

This briefing note will look at the collection rates for Council Tax and Business Rates, how these compare with recent years and have been impacted by COVID-19. It also provides a brief explanation of how the Collection Fund operates.

## Council Tax

	2020/21 Cash Received	2020/21 Cash less costs	2020/21 Net Cash Received	% of 2020/21 at month end	2019/20 Year Position	18/19 Year Position	2019/20 less 2020/21 Variance
	£	£	CUM £	%	%		%
April #	38,724,403	38,724,403	38,724,403	9.82%	10.13%	10.27%	-0.31%
May #	34,912,613	34,912,613	73,637,016	18.69%	19.22%	19.37%	-0.54%
June #	34,593,553	34,593,553	108,230,568	27.56%	27.99%	28.23%	-0.42%
July #	32,865,312	32,865,312	141,095,881	36.56%	36.91%	37.11%	-0.35%
August #	33,748,262	33,748,262	174,844,143	45.31%	45.60%	45.89%	-0.29%
September #					54.43%	54.61%	
October #					63.29%	63.65%	
November #					72.09%	72.43%	
December #					80.79%	81.21%	
January #					89.53%	89.97%	
February #					92.99%	93.26%	
March #					95.93%	96.11%	
<b>Total</b>	<b>174,844,143</b>	<b>174,844,143</b>					

The Council Tax in-year collection rate at the end of August was 45.31%, 0.29% lower than performance for the same period last year. It should be noted that, due to the impact of COVID-19 on the economy, three month payment deferrals have been offered to Council Tax payers. Council Tax payers who took up this offer paid no Council Tax in April, May or June, but instead agreed to spread the cost of their bill over the remainder of the year and the lower collection rate will in part reflect the impact of these agreed payment deferrals.

Separately, Government have given local authorities Hardship grant to provide financial support to those in receipt of Council Tax Support. Leeds City Council received £8.9m which has been used to provide a further reduction to Council Tax Support recipients. This is administered through the Council's Council Tax system and reduces the overall amount collectible from Council tax payers, but the effect to the Authority is net neutral.

When setting the 2020/21 budget the target collection rate for the year was assumed to be 96.11%, in line with previous years. If the forecast were achieved this would collect some £370.8m of income. In light of the potential impact of COVID-19, it is currently estimated that in year collection will fall to 94%, achieving £362.8m of income. The collection rate will continue to be closely monitored.

## Business Rates

	2020/21 Cash Received	2020/21 Cash less costs	2020/21 Net Cash Received	% of 2020/21 at month end	2019/20 Year Position	18/19 Year Position	2019/20 less 2020/21 Variance
	£	£	CUM £	%	%		%
April	22,143,763	22,143,763	22,143,763	8.97%	10.72%	10.86%	-1.75%
May	29,725,764	29,725,764	51,869,527	21.29%	23.61%	23.14%	-2.33%
June	16,231,462	16,231,462	68,100,989	28.41%	31.07%	31.78%	-2.66%
July	15,987,277	15,987,277	84,088,266	35.47%	39.03%	40.14%	-3.56%
August	15,863,932	15,863,932	99,952,198	42.52%	47.71%	48.58%	-5.19%
September					56.22%	57.26%	
October					65.07%	65.28%	
November					72.98%	73.73%	
December					81.10%	81.90%	
January					89.49%	89.39%	
February					94.31%	94.33%	
March					97.29%	97.76%	
<b>Total</b>	<b>99,952,198</b>	<b>99,952,198</b>					

The budgeted collection rate for business rates is to achieve an in-year collection target of 97.7%, collecting £363.2m of business rates income billed at 1<sup>st</sup> April.

However, in response to the COVID-19 pandemic, the Government awarded significant additional business rates reliefs, reducing the income to be collected directly from businesses to £229.7m. These reliefs will be funded in full by Government through Section 31 grants which reduces the risk to the Authority regarding non-collection of business rates income. Despite this the business rates collection rate at the end of August was 42.52%, 5.19% behind performance in 2019/20.

As with Council Tax, agreement has been reached with some business rate payers to defer payment of bills of the first three months of the financial year, spreading the cost of the bill over the remainder of the year. The lower collection rate will in part reflect agreement to defer payments.

The current estimate for the non-collection of business rates income stands at £20.9m (8.9%) 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. Provisions for this additional cost have been made.

## The Collection Fund

Local authorities are required by statute to account for council tax and business rates income in a 'Collection Fund', a separate accounting statement showing the amounts that each billing authority forecast it would collect and how that has been distributed. Councils recognise in their budget the amount they forecast they will collect and any

actual surplus or deficit is carried forward to the following year's budget: so a deficit in 2020/21 would decrease the amount of business rates income available to spend on services in 2021/22 and vice versa. This approach is intended to give local authorities time to plan for volatility in income rather than having to respond in year. As a result the Council is able to spend the full budgeted amount of income on the provision of services in year regardless of the amount collected and has time to plan how to deal with any variation in the subsequent budget.

### **Spreading the Collection Fund Deficit**

As such any Collection Fund income shortfall in 2020/21 would normally impact on the Council's financial position in 2021/22. However, recognising the potential scale of the impact of Collection Fund deficits on local authority budgets in 2021/22, Government announced on 2nd July that they would allow phased repayment of any such deficits over three years, spreading the revenue impact. The detailed application of this measure is not yet known but it is assumed that any deficit will be required to be spread evenly across the three years 2021/22 to 2023/24.