

Report to Cabinet



Date of Meeting	1 st October 2019
Portfolio	Leader of the Council and Cabinet Member for Finance
Report Author	Stuart Smith (Resources Directorate)
Public Document	

Collection Fund 2019/20

Executive Summary

1. To update Cabinet and Corporate Overview and Scrutiny Committee on the forecast Collection Fund outturn position for 2019/20 as at the end of July 2019.

The Collection Fund Position for 2019/20 is a forecast surplus of £1.454m, comprising:

- £0.763m surplus relating to Business Rates;
- £0.691m surplus relating to Council Tax.

The Council's share of the forecast 2019/20 Collection Fund outturn surplus is £1.343m.

Recommendation

2. It is recommended that Cabinet notes the forecast 2019/20 Collection Fund outturn position.

Reason for Recommendation

3. The Collection Fund forecast outturn report for 2019/20 is presented to Cabinet for noting as part of the budget monitoring process.

Key Points for Consideration

4.1 Introduction

- 4.1.1 The Collection Fund Account reflects the statutory requirement for the Council to maintain a separate fund in relation to the billing and collection of Business Rates and Council Tax.
- 4.1.2 This report focuses on the forecast Collection Fund outturn position for 2019/20 covering:
- The summary position, and the Council's share of the Collection Fund position;
 - The Business Rates income position compared to budget, an update relating to rateable value appeals, 2019/20 collection performance and current level of arrears;
 - The Council Tax income position compared to budget, detail of the Local Council Tax Support Scheme, 2019/20 collection performance and current level of arrears.

4.2 Summary

- 4.2.1 The forecast Collection Fund Position for 2019/20 is a surplus of £1.454m, comprising:
- £0.763m surplus relating to Business Rates;
 - £0.691m surplus relating to Council Tax.
- 4.2.2 Table 1 shows the forecast 2019/20 Collection Fund position, and the allocation of the forecast surplus between precepting authorities.

Table 1 – Forecast 2019/20 Collection Fund surplus

	Business Rates		Council Tax		Total
	%	£'000	%	£'000	£'000
Forecast Collection Fund surplus at 31/03/20		(763)		(691)	(1,454)
<u>Preceptors' Share of 2019/20 forecast outturn</u>					
Rochdale BC	99	(755)	85.18	(588)	(1,343)
GMCA Mayoral Police & Crime Commissioner	-	-	10.68	(74)	(74)
GMCA Mayoral General (including Fire Services)	1	(8)	4.14	(29)	(37)
Total forecast surplus	100	(763)	100	(691)	(1,454)

- 4.2.3 The Council's share of the forecast 2019/20 Collection Fund surplus is £1.343m.

4.2.4 In 2019/20 the Council continues to be part of a pilot for the 100% retention of Business Rates, along with other Greater Manchester authorities. Under the pilot scheme, 100% of Business Rates income is retained locally, of which 99% is retained by the local authority, and 1% retained by Greater Manchester Combined Authority (GMCA) in respect of GM Fire and Rescue Service.

4.2.5 The forecast 2019/20 benefit from the 100% Business Rates Retention scheme pilot has been calculated to be £5.648m, based on an agreed formula within Greater Manchester. 50% of the benefit will be paid to GMCA, and the remaining 50% will be retained by the Council, and transferred to a reserve.

4.2.6 The Council continues to be part of a Business Rates pool, which for 2019/20 includes the 10 Greater Manchester local authorities, Cheshire East Council and Cheshire West & Chester Council. Any sum gained, after applying the agreed allocation to levy authorities, will be retained by the pool for investment within Greater Manchester and other non-Greater Manchester Authorities involved in the pool.

4.3 Business Rates

4.3.1 Net Income Raised

4.3.1.1 The forecast 2019/20 outturn position relating to Business Rates is a surplus of £0.763m. Table 2 provides detail of the forecast outturn position:

Table 2 – Forecast 2019/20 Business Rates income

Description	Budget	2019/20 Forecast	(Surplus)/Deficit	(Surplus)/Deficit movement from previous update
	£'000	£'000	£'000	£'000
Gross income	(84,370)	(84,370)	-	-
Net Small Business Rate relief	6,936	7,200	264	-
Mandatory Charitable relief	4,051	4,100	49	-
Discretionary relief	2,786	2,142	(644)	(5)
Empties & Part Occupied relief	3,700	3,200	(500)	-
Net Income	(66,897)	(67,728)	(831)	(5)
Less:				
Charge re bad debt provision	1,000	1,000	-	-
Allowance for cost of collection	276	276	-	-
Provision for rateable value revaluations	3,802	3,802	-	-
Renewable energy schemes	520	520	-	-
Net yield	(61,299)	(62,130)	(831)	(5)

2018/19 payments to preceptors/billing authority	61,299	61,299	-	-
In year surplus	-	(831)	(831)	(5)
(Surplus)/deficit brought forward from 2018/19	(4,113)	(4,045)	68	-
Payments to preceptors/billing authority re 2018/19 surplus per the 2019/20 Budget process	4,113	4,113	-	-
Forecast surplus as at 31/07/2019	-	(763)	(763)	(5)

4.3.1.2 The main areas of overall variance to the budget are:

Explanation of variance	Variation to budget, £'000
Forecast reduced Empty Property and Discretionary Relief given, partially offset by forecast increased Small Business Rates and Mandatory Charitable reliefs	(831)
Actual surplus brought forward from 2018/19 is £68k lower than had been forecast as part of the 2019/20 Budget process.	68
2019/20 forecast surplus	(763)

4.3.2 Valuation Office Agency (VOA) appeals

4.3.2.1 Since 1st April 2013 local authorities have been responsible for providing for potential losses of income for successful appeals against revaluations which have taken place in 2005, 2010 and 2017. There are a number of appeals that require review by the VOA, mostly dating back to the 2010 rateable value (RV) list.

4.3.2.2 The number of property revaluation appeals outstanding at the end of July 2019, relating to Rochdale's 2005 and 2010 valuation lists, was 94 cases, with an RV of £16.5m (equating to approximately £8.2m in annual Business Rates income). New appeals against the 2010 RV list ceased at the end of September 2017.

4.3.2.3 The table below provides detail of the number of appeals outstanding relating to the 2005/2010 RV lists, during 2019/20:

Outstanding appeals 2005/ 2010 RV list	Number of appeals outstanding	Rateable value (RV) £'000
March 2019	114	21,758

July 2019	94	16,518
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4.3.2.4 Business Rates Appeals relating to the 2017 RV list are subject to a three-stage appeals process. The new appeals system currently has had little activity. An estimated amount has been charged to the Collection Fund to offset future reductions in RV that are made by the VOA.

4.3.2.5 A recent Court ruling will mean that Business Rates on cash machines outside shops will no longer be chargeable, and refunds will be made. A provision has been made for this issue.

4.3.2.6 The level of provision for outstanding appeals and other RV reductions relating to 2005, 2010 and 2017 RV lists is £10.9m.

4.3.2.7 The forecast 2019/20 charge to the Collection Fund for RV revaluations is £3.802m which reflects the need to offset the potential impact of appeals and other rateable value changes relating to the 2017 RV list, and any shortfall in provision relating to the 2005 and 2010 lists.

4.3.3 Business rates 2019/20 collection performance

4.3.3.1 The year to date collection rate for Business Rates income billed in 2019/20 is 36.1%, which is 0.4% lower than the equivalent 2018/19 performance. Collection performance is monitored on a monthly basis to ensure that debt is recovered as efficiently and effectively as possible, and so that any trends may be highlighted and action taken as necessary.

4.3.3.2 Table 3 shows the aged debt analysis of Business Rates arrears, excluding legal costs, as at the end of March 2019 and end of July 2019. Pre 2019/20 arrears were £1.621m as at the end of July 2019, which is a net increase of £0.425m from the position at end of March 2019 due to prior year adjustments from the VOA.

Table 3 – Business Rates arrears (excluding legal costs)

Year	Arrears as at end March 2019	Arrears as at end July 2019	Decrease/ (increase) in debt
	£'000	£'000	£'000
Pre 2019/20 debt			
2018/19	453	938	(485)
2017/18	393	375	18
2016/17	245	212	33
2015/16	79	75	4
2014/15	16	15	1
2013/14	8	5	3
2012/13	1	0	1
Prior to 2012/13	1	1	-

Total arrears	1,196	1,621	(425)
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4.3.3.3 The forecast 2019/20 charge to the Collection Fund for bad and doubtful debts is £1.000m. In year debt collection is currently expected to reach the collection target of 98.7%, resulting in a low level of debt to provide a provision for. Pre 2018/19 debt is at a low level.

4.4 Council Tax

4.4.1 Net Income Raised

4.4.1.1 The forecast 2019/20 outturn position relating to Council Tax is a surplus of £0.691m. Table 4 provides details of the forecast outturn position for Council Tax.

Table 4 – 2019/20 Council Tax Income

Description	Budget	2019/20 Forecast	(Surplus)/ Deficit	(Surplus)/ Deficit movement from previous report
	£'000	£'000	£'000	£'000
INCOME				
Income from Council Tax	(137,640)	(136,900)	740	-
Income from premium on Empty Properties	(278)	(320)	(42)	(20)
Council Tax discounts	13,881	13,835	(46)	15
Local Council Tax Support Scheme (LCTSS)	18,760	18,300	(460)	(100)
Prior year adjustments	165	200	35	-
Total income	(105,112)	(104,885)	227	(105)
EXPENDITURE				
Charge re bad debt provision	2,628	1,895	(733)	-
Total expenditure	2,628	1,895	(733)	-
Net income to be raised for precept/ billing authority after LCTSS awarded	(102,484)	(102,990)	(506)	(105)
2018/19 payments to Preceptors	102,484	102,484	-	-
In year surplus	-	(506)	(506)	(105)
(Surplus)/deficit brought forward from 2018/19	(2,589)	(2,774)	(185)	-
Payments to preceptors re 2018/19 surplus as per the 2019/20 Budget process	2,589	2,589	-	-

Forecast surplus as at	-	(691)	(691)	(105)
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4.4.1.2 The main areas of overall variance from the budget are:

Explanation of variance	Variation to budget, £000
Forecast reduced Council Tax gross income and prior year income adjustments, partially offset by increased income from Empty Property premium and reduced discounts given.	687
Forecast reduced charge relating to the bad debt provision.	(733)
Forecast reduced level of Local Council Tax Support discount given.	(460)
Actual surplus brought forward from 2018/19 is £185k higher than had been forecast as part of the 2019/20 Budget process.	(185)
2019/20 forecast surplus	(691)

4.4.2 Local Council Tax Support Scheme (LCTSS)

4.4.2.1 The award of Local Council Tax Support to a Council Tax payer is deducted from Council Tax bills at the start of the financial year as a discount. This remains the same unless there is a change of circumstances within the household. Local Council Tax Support relief to be given for 2019/20 is forecast to be £18.300m which is £0.460m (2.45%) less than the budget of £18.760m.

Table 5 - LCTSS - Comparison of estimate to forecast outturn as at July 2019

	Estimated number of claimants	Number of claimants per actual data at end July 2019	Increase/ (reduction) in claimant numbers	% reduction in claimants
Working age total	14,093	14,300	207	1.47%
Pension credit age total	8,143	7,691	(452)	(5.55%)
Total	22,236	21,991	(245)	(1.10%)

	Estimate	2019/20 forecast	(Surplus)/deficit Variation	% reduction in discount given
	£'000	£'000	£'000	%
Working age total	10,820	10,875	55	0.51%
Pension credit age total	7,940	7,425	(515)	(6.49%)
Total	18,760	18,300	(460)	(2.45%)

4.4.2.2 Whilst the current number of claimants has reduced by 1.10% compared to budget, the reduction in discount given is 2.45%, meaning that the average level of support per claimant is lower than that anticipated when the 2019/20 scheme was agreed.

4.4.3 Council Tax 2019/20 collection performance

4.4.3.1 The year to date collection rate for Council Tax income billed in 2019/20 is 36.8%, which is 0.1% lower than the 2018/19 equivalent. Collection performance is monitored on a monthly basis to ensure that debt is recovered as efficiently and effectively as possible, and so that any trends may be highlighted and action taken as necessary.

4.4.3.2 Table 6 shows the age debt analysis of pre 2019/20 Council Tax debt, excluding legal costs, as at the end of March 2019 and the end of July 2019. Pre 2019/20 arrears as at the end of July 2019 were £12.038m, which is a net decrease of £1.723m from the end of March 2019 position.

Table 6 – Council Tax arrears, excluding legal costs

Year	Arrears as at end March 2019 £'000	Arrears as at end July 2019 £'000	Decrease in debt £'000
Pre 2019/20 debt			
2018/19	5,179	4,194	985
2017/18	2,951	2,711	240
2016/17	2,151	1,971	180
2015/16	1,422	1,292	130
2014/15	968	875	93
2013/14	683	628	55
2012/13	149	135	14
Prior to 2012/13	258	232	26
Total arrears	13,761	12,038	1,723

4.4.3.3 The forecast 2019/20 charge to revenue for bad and doubtful debts is £1.895m, which is £0.733m below the budget. This is due to the continuing improvement in the overall collection of debt, and reduced levels of debt write off, which has led to the level of provision required being reduced.

4.4.4 Council Tax Premium Waivers

4.4.4.1 Residential properties that have been empty for more than two years are, with specific exemptions, charged a Council Tax premium of a further 100% of the usual charge. To support the local housing market, the Head of Revenues & Benefits, in consultation with the Cabinet Member for Finance, has delegated authority to waive part or all of the premium charge in exceptional circumstances. In 2019/20 so far, £13,380 of Council Tax Premium income has been waived.

4.5 Alternatives considered

Not reporting on financial performance puts at risk the achievement of the Authority's Medium Term Financial Strategy. Effective financial management is critical to ensuring that financial resources are received in line with the budget, which enables them to be targeted towards the Council's priorities. Monitoring enables the early identification of variations against the plan and facilitates timely corrective action.

Costs and Budget Summary

5. Financial Implications

- 5.1 The main body of the report provides a detailed analysis of the forecast 2019/20 Collection Fund outturn position.
- 5.2 The Council's 2019/20 General Fund budget set at Budget Council in February 2019 included an estimated 2018/19 Collection Fund surplus of £6.305m. The difference between this estimate and the actual 2018/19 outturn of £6.367m will be held within the Collection Fund for 2019/20.

Risk and Policy Implications

- 6.1 Unresolved appeals against the revaluation assessments for 2005, 2010 and 2017 cause uncertainty and financial risk for the Business Rates income retained by the Council. The situation is monitored on a monthly basis to ensure that any changes in the trend for successful appeals are recognised due to the future impact on Business Rates income and the impact for the provision for any backdated elements.
- 6.2 The VOA alters rating assessments if new information comes to light indicating that the valuation is inaccurate. These could relate to a demolition, new property builds or other physical changes to a property. The number of alterations, financial impact and timing of the revaluations are not within the control of the Council.
- 6.3 The future level of collection of both Business Rates and Council Tax debt is a potential financial risk. Collection performance is being monitored on a monthly basis to ensure that debt is recovered as efficiently and effectively as possible, and so that any trends may be highlighted and action taken as necessary.
- 6.4 There is an on-going risk that issues decided nationally by the VOA could potentially impact on Rochdale BC's Business Rates income.

Consultation

7. The Leadership Team, the Leader and Cabinet Member for Finance, and Shadow Portfolio Holder for Finance have been informed of the forecast 2019/20 Collection Fund forecast position and its implications for future years. The report will be presented to the Corporate Overview and Scrutiny Committee on 28th October 2019.

Background Papers	Place of Inspection
8. For further information about this report or access to any background papers contact Stuart Smith	No1 Riverside Floor 2
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