

Update to the Council Budget 2022/23 report to the Executive 08 February 2022

- 1.1 This briefing paper provides an update on the 2022/23 budget following the receipt of information from the Lincolnshire District Councils at the end of January 2022. The Council Budget report to the Executive on 8 February 2022 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 2022/23 report, the County Council has received confirmed figures from each of the seven District Councils. The figures received show an increase in the tax base since last year for these Councils collectively of 2.05%. This is higher than the tax base assumption we had made of a 1.5% increase and, compared to the figures presented in the budget proposals report, will result in increased Council Tax precept income of +£1.797m 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 £3.167m, which is more than the collection fund deficit assumption made of -£0.298m. This means that the Council Tax Collection Fund surplus for 2022/23 is +£3.465m more than was assumed in the Budget 2022/23 report. Last year the Council Tax Collection Fund surplus was far lower, at £0.677m, so the latest surplus cannot be relied upon to continue in the future and should therefore be treated as a one-off gain to the 2022/23 budget.

Business Rates Collection Fund

- 1.4 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 £19.526m, which is -£2.767m lower than our budget assumption.
- 1.5 We have received notification of Business Rates Collection Fund positions from each of the seven District Councils. The impacts of Covid-19 impacts on Business Rates has continued from 2020/21 into 2021/22 resulting in a net deficit attributable to the

County Council of £6.392m, compared to the assumed collection fund deficit assumption made of £0.320m. This is therefore -£6.072m additional deficit above the assumption in the Budget 2022/23 report. The government continued with 100% business rates reliefs to retail and other sectors which were affected by Covid-19 this year, and these reliefs will be funded by the government, via additional Section 31 grant in 2022/23.

Business Rates Section 31 Grant

- 1.6 Since preparing the Budget 2021/22 report, the Council has received notification from each of the District Councils in respect of Section 31 grants. The total of Business Rates Section 31 grants which will be paid over to us by the District Councils for 2022/23 is £7.027m. In addition to this we receive Section 31 grant for Business Rates directly from the government. The amount we will receive in 2022/23 from the government has increased to allow for the business rate reliefs referred to in paragraph 1.5 above, and will be £9.331m. In total we will receive £16.358m in Section 31 grant, which is +£8.169m more than the amount we had assumed in the Budget 2022/23 report.

Business Rates Pooling Gain

- 1.7 The Council is in a Business Rates pool, with six of the seven District Councils in 2021/22. We have been notified that the expected pooling gain for 2021/22 has also been negatively impacted by Covid-19, as growth in Business Rates income has been hindered. The District Council has previously anticipated a pooling gain for 2021/22 of around £2.500m and, although we have not received the latest data from all of the District Councils in the pool, this looks to be reducing substantially. We expect this situation to continue into 2022/23 and it would be prudent to reduce our assumption of a pooling gain of £2.800m in 2022/23 down to £1.800m, which is a reduction of -£1,000m.

Implications of the Latest Information on the Budget Position

- 1.8 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 8 February 2022. The Budget 2022/23 report presents a balanced revenue budget. The table below sets out each of the changes to Council Tax and Business Rates and shows the total impact of these at £3.593m. This means that the position for 2021/22 is now a surplus of +£3.593m.

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

	Assumed	Final	Impact
Council Taxbase	£237,313	£238,592	£1,797,420
Council Tax Collection Fund -Deficit / Surplus	-£298,015	£3,167,305	£3,465,320
Business Rates Collected Locally	£22,292,800	£19,526,146	-£2,766,654
Business Rates Collection Fund Deficit	-£319,669	-£6,391,814	-£6,072,145
Business Rates Section 31 Grants	£8,189,568	£16,358,233	£8,168,665
Business Rates Pooling Gain	£2,800,000	£1,800,000	-£1,000,000
Total Impact on Revenue Budget 2022/23			£3,592,606

- 1.9 The Business Rates impacts shown in the table above total a net reduction in income of -£1.670m. The council tax base increase results in higher Council Tax Precept income of +£1.797m which offsets these Business Rates impacts. The Council Tax Collection Fund Surplus cannot be relied upon to continue, so it is proposed that the net surplus of £3.593m is dealt with by transferring the surplus to earmarked reserves in order to balance the budget as required by law.

This page is intentionally left blank