

Report to Cabinet



Date of Meeting	26th May 2020
Portfolio	Leader of the Council and Cabinet Member for Finance
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Collection Fund 2019/20 Outturn

Executive Summary

1. To update Cabinet and Corporate Overview and Scrutiny Committee on the Collection Fund outturn position for 2019/20.

The Collection Fund outturn position for 2019/20 is a surplus of £0.932m, comprising:

- £1.869m surplus relating to Business Rates;
- £0.937m deficit relating to Council Tax.

The Council's share of the 2019/20 Collection Fund outturn surplus is £1.057m.

Recommendation

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

Reason for Recommendation

3. The Collection Fund 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 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 Collection Fund Position for 2019/20 is a surplus of £0.932m, comprising:
- £1.869m surplus relating to Business Rates;
 - £0.937m deficit relating to Council Tax.
- 4.2.2 Table 1 shows the 2019/20 Collection Fund outturn position as at 31st March 2020, and the allocation of the closing surplus between precepting authorities.

Table 1 – 2019/20 Collection Fund outturn

	Business		Council Tax		Total
	%	£'000	%	£'000	£'000
Collection Fund (surplus)/deficit at 31/03/20		(1,869)		937	(932)
<u>Preceptors' Share of 2019/20 outturn</u>					
Rochdale BC	99	(1,850)	84.61	793	(1,057)
GMCA Mayoral Police & Crime Commissioner	-	-	10.71	100	100
GMCA Mayoral General (including Fire Services)	1	(19)	4.68	44	25
Total outturn (surplus)/ deficit	100	(1,869)	100	937	(932)

- 4.2.3 The Council's share of the Collection Fund surplus as at 31st March 2020 is £1.057m. This is £0.829m lower than the p10 position reported in March 2020, and is principally due to increases in the bad debt provisions possible impact of COVID-19 on debt collection.
- 4.2.4 In 2019/20 the Council continued 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 2019/20 benefit from the 100% Business Rates Retention scheme pilot has been calculated to be £6.130m, 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 2019/20 outturn position relating to Business Rates is a surplus of 1.869m. Table 2 provides detail for the 2019/20 Business Rates outturn position:

Table 2 – 2019/20 Business Rates income

Description	Budget	2019/20 Outturn	(Surplus)/Deficit	(Surplus)/Deficit movement from previous update
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Gross income	(84,370)	(85,520)	(1,150)	(720)
Net Small Business Rate relief	6,936	7,646	710	96
Mandatory Charitable relief	4,051	4,228	177	(42)
Discretionary relief	2,786	1,803	(983)	(41)
Empties & Part Occupied relief	3,700	3,087	(613)	237
Net Income	(66,897)	(68,756)	(1,859)	(470)
Less:				
Charge re bad debt provision	1,000	824	(176)	(45)
Allowance for cost of collection	276	276	-	-
Provision for rateable value revaluations	3,802	3,806	4	4
Renewable energy schemes	520	614	94	1
Net yield	(61,299)	(63,236)	(1,937)	(510)
2018/19 payments to preceptors/billing authority	61,299	61,299	-	-
In year surplus	-	(1,937)	(1,937)	(510)
(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	-	-
Surplus as at 31/03/2020	-	(1,869)	(1,869)	(510)

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

Explanation of variance	Variation to budget, £'000
Increased net Business Rates income due to increased gross income, reduced Discretionary and Empty relief, partially offset by increased Small Business Rates Relief and Mandatory Charitable reliefs.	(1,859)
Reduced charge relating to the bad debt provision.	(172)
Increased Renewable Energy scheme income to be transferred to the Council's General Fund	94
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 surplus	(1,869)

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 still 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 March 2020 relating to Rochdale's 2005 and 2010 valuation lists, was 83 cases, with an RV of £14.6m (equating to approximately £7.3m 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
Mar-19	114	21,758
Jul-19	94	16,518
Sep-19	86	15,231
Nov-19	85	15,231
Mar-20	83	14,586

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 relating to 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 £13.2m

4.3.2.7 The 2019/20 charge to the Collection Fund for RV revaluations is £3.806m 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 collection rate for Business Rates income billed in 2019/20 is 98.4% which is 0.3% lower than the equivalent 2018/19 performance. Collection performance was affected by the COVID-19 pandemic and subsequent lockdown, causing many businesses to close. Many businesses did not pay their March instalments.

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 March 2020. Pre 2019/20 arrears were £0.686m as at 31st March 2020, which is a net decrease of £0.509m from the position at the end of March 2019.

Table 3 – Business Rates arrears (excluding legal costs)

Business Rates debt			
Year	Arrears as at end March 2019	Arrears as at end March 2020	Decrease/ (increase) in debt
	£'000	£'000	£'000
Pre 2019/20 debt			
2018/19	453	311	142
2017/18	393	166	227
2016/17	245	138	107
2015/16	78	67	11
Prior to 2015	26	4	22
Total arrears	1,195	686	509

4.3.3.3 The 2018/19 charge to the Collection Fund for bad and doubtful debts is £0.824m, which is £0.176m below the budget. In year debt collection has continued to be at a high level, resulting in a low level of provision required. Pre 2019/20 debt is also at a low level. However, the possible impact of COVID-19 on debt collection has been taken into account when assessing the bad debt provision required.

4.4 Council Tax

4.4.1 Net Income Raised

4.4.1.1 The 2019/20 outturn position relating to Council Tax is a deficit of £0.937m. Table 4 provides details of the outturn position for Council Tax.

Table 4 – 2019/20 Council Tax Income

Description	Budget	2019/20 Outturn	(Surplus)/ Deficit	(Surplus)/ Deficit movement from previous report
	£'000	£'000	£'000	£'000
INCOME				
Income from Council Tax	(137,640)	(136,827)	813	(77)
Income from premium on Empty Properties	(278)	(296)	(18)	9
Council Tax discounts	13,881	13,818	(63)	18
Local Council Tax Support Scheme (LCTSS)	18,760	18,092	(668)	92
Prior year adjustments	165	158	(7)	8
Total income	(105,112)	(105,055)	57	50
EXPENDITURE				
Charge re bad debt provision	2,628	3,693	1,065	1,522
Total expenditure	2,628	3,693	1,065	1,522
Net income to be raised for precept/ billing authority after LCTSS awarded	(102,484)	(101,362)	1,122	1,572
2018/19 payments to Preceptors	102,484	102,484	-	-
In year surplus	-	1,122	1,122	1,572
(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	-	-
Deficit as at 31/03/2020	-	937	937	1,572

4.4.1.2 The main areas of overall variance from the budget are:

Explanation of variance	Variation to budget, £'000
Reduced Council Tax gross income, partially offset by increased income from Empty Property premium, reduced discounts and prior year adjustments. Residential housing developments have not been completed as quickly as had been predicted as part of the 2019/20 budget setting process.	725
Reduced level of Local Council Tax Support discount given.	(668)
Increased charge relating to the bad debt provision as a result of anticipated impact of Covid 19 pandemic.	1,065
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 deficit	937

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 given for 2019/20 was £18.092m which is £0.668m (3.56%) less than the budget of £18.760m.

Table 5 - LCTSS - Comparison of estimate to outturn as at 31st March 2020

	Estimated number of claimants	Number of claimants per actual data at end March 2020	Increase/ (reduction) in claimant numbers	% reduction in claimants
Working age total	14,093	14,134	41	0.29%
Pension credit age total	8,143	7,408	(735)	(9.03%)
Total	22,236	21,542	(694)	(3.12%)
	Estimate	2019/20 Actual	(Surplus)/deficit Variation	% reduction in discount given
	£'000	£'000	£'000	%
Working age total	10,820	10,878	58	0.54%
Pension credit age total	7,940	7,214	(726)	(9.14%)
Total	18,760	18,092	(668)	(3.56%)

4.4.2.2 Whilst the current number of claimants has reduced by 3.12% compared to budget, the reduction in discount given is 3.56%, 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 collection rate for Council Tax income billed in 2019/20 is 94.6%, which is 0.1% lower than the 2018/19 equivalent. Collection performance was affected

by the COVID-19 pandemic and subsequent lockdown. Many residents did not pay their March instalments.

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 2020 and the end of March 2019. Pre 2019/20 arrears as at the end of March 2020 were £8.798m, which is a net decrease of £4.962m from the end of March 2019 position.

Table 6 – Council Tax arrears, excluding legal costs

Council Tax debt			
Year	Arrears as at end March 2019	Arrears as at end March 2020	Decrease/ (increase) in debt
	£'000	£'000	£'000
Pre 2019/20 debt			
2018/19	5,179	3,175	2,004
2017/18	2,951	2,097	854
2016/17	2,151	1,462	689
2015/16	1,421	930	491
Prior to 2015	2,058	1,134	924
Total arrears	13,760	8,798	4,962

4.4.3.3 The 2019/20 charge to revenue for bad and doubtful debts is £3.693m, which is £1.065m above the budget. This is due to consideration of the possible impact on debt collection of the COVID19 pandemic, and has led to the level of provision required being increased significantly.

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, £15,223 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

- 5.1 The main body of the report provides a detailed analysis of the 2019/20 Collection Fund outturn position.
- 5.2 The Council's 2020/21 General Fund budget set at Budget Council in March 2020 included an estimated 2019/20 Collection Fund surplus of £1.668m. The difference between this estimate and the actual 2019/20 outturn of a £1.057m surplus will be held within the Collection Fund for 2020/21.

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, particularly with the impact of the COVID-19 pandemic. Collection performance is being monitored on a monthly basis to ensure that debt is recovered as efficiently and effectively as possible, whilst making adjustments to reflect the current circumstances being imposed on businesses and residents, and so that any trends may be highlighted and action taken as necessary, at the appropriate time. Debt collection is likely to be significantly affected by the impact of COVID-19, and the 2019/20 bad debt provisions have been increased to reflect the increased risk of non-collection.
- 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.
- 6.5 There are no significant legal implications arising as a result of this Report but it should be noted that debts, which are recoverable, can be enforced by Court action in accordance with the Court Procedure Rules.

Consultation

7. The Leadership Team, the Leader and Cabinet Member for Finance, and Shadow Portfolio Holder for Finance have been informed of the 2019/20 Collection Fund outturn position and its implications for future years. The report will be presented to the Corporate Overview and Scrutiny Committee on 22nd June 2020.

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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