



Ministry of Housing,  
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## FOR THE ATTENTION OF FINANCE DIRECTORS

Dear Colleague.

### Phasing of 2020-21 Collection Fund Deficits: Council Tax Calculation Tool

On 5 November 2020 the department issued [Council Tax Information Letter 4/2020](#) which summarised the provisions of the [Local Authorities \(Collection Fund: Surplus and Deficit\) \(Coronavirus\) \(England\) Regulations 2020](#).<sup>1</sup>

The regulations implemented the announcement made by the Secretary of State on 2 July 2020 that “the repayment of collection fund deficits arising in 2020-21 will be spread over the next three years rather than the usual period of a year, giving councils breathing space in setting budgets for next year.”<sup>2</sup>

The letter indicated that further materials would be provided to assist billing authorities in making the calculations required by the regulations. The department is now able to share a council tax deficit spreading calculation tool and guidance notes for use by billing authorities when estimating their collect fund surpluses and deficits on 15 January 2021.

The tool – which is prepopulated with information about authorities’ council tax requirements for 2020-21, and which contains a number of embedded formulas – is intended to help billing authorities identify whether their estimated collection fund balance is eligible for spreading, and to determine each authority’s share of any exceptional balance. Information about shares will be collected by MHCLG on CTR1 forms in March 2021.

The tool also calculates the total amount of estimated surplus or deficit for which each authority will liable in 2021-22, and identifies the amount of spread deficit which must be incorporated into the billing authority’s collection fund opening balance for that year.

**Although the tool is intended to assist authorities in undertaking the calculations required by the regulations, it remains the responsibility of billing authorities to satisfy themselves that they have complied with the legislation and are apportioning surpluses and deficits correctly.**

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<sup>1</sup> The 2020 regulations amended the [Local Authorities \(Funds\) \(England\) Regulations 1992](#) which govern the operation of the collection fund in respect of council tax receipts.

<sup>2</sup> Written Ministerial Statement HCWS333 – <https://questions-statements.parliament.uk/written-statements/detail/2020-07-02/hcws333>

A further tool will be provided next year to assist authorities in calculating the impact of the spread deficit on the collection fund estimates they must make in January 2022 and 2023.

#### *Non-domestic rates*

As set out in the previous letter, part 4 of the 2021-22 NNDR1 form will provide for the calculation of the estimated non-domestic rates surplus/deficit on the collection fund for the previous year (2020-21). In each of 2021-22 and 2022-23, the NNDR1 will automatically calculate the exceptional balance and the sum (if any) to be credited to the estimated surplus/deficit calculation in part 4 of the form, using the data that authorities will, as a matter of course, provide elsewhere on the form. In these and future years, the NNDR1 form will (as it does now) calculate the apportionment of the estimated surplus/deficit between the department, billing authorities and major precepting authorities.

Should you have any queries about this tool, please contact the department at [council.tax@communities.gov.uk](mailto:council.tax@communities.gov.uk)

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