

Council Tax Collection Fund Deficit Spreading Tool

1. This note sets out the purpose and content of the Council Tax Collection Fund Deficit Spreading Tool which MHCLG has prepared to assist billing authorities in meeting the requirements of the Local Authorities (Funds) (England) Regulations 1992 as amended by the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020 (“the Regulations”) which came into force on 1 December 2020.¹
2. The Regulations make provision for the estimation and phasing of an ‘exceptional balance’ when billing authorities estimate their collection fund surpluses and deficits in 15 January 2021. In summary, the exceptional balance is the estimated surplus or deficit for 2020-21 net of any prior year elements. Where the exceptional balance is in deficit, billing and major precepting authorities must discharge their liability for it over the three financial years 2021-22, 2022-23 and 2023-24 rather than one. If the exceptional balance is in surplus, it may not be spread. The prior year elements of the 2020-21 surplus or deficit cannot be spread.
3. The Council Tax Information Letter issued on 5 November 2020 provides an overview of the requirements of the regulations and should be read in conjunction with this note and the Calculation Tool.
4. The Tool is prepopulated with information about the council tax requirements of all billing and major precepting authorities. Billing authorities will need to enter information about the estimated council tax collection fund surplus or deficit for 2020-21 and its prior year elements. The form will then automatically calculate the authority’s exceptional balance and indicate whether it is in deficit and eligible for spreading over three years.
5. If the exceptional balance is in deficit, the form will
 - indicate the billing and major precepting authorities’ shares of the exceptional balance, based on their shares of the billing authority’s aggregate area council tax requirement in 2020-21. This information is intended to help authorities with financial planning over the subsequent three years, and can be used by billing authorities to provide information to MHCLG about deficit phasing on CTR1 forms in due course.
 - calculate an adjusted total collection fund surplus or (more likely) deficit for the billing authority by crediting 2/3rd of the exceptional balance against the surplus or deficit estimated on 15 January. This means that the authorities will only have to pay off 1/3rd of the exceptional balance in 2021-22.
 - apportion the adjusted collection fund surplus or deficit amongst the billing and major precepting authorities according to their shares of the billing authority’s aggregate area council tax requirement for 2020-21.
 - indicate how much of a deficit being spread in accordance with the Regulations, will remain to be cleared in 2022-23 and 2023-24.
6. If the exceptional balance is not in deficit, the form will apportion the collection fund surplus or deficit amongst the billing and major precepting authorities based on their shares of the billing authority’s aggregate area council tax requirement for 2020-21 in the usual way.

¹ The NNDR1 form and guidance notes will assist billing authorities in dealing with the phasing of collection fund deficits in relation to non-domestic rates. This will be issued in due course.

- 7. 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.**
8. Annex A summarises the purpose of each line of the Tool, as well as the calculation and meaning of each of the amounts displayed.
9. Should you have any queries about this tool, please contact the Department at council.tax@communities.gov.uk

**Local Taxation Division
MHCLG**

Annex A

Line by line overview of the Council Tax Collection Fund Spreading Tool

Key

Data prepopulated by MHCLG is highlighted in blue.

Data which will need to be inserted by billing authorities is highlighted in yellow.

Data which will be automatically generated by formulas embedded in the form is highlighted in green.

All figures are to be entered as positive amounts unless otherwise stated.

References to “the Regulations” are to the [Local Authorities \(Funds\) \(England\) Regulations 1992](#) as amended by the [Local Authorities \(Collection Fund: Surplus and Deficit\) \(Coronavirus\) \(England\) Regulations 2020](#) unless otherwise stated.

Section A – total surplus/ deficit and the shares of each LA

Line 1

Billing authority name (please select from the dropdown) = **X**

Line 2

Billing authority’s council tax collection fund surplus/ deficit estimated on 15 January 2021 = **Amount A** [Expressed as a positive figure where there is a surplus, as a negative figure where there is a deficit]

Billing authorities will calculate the surplus or deficit under paragraph 2 of schedule 2 of The Local Authorities (Funds) (England) Regulations 1992 in the usual way.

Line 3

Column 1

Billing authority’s Council Tax Requirement for 2020-21 (including parish precepts), as reported on CTR1 forms = **Amount B**

- For the Isle of Wight Council, Amount B is prepopulated with the reported council tax requirement for 2020-21 minus £3,347,939.09 which is ‘transferring’ to the new Hampshire and Isle of Wight FRA. This reflects local agreement about responsibility for collection fund surpluses and deficits, and the requirements of the regulations.
- For each of the new North Northamptonshire and West Northamptonshire Councils the tool is not prepopulated with the 2020-21 council tax requirement figures of their predecessor authorities given the need for the authorities to agree a split of the council tax requirement of Northamptonshire County Council as part of the restructuring process. North Northamptonshire and West Northamptonshire Councils will need to enter these 2020-21 council tax requirement figures.

Columns 2-5

Each major precepting authority's 2020-21 precept for the billing authority's area, as reported on the billing authority CTR1 form = **Amounts C1, C2, C3, C4**

- The new Hampshire and Isle of Wight FRA, which will assume the fire functions of the Isle of Wight Council from 1 April 2021 is listed as a major precepting authority of Isle of Wight Council which issued a precept of £3,347,939.09 for 2020-21. This reflects local agreement about responsibility for collection fund surpluses and deficits, and the requirements of the regulations.
- For each of new North Northamptonshire and West Northamptonshire Councils the tool is not prepopulated with the 2020-21 council tax requirement figures of their predecessor authorities' major preceptors. North Northamptonshire and West Northamptonshire Councils will need to enter these 2020-21 council tax requirement figures.

Column 6

The aggregate council tax requirement for the billing authority area for 2020-21 [Amount B + Amount C1, C2, C3, C4] = **Amount D**

Line 4

Column 1

Billing authority's share of the aggregate area council tax requirement for 2020-21 [Amount B/ Amount D] = **Amount E**

Columns 2-5

Each major precepting authority's share of the aggregate area CTR for 2020-21 [Amount C1, C2, C3, C4/ Amount D] = **Amounts F1, F2, F3, F4**

Section B – calculation of exceptional balance

Line 5

Any opening collection fund surplus for 2020-21. Enter zero if the amount was a deficit or in balance = **Amount G**

This is the amount specified at para 2(3)(a) of schedule 2 of the Regulations.

Line 6

Transfers/ payments made to the collection fund by the billing authority and major preceptors during the course of financial year 2020-21 to discharge any liability for a deficit estimated on 15 January 2020. Enter zero if no payments were made in respect of a deficit = **Amount H**

This is the amount specified at para 2(3)(b)(iii) of schedule 2 of the Regulations.

Line 7

Any opening collection fund deficit for 2020-21. Enter zero if the amount was a surplus or in balance = **Amount I**

This is the amount specified at para 2(4)(a) of schedule 2 of the Regulations.

Line 8

Transfers/ payments made from the collection fund to the billing authority and major preceptors during the course of financial year 2020-21 in respect of a surplus

estimated on 15 January 2020. Enter zero if no payments were made in respect of a surplus = **Amount J**

This is the amount specified at para 2(4)(b)(iii) of schedule 2 of the Regulations.

NB The form will prompt you to review the figures you have inputted if one of lines 5 and 7 does not contain a zero. The form will also prompt you to review the figures you have inputted if one of lines 6 and 8 does not contain a zero.

Line 9

Total prior year elements of the 2020-21 surplus or deficit [Amount G+H-I-J] = **Amount K**

This is the calculation set out at paragraph 8(2) of Schedule 2 of the Regulations.

Line 10 [NB This data will be collected on CTR1 forms by MHCLG in March 2021]
Billing authority's exceptional balance for 2020-21 [Amount A – Amount K] = **Amount L**

This is the calculation set out at paragraph 8(1) of Schedule 2 of the Regulations.

NB The form will inform you whether the exceptional balance is in deficit and thus whether the phasing provisions apply.

If the exceptional balance is in deficit (i.e. less than zero) you should go to Section C. Section D will be greyed out.

If the exceptional balance is not in deficit you should go to Section D. Section C will be greyed out.

Section C [For authorities able to spread their exceptional balance]

Line 11 [NB This data will be collected on CTR1 forms by MHCLG in March 2021]

Column 1

Billing authority's share of the exceptional balance which will be spread across 2021-22, 2022-23, 2023-24 [(Amount L * Amount E)] = **Amount M**

Columns 2-5

Each major precepting authority's share of the exceptional balance which will be spread across 2021-22, 2022-23, 2023-24 [Amount L * Amount F1, F2, F3, F4] = **Amount N1, N2, N3, N4**

Line 12

Total collection fund surplus/ deficit for the billing authority area as estimated on 15 January 2021 plus 2/3rds of the exceptional balance [Amount A + (2/3) Amount L] = **Amount O**

This line calculates an adjusted total 2020-21 collection fund surplus/ deficit by crediting 2/3^{rds} of the exceptional balance to the surplus/ deficit calculated at line 2. This means that only 1/3rd of the exceptional balance needs to be paid off by billing and major precepting authorities in 2021-22.

The requirement to credit 2/3rds of the exceptional balance in this way is set out at paragraph 2(7) of Schedule 2 of the Regulations.

Line 13

Column 1

Billing authority's share of the adjusted estimated collection fund surplus/ deficit for 2020-21 [Amount O * Amount E] = **Amount P**

This is the total collection fund surplus/ deficit for 2020-21 which the billing authority will receive/ pay off during 2021-22, and factor into its budget and council tax setting.

Columns 2-5

Each major precepting authority's share of the adjusted estimated collection fund surplus/ deficit for 2020-21 [Amount O * Amounts F1, F2, F3, F4] = **Amounts Q1, Q2, Q3, Q4**

This is the total collection fund surplus/ deficit for 2020-21 which each major precepting authority will receive/ pay off during 2021-22, and factor into its budget and council tax setting.

Line 14

Amount of spread deficit to be cleared in 2022-23 and 2023-24 [(Amount L/3) *2] = **Amount R**

Section D [For LAs not able to spread their exceptional balance]

Line 15

Column 1

Billing authority's share of the estimated collection fund surplus/deficit for 2020-21 [Amount A * Amount E] = **Amount S**

This is the total collection fund surplus/ deficit which the billing authority will receive/ pay off during 2021-22 and factor into its budget and council tax setting.

Columns 2-5

Each major precepting authority's share of the estimated collection fund surplus/deficit for 2020-21 [Amount A * Amounts F1, F2, F3, F4] = **Amounts T1, T2, T3, T4**

This is the total collection fund surplus/ deficit which each major precepting authority will receive/ pay off during 2021-22 and factor into its budget and council tax setting.