

Report of Head of Democratic Services

Report to Scrutiny Board (Strategy and Resources)

Date: 16 November 2020

Subject: Collection rates for Council Tax and Business Rates – 2020/21

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Has consultation been carried out?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

1. Purpose of this report

- 1.1 The purpose of this report is to provide Board members with an up to date position on collection of business rates and council tax in financial year 2020/21.
- 1.2 This item follows interest shown by Board members at the Scrutiny Board meetings in July and September as to how collection rates for both Council Tax and Business rates have been impacted by the Covid-19 pandemic.

2. Background Information

- 2.1 Council Tax and Business Rates are key elements of the local authority funding mechanism. In Leeds they provide a significant sum of money each year that is used to fund local services accessible to local residents and businesses.
- 2.2 For 2020/21 the Council planned to collect £363.2m in Business rates income and a further £370.8m in Council tax income. These figures reflect the budgeted position in February 2020 prior to Covid-19 and the impact it would have on local authority finances and the ability of businesses and residents to pay Business Rates and Council Tax in the way that they had done in previous years.

3. Main issues

- 3.1 A briefing note setting out the impact Covid-19 has had on collection rates is attached at Appendix 1 for Board members reference. This note provides an update on the current position and also provides comparison with collection rates in previous years that were not impacted by the Covid-19 pandemic.
- 3.2 Also included in the note is an explanation of how the Collection Fund works. The Collection Fund means that Councils are able to plan for any volatility in the amount of Council Tax and Business Rates they collect in year by delaying the impact into the following financial year. This means that the deficit emerging in Council Tax and Business Rates received in 2020/21 would not normally be felt until 2021/22. However, recognising the potential scale of the impact of deficits on local authority budgets in 2021/22 Government has announced that deficits arising in 2020/21 can be spread over three years. The latest position on this estimates a shortfall of £43.9m which is factored into the projected budget gaps in 2021/22, 2022/23 and 2023/24.
- 3.3 The current estimates for collection rates of Council Tax suggest that the collection rate will fall to 94% from a target of 96.11%, equating to a further reduction in expected in year income of £8m after the application of £8.9m of Hardship Grant funding which has reduced the bills of Council Tax Support recipients.
- 3.4 For Business Rates the position is more challenging as one might expect given the impact the pandemic has had on businesses, particularly in the hospitality sector. The latest position on Business Rate collection (at the end of August 2020) was 42.52%, 5.19% behind performance in 2019/20. This is despite the significant increase in business rates reliefs which will be paid directly to the Council, reducing the amount collectible from businesses to £229.7m. The current estimate for the non-collection of business rates income stands at £20.9m but this is expected to improve to 16.7m (7.1%) in the fullness of time, recognising that not all income is collected in year.
- 3.5 The Council has agreed to a number of deferment arrangements for both residents and businesses in relation to the payment of Council Tax and Business Rates. This has meant that some made no payments in the first three months of the financial year instead spreading the cost of their bill over the remainder of the year. The lower collection rates set out in Appendix 1 take account of these deferral arrangements.

4. Consultation and engagement

- 4.1.1 This item has been brought forward following requests for additional information on Council Tax and Business Rates collection rates in 2020/21 from members of Scrutiny Board Strategy and Resources.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 The Scrutiny Board Procedure Rules state that, where appropriate, all terms of reference for work undertaken by Scrutiny Boards will include 'to review how and to what effect consideration has been given to the impact of a service or policy on all equality areas, as set out in the Council's Equality and Diversity Scheme'.

4.3 Council policies and the Best Council Plan

4.3.1 The terms of reference of the Scrutiny Boards promote a strategic and outward looking Scrutiny function that focuses on the best council objectives.

4.3.2 This report comments on the impact reduced collection rates for Council Tax and Business Rates has on the revenue budget and savings proposals for 2021/22. Understanding this impact supports the Best Council ambition of offering value for money through being an efficient and enterprising organisation.

Climate Emergency

4.3.3 When considering areas of work, the Board is reminded that influencing climate change and sustainability should be a key area of focus. However, there are no specific implications for the Climate Emergency contained in this report.

4.4 Resources, procurement and value for money

4.4.1 The financial implications of reduced income from Council Tax and Business Rates are detailed in the briefing note at Appendix 1.

4.5 Legal implications, access to information, and call-in

4.5.1 This report has no specific legal implications.

4.6 Risk Management

4.6.1 This report has no specific risk management implications.

5. Conclusions

5.1 The Covid-19 pandemic has had a significant impact on the ability of residents and businesses to pay their regular bills, Council Tax and Business Rates being two such examples. This shortfall in income will have an impact on the availability of resources to the Council in 2021/22 and contributes significantly to the budget challenge faced by the authority in that year.

6. Recommendations

6.1 The Scrutiny Board (Strategy and Resources) is asked to consider this report and attached appendix and agree any specific scrutiny actions that may be appropriate.

6.2 Background Documents¹

None.

¹ 1 The background documents listed in this section are available to download from the council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.