

## Cabinet

### 8 December 2021

<b>Report title</b>	Collection Fund Estimated Outturn 2021-2022	
<b>Decision designation</b>	AMBER	
<b>Cabinet member with lead responsibility</b>	Councillor Ian Brookfield Leader of the Council	
<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 Tel Email	Chief Accountant 01902 554561 alison.shannon@wolverhampton.gov.uk
<b>Report to be/has been considered by</b>	Strategic Executive Board	29 November 2021

#### Recommendations for decision:

The Cabinet is recommended to approve:

1. The estimated outturn for Council Tax in 2021-2022 is a cumulative deficit of approximately £3.5 million which includes the carry forward of the in-year 2020-2021 deficit, which the Government confirmed could be spread over three years from 2021-2022 to 2023-2024.
2. The estimated outturn for Business Rates, also referred to as Non-Domestic Rates, in 2021-2022 is a cumulative deficit of approximately £15.4 million; this is as a result of a cumulative deficit totalling £6.1 million brought forward from 2020-2021, which the Government confirmed could be spread over three years from 2021-2022 to 2023-2024, and an estimated deficit in 2021-2022 totalling approximately £9.3 million.
3. That authority be delegated to the Leader of the Council, 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 2022.

4. That authority be delegated to the Director of Finance to confirm and arrange the final payments to the precepting authorities.

**Recommendations for noting:**

The Cabinet is recommended to note:

1. That at the point of writing the Council awaits confirmation of the Government's view regarding the spread of the 2020-2021 deficit. The information provided in this report are therefore estimates at this stage and are subject to change following the publication of guidance as part of the Provisional Local Government Finance Settlement.

## **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 2021-2022.

## **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 2022 and 31 March 2023 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 and 2021-2022, 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 due to the pandemic however collection performance for 2021-2022 is now improving when compared to 2020-2021.

### 3.0 Council Tax Estimated Outturn 2021-2022

- 3.1 The estimate on the Collection Fund for 2021-2022 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 £3.5 million at 31 March 2022, which includes the carry forward of the in-year 2020-2021 deficit, which the Government confirmed could be spread over 3 years from 2021-2022 to 2023-2024.

**Table 1 – Forecast Council Tax Outturn 2021-2022**

	£000	£000
<b>Actual accumulated deficit at 1 April 2021</b>		6,602
<b>Apportionment of 2021-2022 estimated deficit calculated January 2021 (payments made during 2021-2022)</b>		
<b>Pre 2020-2021 deficit</b>		
City of Wolverhampton Council	(936)	
West Midlands Police and Crime Commissioner	(88)	
West Midlands Fire and Rescue Authority	(34)	(1,058)
<b>One third 2020-2021 estimated deficit</b>		
City of Wolverhampton Council	(1,971)	
West Midlands Police and Crime Commissioner	(191)	
West Midlands Fire and Rescue Authority	(72)	(2,234)
<b>Net deficit 2020-2021 to be apportioned in 2022-2023 and 2023-2024</b>		<b>3,310</b>
<b>Estimated income 2021-2022</b>		
Income from Council Tax	(133,248)	
Council Tax Hardship Fund relief reimbursement – funded by grant	(58)	
<b>Total estimated income</b>		<b>(133,306)</b>
<b>Estimated expenditure 2021-2022</b>		
Demands on Collection Fund		

City of Wolverhampton Council	112,251	
West Midlands Police and Crime Commissioner	11,289	
West Midlands Fire and Rescue Authority	4,008	
Provision for non-collection of council tax	5,953	
<b>Total estimated expenditure</b>		<b>133,501</b>
<b>Net estimated deficit 2021-2022</b>		<b>195</b>
<b>Estimated accumulated deficit at 31 March 2022</b>		<b>3,505</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 2021-2022 council tax bill that was approved by Full Council in the formal council tax resolutions on 3 March 2021.
- 3.3 As detailed above, the Covid-19 pandemic has had a significant impact on Wolverhampton. The Council has seen a decline in the collection rate during 2020-2021 due to the pandemic however collection performance for 2021-2022 is now improving when compared to 2020-2021.
- 3.4 The Government announced that that the repayment of collection fund deficits arising in 2020-2021 could be spread over a three year period (2021-2022 to 2023-2024). Based upon 2020-2021 guidance, the sums due from the two precepting authorities will be reflected in equal instalments alongside the precepts payable for 2022-2023 as set out in paragraph 2.3.
- 3.5 It is important to note that, at the point of writing, the Council awaits confirmation of the Government's view regarding the spread of the 2020-2021 deficit. The information provided in the tables below are therefore estimates at this stage and are subject to change following the publication of guidance as part of the Provisional Local Government Finance Settlement.

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

<b>Council Tax</b>	<b>City of Wolverhampton Council</b>	<b>West Midlands Police and Crime Commissioner</b>	<b>West Midlands Fire and Rescue Authority</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Actual accumulated deficit at 1 April 2021	5,825	563	214	6,602

Less: Apportionment of pre 2020-2021 estimated deficit calculated January 2021 (payments made during 2021-2022)	(936)	(88)	(34)	(1,058)
Less: Apportionment of one third of 2020-2021 estimated deficit calculated January 2021 (to be spread over 3 years from 2021-2022)	(1,971)	(191)	(72)	(2,234)
<b>Remaining accumulated deficit at 1 April 2021 (to be apportioned during 2022-2023 and 2023-2024)</b>	<b>2,918</b>	<b>284</b>	<b>108</b>	<b>3,310</b>
Apportionment of 2021-2022 estimated deficit calculated January 2022	172	17	6	195
<b>Total Forecast Deficit at 31 March 2022 (to be apportioned)</b>	<b>3,090</b>	<b>301</b>	<b>114</b>	<b>3,505</b>

#### 4.0 Business Rates (Non-Domestic Rates) Estimated Outturn 2021-2022

- 4.1 The estimate on the Collection Fund for 2021-2022 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 £15.4 million at 31 March 2022 which includes the carry forward of the in-year 2020-2021 deficit, which the Government confirmed could be spread over three years from 2021-2022 to 2023-2024.

**Table 3 - Forecast Business Rates Outturn 2021-2022**

	£000	£000
<b>Actual accumulated deficit at 1 April 2021</b>		40,300
<b>Apportionment of 2020-2021 estimated deficit calculated as at January 2021 (payments made during 2021-2022)</b>		

<b>Pre 2020-2021 deficit</b>		
City of Wolverhampton Council	(809)	
West Midlands Fire and Rescue Authority	(8)	(817)
<b>2020-2021 deficit linked to Covid-19 reliefs funded by grant</b>		
City of Wolverhampton Council	(30,354)	
West Midlands Fire and Rescue Authority	(307)	(30,661)
<b>One third 2020-2021 estimated deficit</b>		
City of Wolverhampton Council	(2,701)	
West Midlands Fire and Rescue Authority	(27)	(2,728)
<b>Net deficit 2020-2021 to be apportioned in 2022-2023 and 2023-2024</b>		<b>6,094</b>
<b>Estimated income 2021-2022</b>		
Income from Business Rates (NDR)	(66,234)	
Transitional payment	(103)	
Reconciliation payment	700	
<b>Total estimated income</b>		<b>(65,637)</b>
<b>Estimated expenditure 2021-2022</b>		
Demands on Collection Fund		
City of Wolverhampton Council	68,858	
(including designated areas and renewable energy)		
West Midlands Fire and Rescue Authority	688	
Provision for non-collection of NDR (incl. appeals)	5,109	
Cost of Collection Allowance	332	
<b>Total estimated expenditure</b>		<b>74,987</b>
<b>Net estimated deficit 2021-2022</b>		<b>9,350</b>
<b>Estimated accumulated deficit at 31 March 2022</b>		<b>15,444</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 2021-2022 however collection performance for 2021-2022 is now improving when compared to 2020-2021.

- 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.
- 4.4 It is important to note that, at the point of writing, the Council awaits confirmation of the Government's view regarding the spread of the 2020-2021 deficit. The information provided in the tables below are therefore estimates at this stage and are subject to change following the publication of guidance as part of the Provisional Local Government Finance Settlement.

**Table 4 – Recommended split of forecast Business Rates deficit for 2021-2022, to be distributed in 2022-2023 and 2023-2024**

<b>Business Rates</b>	<b>City of Wolverhampton Council</b>	<b>West Midlands Fire and Rescue Authority</b>	<b>Central Government</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Actual accumulated deficit at 1 April 2021</b>	39,636	403	261	<b>40,300</b>
Less: Apportionment of pre 2020-2021 estimated deficit calculated January 2021 (payments made during 2021-2022)	(809)	(8)	-	(817)
Less: Estimated deficit linked to Covid-19 reliefs funded by grant calculated January 2021 (to be spread over 3 years from 2021-2022)	(30,354)	(307)	-	(30,661)
Less: Apportionment of one third of 2020-2021 estimated deficit calculated January 2021 (to be spread over 3 years from 2021-2022)	(2,701)	(27)	-	(2,728)
<b>Remaining accumulated deficit at 1 April 2021</b>	<b>5,772</b>	<b>61</b>	<b>261</b>	<b>6,094</b>



<b>(to be apportioned during 2022-2023 and 2023-2024)</b>				
Apportionment of 2021-2022 estimated deficit calculated January 2022	9,257	93	-	9,350
<b>Total Forecast Deficit at 31 March 2022 (to be apportioned)</b>	<b>15,029</b>	<b>154</b>	<b>261</b>	<b>15,444</b>

- 4.5 It is important to note that, within the 2021-2022 deficit stated above, the Government have 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.

## 5.0 Evaluation of alternative options

- 5.1 The estimated outturn on the Collection Fund for 2021-2022 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 2021-2022. This will inform the budget setting process for 2022-2023, for the Council and precepting bodies.
- 6.2 Approval is also sought to delegate authority to the Leader of the Council, 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 2022. This will ensure that the most up to date information is used to inform 2022-2023 budgets.

## 7.0 Financial implications

- 7.1 The total Collection Fund accumulated deficit in 2021-2022 is estimated to be in the region of £18.9 million, of which the Council will be expected to retain a deficit of approximately £18.1 million to be apportioned over 2022-2023 and 2023-2024. This is the net sum of the forecast deficit relating to Council Tax (£3.1 million Table 2) and forecast deficit relating to Business Rates (£15.0 million Table 4). It is important to note that this forecast deficit is before the forecast compensation for Covid-19 business rates reliefs via Section 31 grant provided to billing authorities in 2021-2022 in order to compensate them for the reduction in business rates income.

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/30112021/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.  
[TC/30112021/B]

## **9.0 Equalities implications**

9.1 There are no relevant equalities implications arising from this report, however the method by which the MTFS and supporting resources, including those detailed in this report for 2022-2023 are developed, is governed by the Council Plan priorities, which itself was guided by consultation and equality analysis. All of this will enable Councillors to pay, "due regard" to the equalities impact of their budget decisions at that point in the budget development process. The resulting and final report to Cabinet and Council will contain a supporting equality analysis that will offer information across the whole range of proposals and in doing so enable Councillors to discharge their duty under Section 149 of the Equality Act 2010.

## **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, 3 March 2021 – '[Council Tax Formal Resolutions](#)'

11.2 Council, 4 March 2020 – '[Council Tax Formal Resolutions](#)'