

Update to the Council Budget 2021/22 report to the Executive 02 February 2021

- 1.1 This briefing paper provides an update on the 2021/22 budget following the receipt of information from the Lincolnshire District Councils at the end of January 2021. The Council Budget report to the Executive on 2 February 2021 was prepared prior to this date, so this information should be read in conjunction with that report. The impact of this information on the Council's budget proposals is set out below.

Council Tax and Business Rates Information Received

Council Tax Base

- 1.2 Since preparing the Budget 2021/22 report, the County Council has received confirmed figures from each of the seven District Councils. The figures received show a very small increase in the tax base since last year for these Councils collectively of 0.3%. This is less than the tax base assumption we had made and, compared to the figures presented in the budget proposals report, will result in reduced Council Tax income of £0.597m at the proposed new council tax levels.

Council Tax Collection Fund

- 1.3 All seven of the District Councils have submitted their provisional positions on the council tax elements of their Collection Funds. There is a net surplus attributable to the County Council of £0.678m, which is more than the collection fund surplus assumption made of a zero surplus / deficit.
- 1.4 Within the total Council Tax Collection Fund surplus of £0.678m is a deficit of £0.700m relating to two District Councils. The Local Government Provisional Finance Settlement confirmed that a deficit on the Council Tax Collection Fund for 2021/22 must be spread equally over 2021/22, 2022/23 and 2023/24 and new regulations to allow this to happen came into force in December 2020. This means that the deficit of £0.700m in 2021/22 is after spreading has been applied. It also includes any adjustments to the prior year surplus or deficit. The spreading regulations mean that in each of 2022/23 and 2023/24 we will also have a deficit of £0.298m on the Council Tax Collection Fund which will be in addition to any surpluses or deficits arising in those following two years.
- 1.5 The government announced a new Local Tax Guarantee Scheme in November 2020 as part of the Spending Review, to provide councils with a grant to compensate for 75% of irrecoverable 2020/21 council tax losses that

have been incurred. The government has set out how this grant is to be assessed and it is to be calculated following the confirmation of the end of year position on Council Tax. This will be paid as a Section 31 grant in 2021/22, however due to the uncertainty about what the total is likely to be we have assumed nothing for this grant in our 2021/22 budget.

Business Rates Collection Fund

- 1.6 All of the District Councils have now submitted their estimates of the amounts of Business Rates due to be collected next year and passed on to the County Council. These estimates total £21,855,656, which is £18,181 higher than our budget assumption.
- 1.7 We have received notification of Business Rates Collection Fund positions from each of the seven District Councils. It was anticipated that the Covid-19 impacts would result in significant deficits and this has turned out to be the case. There is a net deficit attributable to the County Council of £10.644m, compared to the neutral collection fund surplus assumption made. Earlier in the financial year, the government announced 100% business rates reliefs to retail and other sectors which were affected by closures during lockdowns this year, and these reliefs will be funded in full by the government, by way of new Section 31 grant in 2021/22. The District Councils have assessed that our share of this new Section 31 grant will be approximately £10,167m and we will build this into our budget to help offset the Business Rates Collection Fund deficit.
- 1.8 The Local Government Provisional Finance Settlement confirmed that a deficit on the Business Rates Collection Fund for 2021/22 must be spread equally over 2021/22, 2022/23 and 2023/24 and new regulations to allow this to happen came into force in December 2020. It should be noted that the amount to be spread over three years is the net deficit for 2021/22 only after allowing for the new Section 31 grant referred to in paragraph 1.7. This means that the impact of spreading the deficit in each of the following two years is significantly less than the deficit in 2021/22. The District Councils have informed us of these future year deficits and, in total, they amount to £0.320m in each year, which is in addition to any surpluses or deficits arising in those following two years.
- 1.9 The government announced a new Local Tax Guarantee Scheme in November 2020 as part of the Spending Review, to provide councils with a grant to compensate for 75% of irrecoverable 2020/21 Business Rates losses that have been incurred. The government has set out how this grant is to be assessed and it is to be calculated following the confirmation of the end of year position on Business Rates. This will be paid as a Section 31 grant in 2021/22, however due to the uncertainty about what the total is likely to be we have assumed nothing for this grant in our 2021/22 budget. We have a Business Rates Volatility earmarked reserve with a current balance of £6.152m and this could be used to cover the future year Business Rates Collection Fund deficits if required.

Business Rates Section 31 Grant

1.10 Since preparing the Budget 2021/22 report, the Council has received notification from each of the District Councils in respect of the usual Section 31 grants. The total of Business Rates Section 31 grants for 2021/22 (excluding the new Section 31 grant referred to in paragraph 1.7) is £8.145m which is £0.967m more than the amount we had assumed.

Implications of the Latest Information on the Budget Position

1.11 The figures reported in the sections above on Council Tax and Business Rates have changed the budgetary position shown in the report to the Executive on 2 February 2021. This report presents a small surplus on the revenue budget of £1.912m. The table below sets out each of the changes to Council Tax and Business Rates and shows the total impact of these at £0.552m. This means that the position for 2021/22 is now a surplus of £2.464m.

Table A – Impact of Changes to Funding Following District Council Returns

	Assumed	Final	Impact
Council Taxbase	234243.30	233805.85	-£596,752
Council Tax Collection Fund Surplus	£0	£677,745	£677,745
Business Rates Collected Locally	£21,873,837	£21,855,686	-£18,151
Business Rates Collection Fund Deficit	£0	-£10,644,165	-£10,644,165
Business Rates Section 31 Grants	£7,177,673	£8,144,772	£967,099
Business Rates Section 31 Grants re Covid-19	£0	£10,166,662	£10,166,662
Total Impact on Revenue Budget 2021/22			£552,438

1.12 It is proposed that this surplus of £2.464m on the revenue budget is dealt with by transferring the surplus to the Financial Volatility earmarked reserve in order to balance the budget as required by law.

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