



Northumberland

County Council

CABINET

17 JANUARY 2023

Notification of the Estimated Collection Fund Balances 2022-23 – Council Tax and Business Rates

Report of Jan Willis, Interim Executive Director of Finance and Section 151 Officer

Cabinet Member: Richard Wearmouth, Deputy Leader and Portfolio Holder for Corporate Services

Purpose of report

To advise members of the estimated year end balances on the Collection Fund in relation to Council Tax and Business Rates for the year ending 31 March 2023.

Recommendations

Members are requested to:

- 1. Approve the declaration of a surplus on the Collection Fund for the year ending 31 March 2023 in relation to Council Tax of £2.948 million to be distributed to the Council and Northumbria Police and Crime Commissioner in accordance with Council Tax regulations; the Council's share being £2.737 million.**
- 2. Note the overall estimated deficit on the Collection Fund for the year ending 31 March 2023 in relation to Business Rates of £3.887 million; the Council's share being £1.944 million (which largely relates to the Covid-19 Additional Relief Fund announced by the government in response to the Covid-19 pandemic, and for which the Council will be reimbursed through Section 31 (S31) grant).**
- 3. Note the distribution of the estimated Collection Fund surplus for Council Tax to the Northumbria Police and Crime Commissioner of £0.212 million, and the distribution of the estimated Collection Fund deficit for Business Rates of £1.944 million to the Secretary of State.**
- 4. Note the inclusion of the Council's share of the estimated Collection Fund balances distributable in 2023-24 of £2.737 million surplus and £1.944 million deficit, for Council Tax and Business Rates respectively, within the Council's budget 2023-24.**

Link to Corporate Plan

The Council's budget is aligned to the priorities outlined in the Corporate Plan 2021-24 "A Council that Works for Everyone".

Key issues

1. Northumberland County Council is required by statute to maintain a Collection Fund separate from the General Fund of the Council.
2. The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Council Tax Collection Fund estimate by 15 January each year.
3. The Non-Domestic Rating (Rates Retention) Regulations 2013 require the Council as the Billing Authority to calculate a Business Rates Collection Fund estimate on or before 31 January each year.
4. The purpose of this report is to advise Cabinet of the estimated Collection Fund balances for 2022-23.
5. The report also determines the respective shares of the estimated balances notifiable to the major precepting authorities.
6. The Covid-19 pandemic had a significant impact on Collection Fund balances. In response to this, the government announced that local councils could spread the cost of estimated in-year deficits for 2020-21 over a three-year period. The estimated balances for 2022-23 include an element in relation to the spread of the 2020-21 estimated deficits.
7. The government also announced a Covid-19 Additional Relief Fund which allowed councils to design a discretionary scheme to support businesses affected by the pandemic that are ineligible for existing support linked to business rates. The Council will be reimbursed through S31 grant in relation to these reliefs.

Background

1. As a Council Tax and Business Rates Billing Authority the Council is required by legislation to estimate the surplus or deficit for each financial year on the Collection Fund.
2. Both Council Tax and Business Rates precepts are fixed prior to the start of a financial year. Any variations from this realised through the Collection Fund in year are distributed in the following two financial years (based on estimates in the following year and actuals in the subsequent year).
3. The Collection Fund is a statutory fund separate from the General Fund of the Council. The Collection Fund accounts independently for:
 - a) Income into the Fund: The Fund is credited with the amount of receipts of Council Tax and Business Rates it collects.
 - b) Payments out of the Fund: In relation to Council Tax, payments are made to the Council; the one major precepting authority (Northumbria Police & Crime Commissioner); and, the local preceptors (parish and town

councils). In relation to Business Rates, payments are made to the Council and the Secretary of State.

4. The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Collection Fund estimate by 15 January each year for Council Tax.
5. The Non-Domestic Rating (Rates Retention) Regulations 2013 require the Council as the Billing Authority to calculate a Collection Fund estimate on or before 31 January each year for Business Rates.
6. Both estimates relate to the Collection Fund for the year ending 31 March 2023 and show the impact of this on the cumulative Collection Fund balance.
7. Ordinarily, the estimated balances at the end of the current year are distributed to the relevant bodies in the next financial year, with any residual balance remaining in the Collection Fund and forming part of the estimated year-end balance in the following year. For 2020-21, in response to the Covid-19 pandemic, the government announced that any in year deficit could be spread over a three-year period. The 2022-23 estimated balances include an element in relation to the spread of the 2020-21 estimated deficits. The final element of the 2020-21 estimated deficits will be distributed in 2023-24.

Estimated Surplus for Council Tax

1. The Council Tax Collection Fund balance for the year ending 31 March 2023, including the spreading of the 2020-21 estimated deficit, shows a forecast surplus of £2.948 million based on figures up to the end of October 2022. The estimated surplus on the Council Tax Collection Fund is due largely to an increase in the Council Tax Base because of additional properties.
2. The year-end estimated surplus will be distributed to the major precepting authorities in the following year in the relevant proportions.

Estimated Deficit for Business Rates

1. The Business Rates Collection Fund balance for the year ending 31 March 2023, including the spreading of the 2020-21 estimated deficit, shows a forecast deficit of £3.887 million based on figures up to the end of October 2022. A large proportion of this deficit relates to the Covid Additional Relief Fund announced by the government in response to the Covid-19 pandemic along with an estimated reduction in income as a result of the Covid-19 pandemic.
2. The estimation of the Business Rates base each January sets the amount of Business Rates income to be distributed from the Collection Fund to preceptors in the following year. Any variations during the year will be borne by the

Collection Fund and distributed to preceptors in future years through the declaration of a surplus or deficit on the fund.

3. The NNDR1 return to central government is the mechanism by which the estimated business rates balances are set for the following year. Unless there are any major changes to any of the assumptions detailed within this report then the figures included within this report will be reported to central government on the Council's NNDR1 return.

Distribution of the Estimated Collection Fund Balances

1. The following table shows the distribution of the estimated balances between the relevant precepting bodies.

Precepting Body	Council Tax	Business Rates	Total
	£	£	£
2023-24			
Northumberland County Council	(2,736,566)	1,943,691	(792,875)
Northumbria Police & Crime Commissioner	(211,736)	-	(211,736)
Secretary of State	-	1,943,691	1,943,691
Total	(2,948,302)	3,887,382	939,080

2. The Council's share of the estimated balances will be incorporated into the budget for 2023-24 and Medium-Term Financial Plan 2023-27, and the estimated Business Rates deficit will be funded from the Collection Fund Smoothing Reserve.
3. The Northumbria Police and Crime Commissioner and the Secretary of State will be notified of their respective shares of the estimated balances in January 2023.
4. A full breakdown of the estimated Council Tax deficit is shown at Appendix 1 and the estimated Business Rates deficit is shown at Appendix 2.

Implications

Policy	This report provides information on the Collection Fund Balances and it fully supports the priorities outlined in the Corporate Plan 2021-24 - A Council that Works for Everyone.
Finance and value for money	The Collection Fund is a statutory stand-alone fund. The estimated balances on the fund ultimately feed into the General Fund and are incorporated into the Council's Budget and Medium-Term Financial Plan.
Legal	<p>Section 89 of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and non-domestic rates.</p> <p>Section 90(2) of the Local Government Finance Act 1988 set out the main type of expenditure which must be made directly from the Collection Fund, this includes council tax precepts and shares of Non Domestic Rates to precepting authorities.</p> <p>The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 amend provisions of the Local Authorities (Funds) (England) Regulations 1992 and the Non Domestic Rating (Rates Retention) Regulations 2013. This instrument extended from one to three years the period over which local authorities could repay deficits in their local tax collection funds which were accrued during financial year 2020-21 as a result of the economic impact of the coronavirus pandemic.</p> <p>The Council is required to determine and declare the forecast surplus or deficit position on its collection fund at the year-end by 15 January each year and notify its major precepting body (Northumbria Police & Crime Commissioner) of their share of the sum so that they can factor this into their budget setting processes. This is an executive function and does not require consideration by full Council.</p>
Procurement	There are no specific procurement implications within this report.
Human Resources	There are no specific human resources implications within this report.
Property	There are no specific property implications within this report.
Equalities	There are no specific equalities implications within this report.
Risk Assessment	There is a risk that the actual position on the Collection Fund may not be in line with the estimated position contained within this report. In order to mitigate these risks monthly budget monitoring is undertaken. Any variation between the actual and estimated balance is contained within the Collection Fund in year and has no immediate impact on the General Fund.
Crime & Disorder	There are no specific crime & disorder implications within this report.
Customer Consideration	There are no specific customer consideration implications within this report.
Carbon reduction	There are no specific carbon reduction implications within this report.

Health & Wellbeing	The Council's budget is founded on the principle of promoting inclusivity.
Wards	All wards.

Background papers:

None.

Report sign off.

Authors must ensure that officers and members have agreed the content of the report:

	Name
Interim Monitoring Officer/Legal	Lynsey Denyer
Interim Executive Director of Finance & Section S151 Officer	Jan Willis
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Author and Contact Details

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Appendix 1

2021-22		2022-23
Actual	COLLECTION FUND ACCOUNT - COUNCIL TAX	Estimate
£		£
	Income	
(220,858,620)	Income from Council Tax	(235,319,198)
(3,263,766)	Transfer from General Fund for Local Discretionary Discount & Local Council Tax Support Hardship	(2,254,423)
(309,519)	Ministry of Defence Payments	(338,370)
(224,431,905)	Total Income	(237,911,991)
	Expenditure	
	<u>Precepts</u>	
195,025,410	Northumberland County Council (NCC)	206,070,229
9,391,357	Parish Councils	9,869,569
15,381,664	Northumbria Police & Crime Commissioner (NPCC)	16,707,869
	<u>Bad & Doubtful Debts</u>	
1,297,568	Increase in Bad Debt Provision	882,902
221,095,999	Total Expenditure	233,530,569
(3,335,906)	Surplus for year	(4,381,422)
	Collection Fund accumulated (surplus)/deficit	
1,597,998	Balance Brought Forward	(3,099,308)
(1,267,458)	Distribution of NCC share of prior year estimated surplus/(deficit)	4,214,663
(93,942)	Distribution of NPCC share of prior year estimated surplus/(deficit)	317,765
(3,335,906)	Surplus for year	(4,381,422)
(3,099,308)	Accumulated surplus carried forward	(2,948,302)
	Distribution of Collection Fund accumulated (surplus)/deficit	
(4,214,663)	Northumberland County Council (NCC) in year surplus	(4,066,765)
554,167	Northumberland County Council (NCC) spreading adjustment	554,167
777,706	Northumberland County Council (NCC) prior year residual surplus	776,032
(2,882,790)	Northumberland County Council (NCC) Total	(2,736,566)
(317,765)	Northumbria Police & Crime Commissioner (NPCC) in year surplus	(314,657)
41,074	Northumbria Police & Crime Commissioner (NPCC) spreading adjustment	41,074
60,173	Northumbria Police & Crime Commissioner (NPCC) prior year residual surplus	61,847
(216,518)	Northumbria Police & Crime Commissioner (NPCC) Total	(211,736)
(3,099,308)	Total	(2,948,302)

Appendix 2

2021-22		2022-23
Actual	COLLECTION FUND ACCOUNT - BUSINESS RATES	Estimate
£		£
	Income	
(67,439,889)	Income from Business Rates	(75,541,813)
(357,608)	Transitional Protection	(187,063)
(67,797,497)	Total Income	(75,728,876)
	Expenditure	
	<u>Precepts and Payments</u>	
40,525,150	Northumberland County Council (NCC)	36,152,719
40,525,150	Secretary of State (SoS)	36,152,719
485,821	Cost of Collection Allowance	493,083
	<u>Bad & Doubtful Debts</u>	
77,416	Increase in Bad Debt Provision	1,529,021
	<u>Appeals & Losses</u>	
(1,422,954)	Losses on appeal (funded from provision)	-
3,831,138	Increase in appeals provision	-
	<u>Disregarded Amounts</u>	
5,452,499	Renewable Energy	5,020,161
140,468	Enterprise Zone Growth	347,493
89,614,688	Total Expenditure	79,695,196
21,817,191	Deficit for year	3,966,320
	Collection Fund accumulated deficit	
44,335,741	Balance Brought Forward	25,015,250
(20,743,252)	Distribution of NCC share of prior year estimated deficit	(12,547,094)
(20,394,430)	Distribution of SoS share of prior year estimated deficit	(12,547,094)
21,817,191	Deficit for year	3,966,320
25,015,250	Accumulated deficit carried forward before spreading	3,887,382

2021-22		2022-23
Actual	COLLECTION FUND ACCOUNT - BUSINESS RATES	Estimate
	Distribution of Collection Fund accumulated deficit	
1,599,030	Northumberland County Council (NCC) prior year deficit/(surplus)	(381,448)
10,566,616	Northumberland County Council (NCC) in year deficit	1,983,160
341,979	Northumberland County Council (NCC) spreading adjustment	341,979
12,507,625	Northumberland County Council (NCC) Total	1,943,691
1,599,030	Secretary of State (SoS) prior year deficit/(surplus)	(381,448)
10,566,616	Secretary of State (SoS) in year deficit	1,983,160
341,979	Secretary of State (SoS) spreading adjustment	341,979
12,507,625	Secretary of State (SoS) Total	1,943,691
25,015,250	Total	3,887,382