

This briefing note will look at the collection rates for Council Tax and Business rates, while providing a brief explanation of the Collection Fund.

Council Tax

	Cash Received	Net Cash Received	% of 2020/21 Net Debit to date	2019/20 Year Position	2018/19 Year Position	Variance from 2019/20
	£	Cumulative £	%	%		%
April	38,724,403	38,724,403	9.82%	10.13%	10.27%	-0.31%
May	34,912,613	73,637,016	18.69%	19.22%	19.37%	-0.54%
June	34,593,553	108,230,568	27.56%	27.99%	28.23%	-0.42%
July	32,865,312	141,095,881	36.56%	36.91%	37.11%	-0.35%
August	33,748,262	174,844,143	45.31%	45.60%	45.89%	-0.29%
September	34,146,356	208,990,499	54.06%	54.43%	54.61%	-0.37%
October	34,217,274	243,207,773	62.71%	63.29%	63.65%	-0.59%
November	34,003,075	277,210,848	71.39%	72.09%	72.43%	-0.70%
December	34,309,123	311,519,971	80.19%	80.79%	81.21%	-0.60%
January				89.53%	89.97%	
February				92.99%	93.26%	
March				95.93%	96.11%	
Total	311,519,971					

The Council Tax in-year collection rate at the end of December was 80.19% which is 0.60% lower than performance for the same period last year. This lower collection rate will in part reflect the impact of agreed payment deferrals. 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 is achieved, and based on the current net debt, this would collect some £373.2m of income. In light of the ongoing impact of COVID-19, it is estimated that in year collection will fall to 94.1%, achieving £365.4m of income. The collection rate continues to be closely monitored.

Business Rates

The budgeted collection rate for business rates is to achieve an in-year collection target of 97.7%, collecting £398.5m of forecast business rates income. However, in response to the COVID-19 pandemic, the Government awarded significant additional business rates reliefs, reducing the income to be collected directly from business to £229.7m. These reliefs will be funded in full by Government through Section 31 grants. Whilst this reduces the risk to the Authority regarding non-collection of business rates income, the business rates collection rate at the end of December was 76.66% which is 4.44% behind performance in 2019/20 (see table below). This lower collection rate will in part reflect agreement to deferred payments. The current estimate for the non-collection of business rates income relating to 2020/21 in the fullness of time, plus an additional allowance made for ££5.0m that remains outstanding from the end of 2019/20 (when the first national lockdown was

introduced), stands at 7.70% and provisions for this forecast additional cost have been made.

	Cash Received	Net Cash Received	% of 2020/21 at month end	2019/20 Year Position	2018/19 Year Position	Variance from 2019/20
	£	Cumulative £	%	%		%
April	22,143,763	22,143,763	8.97%	10.72%	10.86%	-1.75%
May	29,725,764	51,869,527	21.29%	23.61%	23.14%	-2.33%
June	16,231,462	68,100,989	28.41%	31.07%	31.78%	-2.66%
July	15,987,277	84,088,266	35.47%	39.03%	40.14%	-3.56%
August	15,863,932	99,952,198	42.52%	47.71%	48.58%	-5.19%
September	17,610,300	117,562,498	50.38%	56.22%	57.26%	-5.84%
October	19,349,089	136,911,587	58.63%	65.07%	65.28%	-6.44%
November	18,573,673	155,485,261	66.65%	72.98%	73.73%	-6.33%
December	22,601,003	178,086,263	76.66%	81.10%	81.90%	-4.44%
January				89.49%	89.39%	
February				94.31%	94.33%	
March				97.29%	97.76%	
Total	178,086,263					

The Collection Fund

The Collection Fund is a statutory account that the Council must maintain. The fund considers the amount of Council Tax that was anticipated to be collected when the Council sets its Council Taxbase (i.e. the number of properties in the borough at Band D equivalent) in January before the financial year begins. The fund also considers the anticipated receipts from retained Business Rates that the Council received compared to the forecast made in January before the start of the financial year. The Council must estimate its Collection Fund position for the year ahead before setting its budget. Any estimated surplus or deficit on the Collection Fund position must be taken into account in the following year.

At the 2020 Spending Review the Chancellor announced that local authorities must spread their 2020/21 Collection Fund deficit balances over three years. As such, Leeds City Council will spread the Collection Fund 'exceptional balance', made up of the 2020/21 deficit position updated for prior year adjustments.

At the end of December 2020 the Council declared the estimated year end deficits for Council Tax and Business Rates.

The Council Tax exceptional balance is £13.5m and the amount that will be spread to future years (2022/23 and 2023/24) is £9.0m, leaving a remaining deficit balance of £4.5m in the 2020/21 deficit. This is adjusted by £0.3m, the effect of prior years, resulting in an estimated deficit of £4.2m being carried forward to 2021/22.

The Council's share of the Business Rates exceptional balance is £36.7m, one third of which (£12.2m) has to be funded in each of 2021/22, 2022/23 and 2023/24. That

part of the deficit funded by Government grant (£75.5m) has to be repaid in 2021/22 and a deficit carried forward from 2019/20 also has to be funded in full in 2021/22 (£4.1m). In total the deficit that has to be funded in 2021/22 is £91.9m.

Impact of Collection Fund Deficits – Exceptional Balance and Prior Year Adjustments

	2021/22	2022/23	2023/24	Total
	£m	£m	£m	£m
Council Tax	4.5	4.5	4.5	13.5
Prior Year Adjustment	(0.3)			(0.3)
Business Rates	12.2	12.2	12.2	36.7
2019/20 Deficit c/f	4.2			4.2
Total Impact on Revenue Budget	20.6	16.7	16.7	54.1