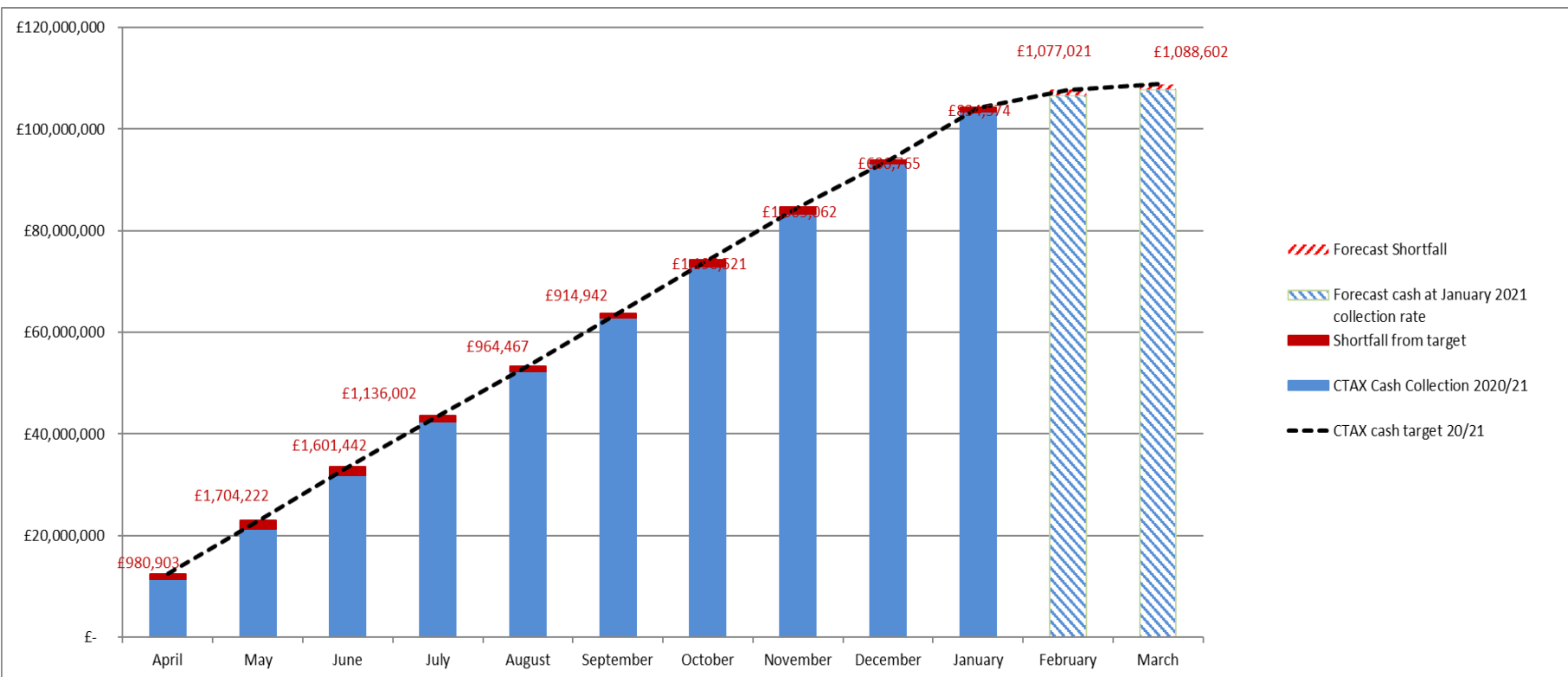


APPENDIX 3 - Collection Fund

Council Tax and Business Rates Collection

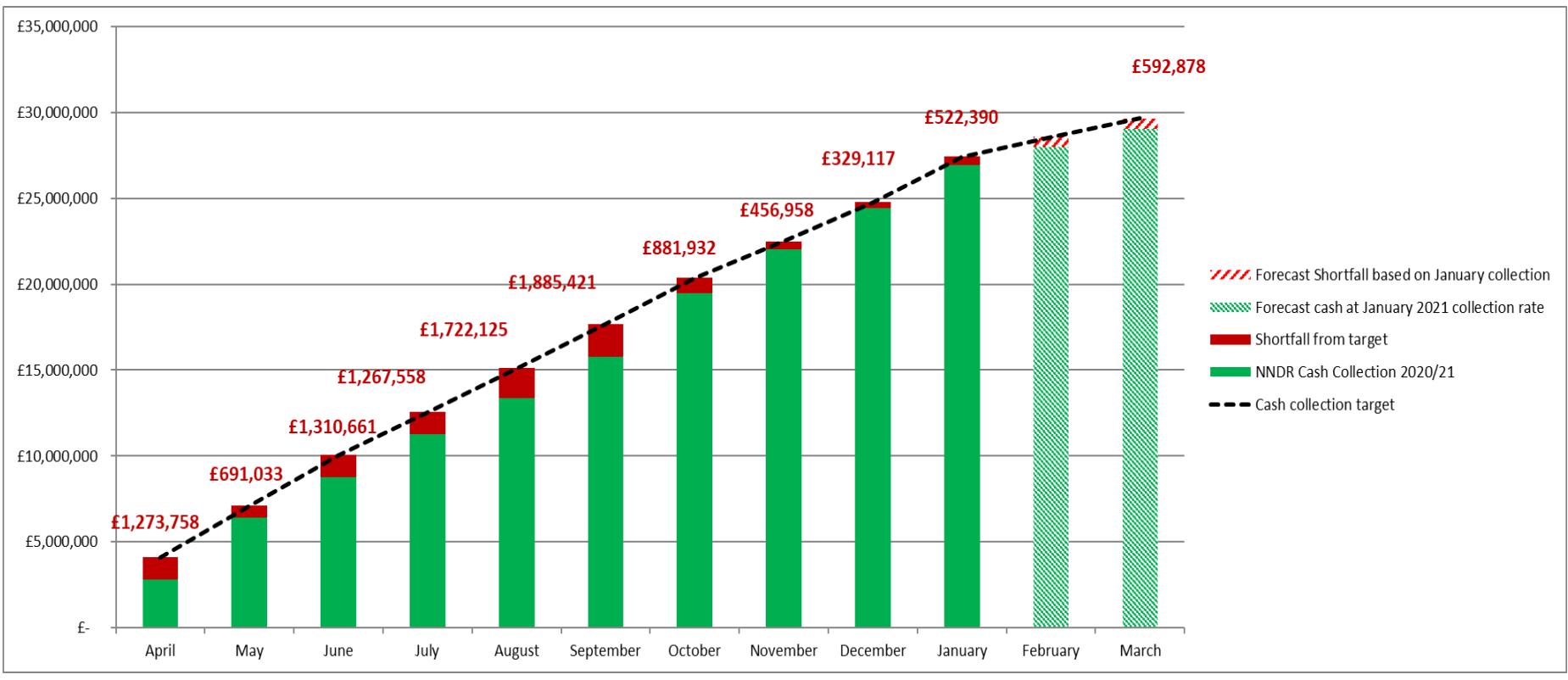
As at the end of January 2021, collection of both Council Tax and Business Rates is below target and prior year trends, and this is attributed to the economic impact of COVID-19.

Council Tax Collection rates have improved over the year and the current forecast is a shortfall of £1.088m against the target cash collection rate. However, in addition to cash collection being below target, the total Council Tax Debit (the amount of income that the Council is able to bill for and collect) has reduced from £117.8m in April 2020 to £115.8m in January 2021, a reduction of £2m over the last ten months. This reduction in the amount of Council Tax the Council is able to collect places further pressures on the Collection Fund and is attributed to the impacts of COVID-19. The reduced debit reflects an increase in reliefs and exemptions due to more Council Tax Support Claimants and an increase in exemptions due to empty properties awaiting a probate.



APPENDIX 3 - Collection Fund

Business Rates collection improved between April and July, however this improvement was not sustained in August, with a deterioration in September and whilst collection has since improved, overall collection is still 2% below target. The forecast shortfall on cash collection by year end is £0.592m. However, in addition to shortfalls in cash collection, the total NNDR Debit (the amount of income that the Council is able to bill for and collect) has reduced from £34.2m in April 2020 to £30.7m in January 2021, a reduction of £3.5m over the last ten months. Whilst some of this reduction is due to an increase in reliefs (which are compensated through additional grant), reductions also reflect changes to the ratings list, which reduce the amount of business rates that the Council is able to collect and placing further pressures on the Collection Fund.



APPENDIX 3 - Collection Fund

	31 March 2021 BUDGET			31 March 2021 FORECAST OUTTURN			VARIANCE
	Council Tax £000	NDR £000	Total £000	Council Tax £000	NDR £000	Total £000	£000
Income							
Income from Council Tax	(118,037)		(118,037)	(115,975)		(115,975)	2,062
Income from NDR		(59,392)	(59,392)		(28,995)	(28,995)	30,397
Total Income	(118,037)	(59,392)	(177,429)	(115,975)	(28,995)	(144,970)	32,459
Expenditure							
<u>Council Tax</u>							
The Council*	96,794		96,794	96,794		96,794	
Mayoral Police and Crime Commissioner	13,187		13,187	13,187		13,187	
GM Fire and Rescue Authority	5,758		5,758	5,758		5,758	
<u>NDR</u>			0			0	
The Council		53,844	53,844		53,844	53,844	
GM Fire and Rescue Authority		544	544		544	544	
Allowance for cost of collection		285	285		285	285	
Transitional Protection Payments		739	739		1,041	1,041	302
Allowance for non-collection	2,361	1,188	3,549	8,778	3,283	12,061	8,512
Provision for appeals		2,791	2,791		3,867	3,867	1,076
<u>Surplus/deficit allocated/paid out in year:</u>			0			0	
The Council	3,657	(2,636)	1,021	3,657	(2,636)	1,021	
Mayoral Police and Crime Commissioner	493		493	493		493	
GM Fire and Rescue Authority	191	(26)	165	191	(26)	165	
Total Expenditure	122,441	56,729	179,170	128,858	60,202	189,060	9,890
(Surplus)/deficit for the year	4,404	(2,663)	1,741	12,883	31,207	44,090	42,349
Balance brought forward	(6,640)	2,489	(4,151)	(6,640)	2,489	(4,151)	
Surplus/deficit for the year	4,404	(2,663)	1,741	12,883	31,207	44,090	42,349
(Surplus)/deficit carried forward	(2,236)	(174)	(2,410)	6,243	33,696	39,939	42,349

Collection Fund Forecast at 31 March 2021

The 2020/21 budget forecast a £2.4m surplus on the Collection Fund at 31 March 2021. This assumed collection rates of 98%, no significant increase in the level of appeals on rateable values for business rates, and growth in the Council Tax base as a result of new homes.

The latest forecast for the Collection Fund (undertaken in December 2020 to inform the 2021/22 budget setting) is that the Collection Fund will be in deficit by £39.9m at 31 March 2021. The key variances in the forecast when compared to budget include:

- Collectible Council Tax Income (the Council Tax Net Debit) is forecast to be £2m lower than budget. This is due to a significant increase in reliefs and exemptions awarded to Council Tax Support Claimants, and an increase in empty properties awaiting probate.
- Collectible NNDR income is forecast to be £30.397m less than budget. Most of this reduction is due to additional COVID reliefs granted by Government and £29.6m of additional section 31 grant is forecast to fund this element of the deficit.
- A significant increase in the allowance for non-collection is forecast as result of reduced collection in year and in anticipation of ongoing economic impacts due to COVID. Collection rates for both Council Tax and Business Rates are below target in year, and recovery of older debts is expected to become more difficult as the economic conditions places further financial hardship on individuals and businesses.
- Additional provision for appeals on Business Rates is expected to be required in 2020/21. The economic impact of COVID-19 has had a material impact on some business sectors and the number of challenges and appeals against rateable value assessments has been increasing both locally and nationally. Where a business successfully challenges or appeals against the rateable value assessment resulting in a reduced liability for business rates, income is reduced and refunds may be due for rates paid in previous years.

Whilst £29.6m of this forecast is expected to be funded by Government through additional section 31 grants, there remains a significant deficit of £10.3m which needs to be funded by the Council and Preceptors. Normally any Collection Fund deficit is required to be funded in full in the following financial year, however, recognising the exceptional nature of deficits resulting from the COVID pandemic, Government has laid regulations allowing the 2020/21 deficit to be spread over the next three years. The financial impact of funding this deficit over the next three years is reflected in the 2021/22 budget proposals (approved by Full Council on 23 February 2021).