government to further try to understand the situation as a collective whole. When compiling budgets, officers were also aiming to separate out the base budgets and the budgets associated with the pandemic whilst also remaining aware of how these interacted. There was also work to be carried out to monitor and report on all of the different grants and the criteria associated with them. The Cabinet Member confirmed that she would be happy to bring a report on any of the above areas to Scrutiny Board should it be requested.

The Board praised the work that had been and continued to be carried out by Public Health in the City but there were some concerns raised as to the impact of the cost of all of the work that had been carried out and requested assurance that support to vulnerable individuals were not lost sight of.

The Cabinet Member assured the Board that if there were vulnerable residents already known to the Council and if they fell into arrears with areas such as Council tax then the Council would reach out to them through their existing support workers to help and support them.

The Board expressed some concern that not all of these people would be previously known to the Council and that due to the pandemic may be experiencing issues for the first time and would not know how to access the necessary services.

The Cabinet Member offered to provide copies of the new materials to the Board including leaflets about the Talk to Me campaign.

The Board thanked the Council staff who had been managing the grants from the Government and getting them out to the businesses.

The question was raised as to whether there were any staff shortages due to Covid that were impacting on services. It was stated that careful management of service delivery was crucial to manage this and that there would certainly be staff self-isolating or unable to work due to the pandemic.

The Chair of the Health Scrutiny Panel informed the Board that there would be an item in relation to mental health at the next Health Scrutiny Panel meeting on 14 January 2021 which was a public meeting.

Resolved: That the report be agreed and all comments noted.

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| <b>CITY OF<br/>WOLVERHAMPTON<br/>COUNCIL</b> | <b>Cabinet</b><br><b>20 January 2021</b> |
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|--|---|--|
| <b>Report title</b>                            | Collection Fund Estimated Outturn 2020-2021 |  |
| <b>Decision designation</b>                    | AMBER                                       |  |
| <b>Cabinet member with lead responsibility</b> | Councillor Louise Miles<br>Resources        |  |
| <b>Key decision</b>                            | Yes   |  |
| <b>In forward plan</b>                         | Yes   |  |
| <b>Wards affected</b>                          | All Wards                                   |  |
| <b>Accountable director</b>                    | Claire Nye, Director of Finance             |  |
| <b>Originating service</b>                     | Strategic Finance                           |  |
| <b>Accountable employee(s)</b>                 | Alison Shannon                              | Chief Accountant   |
|  | Tel   | 01902 554561   |
|  | Email                                       | <a href="mailto:alison.shannon@wolverhampton.gov.uk">alison.shannon@wolverhampton.gov.uk</a> |

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### Recommendations for decision:

The Cabinet is recommended to approve:

1. The payments to the precepting authorities of their share of the Council Tax deficit in equal instalments.

The estimated outturn in 2020-2021 is a cumulative deficit of approximately £7.8 million after accounting for the Hardship Fund grant to compensate for council tax reliefs but prior to funding for 75% of irrecoverable losses. Based on their proportion of the 2020-2021 council tax bill, as approved by Council in March 2020 the amounts are as follows:

- City of Wolverhampton Council £6.8 million
  - West Midlands Police and Crime Commissioner £660,000
  - West Midlands Fire and Rescue Authority £251,000
2. The apportionment of the payments from the precepting authority of their share of the Business Rates deficit, also referred to as Non-Domestic Rates, in equal instalments.

The estimated outturn in 2020-2021 is a cumulative deficit of approximately £9.0 million after accounting for the forecast additional Covid-19 business rates reliefs funded by Section 31 grant but prior to funding for 75% of irrecoverable losses; this is as a result of a cumulative deficit totalling £818,000 brought forward from 2019-2020 and an estimated deficit in 2020-2021 totalling approximately £8.2 million. As prescribed by legislation the amounts are as follows:

- City of Wolverhampton Council £8.9 million
  - West Midlands Fire and Rescue Authority £90,000
3. That authority be delegated to the Cabinet Member for Resources, in consultation with the Director of Finance, to confirm any final changes to the forecast outturn reflecting any further information received ahead of the statutory deadline of 31 January 2021.

## **1.0 Purpose**

- 1.1 The purpose of this report is to inform Cabinet of the estimated outturn for Council Tax and Business Rates, also referred to as Non-Domestic Rates (NDR), transactions on the Collection Fund in 2020-2021.

## **2.0 Background**

- 2.1 Council Tax billing authorities are required to maintain a Collection Fund in accordance with Sections 89 and 90 of the Local Government Finance Act 1988. The operation of the Collection Fund is prescribed in detail by a series of specifications, regulations and directions made under various sections of the Local Government Finance Acts 1988 and 1992. Broadly, the Collection Fund's income comes from receipts of Council Tax and Business Rates, also referred to as Non-Domestic Rates (NDR), collected from taxpayers and any amounts transferred in (e.g. in respect of previous years' deficits). Expenses met from the Fund consist of adjustments to individuals' and companies' tax liabilities (refunds etc.), the billing authority's own budget demand, write offs, precepts and previous years' surpluses transferable out.
- 2.2 Each billing authority must make an estimate of the surplus or deficit for the Council Tax and Business Rates transactions of the Collection Fund for the current financial year. Such estimated surpluses or deficits do not remain in the Collection Fund but are shared between the billing authority, precepting authorities and central government (where applicable) in the year following the financial year to which they relate. Precepting authorities should be notified of their share of any surplus or deficit within seven working days of the estimate being made.
- 2.3 The surplus or deficit is then transferred in instalments in the financial year following the year for which the surplus or deficit has been estimated. In the case of billing authorities, the amounts are transferable in accordance with the schedule of instalments adopted for the payment of precepts and demands. Transfers to or from precepting authorities must take place in no more than ten equal instalments in the following year. The first and final instalments are to be paid by 31 May 2021 and 31 March 2022 respectively with an equal number of working days between instalments.
- 2.4 All Collection Fund surpluses or deficits for Council Tax transactions are to be ignored for the purpose of calculating the billing or precepting authority's budget requirement. They are, however, to be taken into account in calculating a billing authority's basic Council Tax or a joint authority's precept.
- 2.5 It is important to note however that the estimated Collection Fund outturn for the current financial year has to be forecast by January of that year and is based upon information available at a point in time. Therefore, any changes to the assumptions that occur in the remaining months of the financial year, will have an impact on actual Council Tax and Business Rates collected and consequentially the final outturn on the Collection Fund. Any resulting change to the surplus or deficit, will be recovered in future years.

2.6 During 2020-2021, Covid-19 has had a significant international, national and regional impact and will continue to do so over the short and medium term. It is not yet known how long the pandemic will go on for or what the level of future support required will be. The economic costs of the pandemic will place additional pressures on the Council's income collected from council tax and business rates for years to come. The Council has seen a decline in the collection rate during 2020-2021 and increases in the numbers of Local Council Tax Support claimants due to the pandemic and predicts that this will continue into 2021-2022.

### 3.0 Council Tax Estimated Outturn 2020-2021

3.1 The estimate on the Collection Fund for 2020-2021 in relation to Council Tax is set out below and includes assumptions about collection rates. It is forecast that there will be an accumulated deficit in the region of £7.8 million at 31 March 2021, after accounting for the Hardship Fund grant to compensate for council tax reliefs but prior to funding for 75% irrecoverable losses. The Government have confirmed that the in-year deficit on the Collection Fund in 2020-2021 can be spread over 3 years. The deficit will be apportioned between precepting authorities during 2021-2022, 2022-2023 and 2023-2024.

**Table 1 – Forecast Council Tax Outturn 2020-2021**

|  | £000      | £000             |
|--|-----------|------------------|
| <b>Actual accumulated deficit at 1 April 2020</b>  |           | 532              |
| <b>Apportionment of 2019-2020 estimated surplus calculated January 2020 (payments made during 2020-2021)</b> |           |                  |
| City of Wolverhampton Council  | 465       |                  |
| West Midlands Police and Crime Commissioner  | 44        |                  |
| West Midlands Fire and Rescue Authority  | 17        | 526              |
| <b>Net deficit 2019-2020</b>   |           | <b>1,058</b>     |
| <b>Estimated income 2020-2021</b>  |           |                  |
| Income from Council Tax  | (122,361) |                  |
| <b>Total estimated income</b>  |           | <b>(122,361)</b> |
| <b>Estimated expenditure 2020-2021</b>   |           |                  |
| Demands on Collection Fund   |           |                  |
| City of Wolverhampton Council  | 108,843   |                  |
| West Midlands Police and Crime Commissioner  | 10,521    |                  |
| West Midlands Fire and Rescue Authority  | 4,001     |                  |
| Provision for non-collection of council tax  | 8,969     |                  |
| <b>Total estimated expenditure</b>   |           | <b>132,334</b>   |

|   |  |              |
|---|--|--------------|
| Transfer linked to Hardship Fund grant for council tax relief                           |  | (3,272)      |
| <b>Net estimated deficit 2020-2021 after Hardship Fund grant for council tax relief</b> |  | <b>6,701</b> |
|   |  |              |
| <b>Estimated accumulated deficit at 31 March 2021</b>                                   |  | <b>7,759</b> |

- 3.2 The overall position in terms of the allocation of the deficit between the Council and the precepting bodies is summarised in Table 2. The split is based on the 2020-2021 council tax bill that was approved by Full Council in the formal council tax resolutions on 4 March 2020.
- 3.3 As detailed above, the Covid-19 pandemic has had a significant impact on Wolverhampton. The forecast deficit has arisen as a result of the decline in the council tax collection during 2020-2021 and increases in the numbers of Local Council Tax Support claimants. The 'Talk to Us' campaign, where residents are encouraged to contact the Council to discuss council tax payment options, is receiving positive engagement.

**Table 2 – Recommended split of forecast Council Tax deficit for 2020-2021, to be distributed in 2021-2022, 2022-2023 and 2023-2024**

| Council Tax   | City of<br>Wolverhampton<br>Council | West Midlands<br>Police and<br>Crime<br>Commissioner | West<br>Midlands<br>Fire and<br>Rescue<br>Authority | Total        |
|---|-------------------------------------|--|---|--------------|
|   | £000                                | £000   | £000  | £000         |
| Actual accumulated deficit at 1 April 2020  | 471                                 | 44   | 17  | 532          |
| Plus: Apportionment of 2019-2020 estimated surplus calculated January 2020 (payments made during 2020-2021) | 465                                 | 44   | 17  | 526          |
| <b>Additional accumulated deficit at 1 April 2020 (to be apportioned during 2021-2022)</b>                  | <b>936</b>                          | <b>88</b>  | <b>34</b>   | <b>1,058</b> |
| Apportionment of 2020-2021 estimated  | 5,912                               | 572  | 217   | 6,701        |

|  |              |            |            |              |
|--|--------------|------------|------------|--------------|
| deficit calculated January 2021 (to be spread over 3 years from 2021-2022) |              |            |            |              |
| <b>Total Forecast Deficit at 31 March 2021 (to be apportioned)</b>         | <b>6,848</b> | <b>660</b> | <b>251</b> | <b>7,759</b> |

- 3.4 The Government have announced that that the repayment of collection fund deficits arising in 2020-2021 can be spread over a three year period (2021-2022 to 2023-2024). The sums due from the two precepting authorities will be reflected in equal instalments alongside the precepts payable for 2021-2022 as set out in paragraph 2.3.
- 3.5 In the Spending Review 2020, £762 million of funding was announced to compensate local authorities for 75% of irrecoverable losses from council tax and business rates revenues in 2020-2021, that would otherwise need to be funded through local authority budgets in 2021-2022 and later years. Provisional allocations have not been announced.

#### 4.0 Business Rates (Non-Domestic Rates) Estimated Outturn 2020-2021

- 4.1 The estimate on the Collection Fund for 2020-2021 in relation to Business Rates, also referred to as Non-Domestic Rates (NDR), is set out below. It is forecast that there will be an accumulated deficit of £9.0 million at 31 March 2021 after accounting for the forecast additional Covid-19 business rates reliefs funded by Section 31 grant but prior to funding for 75% irrecoverable losses. The Government have confirmed that the in-year deficit on the Collection Fund in 2020-2021 can be spread over 3 years. The deficit will be apportioned between precepting authorities during 2021-2022, 2022-2023 and 2023-2024.

**Table 3 - Forecast Business Rates Outturn 2020-2021**

|  | £000     | £000       |
|--|----------|------------|
| <b>Actual accumulated deficit at 1 April 2020</b>  |          | 939        |
| <b>Apportionment of 2019-2020 estimated surplus/deficit calculated as at January 2020 (payments made during 2020-2021)</b> |          |            |
| City of Wolverhampton Council  | 140      |            |
| Central Government   | (261)    |            |
| West Midlands Fire and Rescue Authority  | (1)      | (122)      |
| <b>Net deficit 2019-2020</b>   |          | <b>817</b> |
| <b>Estimated income 2020-2021</b>  |          |            |
| Income from Business Rates (NDR)   | (43,545) |            |
| Transitional Payment   | (293)    |            |

|  |        |                 |
|--|--------|-----------------|
| <b>Total estimated income</b>  |        | <b>(43,838)</b> |
| <b>Estimated expenditure 2020-2021</b>   |        |                 |
| Demands on Collection Fund   |        |                 |
| City of Wolverhampton Council<br>(including designated areas and renewable energy)                     | 74,025 |                 |
| West Midlands Fire and Rescue Authority  | 745    |                 |
| Provision for non-collection of NDR (incl. appeals)  | 7,583  |                 |
| Cost of Collection Allowance   | 331    |                 |
| <b>Total estimated expenditure</b>   |        | <b>82,684</b>   |
| <b>Net estimated deficit 2020-2021 prior to compensation due for Covid-19 business rates reliefs</b>   |        | <b>38,846</b>   |
| Forecast compensation for Covid-19 business rates reliefs  |        | (30,661)        |
| <b>Net estimated deficit 2020-2021 after forecast compensation for Covid-19 business rates reliefs</b> |        | <b>8,185</b>    |
|  |        |                 |
| <b>Estimated accumulated deficit at 31 March 2021</b>  |        | <b>9,002</b>    |

- 4.2 As detailed above, the Covid-19 pandemic has had a significant impact on the Wolverhampton community and economy. It is important to note, that it continues to be very difficult to arrive at an accurate forecast for business rates collection during 2020-2021. The forecast deficit has arisen as a result of the decline in business rates collection during 2020-2021 and the potential increase in business rates appeals arising as a result of potential changes in circumstances.

4.3 The overall position in terms of the allocation of the deficit between the Council and the precepting body is summarised in Table 4 below. The split is prescribed by legislation.

**Table 4 – Recommended split of forecast Business Rates deficit for 2020-2021, to be distributed in 2021-2022**

| <b>Business Rates</b>  | <b>City of<br/>Wolverhampton<br/>Council</b> | <b>West<br/>Midlands<br/>Fire and<br/>Rescue<br/>Authority</b> | <b>Central<br/>Government</b> | <b>Total</b> |
|--|--|--|-------------------------------|--------------|
|  | <b>£000</b>                                  | <b>£000</b>  | <b>£000</b>                   | <b>£000</b>  |
| <b>Additional accumulated deficit at 1 April 2020 (to be apportioned during 2021-2022)</b>   | 669  | 9  | 261                           | <b>939</b>   |
| Apportionment of 2019-2020 estimated (surplus)/deficit calculated January 2021 (to be apportioned during 2020-2021)  | 140  | (1)  | (261)                         | (122)        |
| <b>Additional accumulated deficit at 1 April 2020 (to be apportioned during 2021-2022)</b>   | 809  | <b>8</b>   | -                             | <b>817</b>   |
| Apportionment of 2020-2021 estimated deficit calculated January 2021 (to be spread over 3 years from 2021-2022) after forecast compensation for Covid-19 business rate reliefs | 8,103  | 82   | -                             | 8,185        |
|  |  |  |                               |              |
| <b>Total Forecast Deficit (to be apportioned)</b>  | <b>8,912</b>                                 | <b>90</b>  | -                             | <b>9,002</b> |

4.4 The Government have announced that that the repayment of collection fund deficits arising in 2020-2021 can be spread over a three year period (2021-2022 to 2023-2024). The sums due from the precepting body will be paid in equal instalments alongside the

precepts payable for 2021-2022 as set out in paragraph 2.3. In addition to this, the Government have also provided Section 31 grant for Covid-19 business rates reliefs granted to businesses, in order to compensate local authorities for the reduction in business rates income.

4.5 As stated above, in the Spending Review 2020 £762 million of funding was announced to compensate local authorities for 75% of irrecoverable losses from council tax and business rates revenues in 2020-2021, that would otherwise need to be funded through local authority budgets in 2021-2022 and later years. Provisional allocations have not been announced.

## **5.0 Evaluation of alternative options**

5.1 The estimated outturn on the Collection Fund for 2020-2021 has been prepared in accordance with specifications, regulations and directions made under various sections of the Local Government Finance Acts 1988 and 1992.

## **6.0 Reasons for decisions**

6.1 Cabinet is recommended to approve the payments to/from the precepting bodies based on the estimated outturn of the Collection Fund for 2020-2021. This will inform the budget setting process for 2021-2022, for the Council and precepting bodies.

6.2 Approval is also sought to delegate authority to the Cabinet Member for Resources, in consultation with the Director of Finance, to confirm any final changes to the forecast outturn reflecting any further information received ahead of the statutory deadline of 31 January 2021. This will ensure that the most up to date information is used to inform 2021-2022 budgets.

## **7.0 Financial implications**

7.1 The total Collection Fund accumulated deficit in 2020-2021 is estimated to be in the region of £16.8 million, of which the Council will be expected to retain a deficit of approximately £15.8 million. This is the net sum of the forecast deficit relating to Council Tax (£6.8 million Table 2) and forecast deficit relating to Business Rates (£8.9 million Table 4). It is important to note that this forecast deficit is: after forecast compensation for Covid-19 business rates reliefs via Section 31 grant and the Hardship Fund grant provided to billing authorities in order to compensate them for the reduction in business rates income and council tax income; prior to recognising 75% irrecoverable losses grant for council tax and business rates, and that the forecast deficit for 2020-2021 can be spread over 3 years from 2021-2022.

7.2 The Council's Medium Term Financial Strategy will be updated to reflect the forecast outturn on the Collection Fund.

7.3 It is important to note however that the estimated Collection Fund outturn for the current financial year has to be forecast by January of that year and is based upon information available at a point in time. Therefore, any changes to the assumptions that occur in the

remaining months of the financial year, will have an impact on actual Council Tax and Business Rates collected and consequentially the final outturn on the Collection Fund. Any resulting change to the surplus or deficit, will be recovered in future years.

[MH/14012021/Z]

## **8.0 Legal implications**

8.1 The relevant legislation is contained in the body of the report and the recommendations are made in accordance with the legislation.

[TS/14012021/T]

## **9.0 Equalities implications**

9.1 There are no relevant equalities implications arising from this report.

## **10.0 All other implications**

10.1 The Covid implications are discussed in the body of the report.

## **11.0 Schedule of background papers**

11.1 Council, 4 March 2020 – 'Council Tax Formal Resolutions'  
Council, 6 March 2019 - 'Council Tax Formal Resolutions'