

Collection Fund

- 1.1. The Collection Fund includes all income generated from council tax and business rates that is due in the year, including arrears.
- 1.2. The collection rate for Council Tax is currently close to target. At the end of the first quarter the collection rate was 30.34% against a target of 29.95%, up by 0.39%. The collection rate for business rates was 25.63% against a target of 30.50% down by 4.87%. However, this reduced performance is likely due to the timing of the reduction in enhanced reliefs to the retail and hospitality sector and therefore collection rates will continue to be tracked to see if they recover over the next quarter.
- 1.3. Council Tax –The latest collection fund forecast shows a surplus of £8.873m of which £7.467m is MKC’s share. This is after taking into account a surplus brought forward balance of £2.730m.
- 1.4. The impact of Covid-19 has not been as severe as originally estimated when the budget was set. Council Tax collection rates have currently returned to normal levels and continued government support has meant LCTS claimant numbers are significantly lower than anticipated. However, as government financial support is reduced this could have an adverse effect on this forecast so this will be closely monitored over the next quarter.

**Table 1 - Council Tax Collection Fund – June 2021**

	<b>Carried Forward</b>	<b>Q1</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Council Tax Collection Fund Surplus	(2.730)	(6.143)	(8.873)
Milton Keynes Share	(2.305)	(5.162)	(7.467)

- 1.5. Business Rates - The Council’s budget for retained business rates income for 2021/22 is £52.632m. It is currently projected that the Council’s actual share of retained business rates will be £72.014m, giving a surplus of £19.382m. This surplus is due to the receipt of s31 grant from government for the continuation of enhanced retail & hospitality reliefs which had not been confirmed when the budget was set.

1.6. However, an estimated £19.780m is required to pay back the council's share of the 2021/22 deficit in the Collection Fund due to the enhanced reliefs. This will be transferred to reserves to pay back the deficit which will be due in 2022/23. The remaining small overspend of £0.398m will be funded by the Collection Fund Cash Flow Reserve.

**Table 2 - Business Rates General Fund – June 2021**

<b>MKC Share</b>	<b>Budget £m</b>	<b>Forecast £m</b>	<b>Variance £m</b>
Business Rates (net of s31 grant for enhanced retail reliefs)	52.632	52.234	0.398

1.7. The Government made a change in regulations to allow any collection fund deficits in 2020/21 only to be spread across three future years. Existing regulations required deficits to be paid back fully in the following year and this is the current assumption for any 2021/22 deficit.