

REPORT TO: Corporate Policy and Performance Board

DATE: 28 July 2020

REPORTING OFFICER: Strategic Director Enterprise, Community & Resources

PORTFOLIO: Resources

SUBJECT: Collection Fund Progress Report and Covid-19 Response

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1. To provide an update on the Council's Collection Fund position on council tax and business rates. To provide an update on the impact of Covid-19 on the Collection Fund

2.0 RECOMMENDATION: That the latest position regarding the Collection Fund be noted.

3.0 SUPPORTING INFORMATION

Council Tax Position Statement as at 30 June 2020

3.1 The 2020/21 council tax net collectible debit (the billed amount) is £64.210m, to date £17.322m of this has been collected which results in a collection rate of 26.98%, down by 1.00% on the same period last year.

3.2 Whilst the 'in-year' council tax collection rate has been steadily decreasing since 2013 the year on year reduction of 1% is significant. The reason for the drop can be attributable to the number of payment plan deferrals the Council has agreed to in the current year as a result of the hardship being created by the Covid-19 pandemic. To date the Council has agreed to 3,636 deferral plans which allow the taxpayer to switch their payment plan from 10 payment periods commencing in April to instead start from June.

3.3 Agreement to the deferral plans should result in the collection rate effectively catching up towards the end of the year as cash receipts in February and March should be higher than compared to previous years. This is all dependent on accounts being paid as per the agreed payment plan.

3.4 As well as in-year collections the Council also actively pursues council tax debt from previous years. For the year to date the Council has collected £0.438m of old year debt. This enables the Council to reach the target council tax collection rate of 97%, used in setting the Council's net budget.

- 3.5 Table A below shows the impact and importance of collection of arrears. This compares the actual in-year collection rate to the collection rate to date.

Table A – Arrears Collection Rate

	% Collected In-Year	% Collected to 30 June 2020
2014/15	95.47	98.73
2015/16	95.21	98.42
2016/17	95.04	98.00
2017/18	94.62	97.29
2018/19	94.75	96.73
2019/20	94.57	94.92

Council Tax Reduction Scheme

- 3.6 It is expected that working age applications for the local council tax reduction scheme (CTRS) will increase over the short term due to the pandemic. The increase since 31 March 2020 is approximately 250 and the caseload currently stands at 7,765.
- 3.7 The risk to the Council is that the number of applications to the CTRS increases significantly over the course of the year. The Furlough Scheme put in place by Government to protect workers will unwind over the next 4 months, unemployment numbers are expected to increase which in turn will result in greater numbers accessing the local council tax reduction scheme and therefore reduce the amount of collectible council tax. Projections show that a 35% increase in the CTRS will reduce the amount of council tax which can be collected by £2.006m.
- 3.8 The 35% increase is based on 2012 council tax benefit numbers, the peak position since 2010.

Hardship Funding

- 3.9 As part of its response to COVID-19, the Government announced in the Budget on 11 March that it would provide local authorities in England with £500m of new grant funding to support economically vulnerable people and households in their local area.
- 3.10 The Government's expectation was that billing authorities will provide all recipients of working age council tax reduction with a further reduction in their 2020/21 council tax bill of £150, to reduce the liability of council tax payers outside of their formal CTRS scheme design.
- 3.11 The Hardship funding allocation to Halton was £1.619m, to date £1.204m has been allocated to 8,198 accounts. The projection increase of 35% to the CTRS caseload will add a further cost of £0.431m, fully consuming the available grant.

Business Rates Position Statement as at 30 June 2020

- 3.12 The 2020/21 business rates net collectible debit (the billed amount) is £47.725m, to date £12.990m of this has been collected which results in a collection rate of 27.22%, down by 3.49% on the same period last year.
- 3.13 The drop in the rate is substantial after only three months of the year, reasons for the decrease will be as a result of both non-payment of accounts and payment plan deferrals. To date 148 accounts have had deferrals added to their accounts and of these 59 will only start paying in June and July, 43 have made a June payment and 46 have not paid anything.
- 3.14 As per council tax, agreement to the deferral plans will result in the collection rate effectively catching up towards the end of the year as cash receipts in February and March should be higher than compared to previous years, pending actual collection.
- 3.15 Recovery of arrears will continue to be pursued, to date arrears of £0.105m have been collected.

Covid19 – Business Rate Reliefs

- 3.16 On 17 March 2020 Government announced an extension to the business rate relief scheme for the retail, leisure and hospitality sector. This provided 100% rate relief to all businesses within the sector regardless of their rateable value. An additional announcement was made in April 2020 to provide 100% rate relief for nurseries (Ofsted Early Years Registered). The value of these additional reliefs to businesses in Halton to date amounts to £12.338m. The Council will receive a grant payment from Government to reimburse the reliefs provided.

Covid19 – Business Rate Grants

- 3.17 The Business Rates team have been administering business support grants on behalf of Government to help smaller businesses and those in the retail, leisure and hospitality sector. Payments have been made on the following basis:
- Businesses eligible for Small Business Rates Relief would receive a grant of £10,000 each to help with the impact of Covid-19.
 - Businesses in the retail, hospitality and leisure sectors would receive a cash grant of up to £25,000 per business. Recipients will receive one grant per eligible property:
 - For businesses in these sectors with a rateable value of under £15,000, they will receive a grant of £10,000
 - For businesses in these sectors with a rateable value of between £15,000 and £51,000, they will receive a grant of £25,000
- 3.18 To date the Council has made grant payments to 1,438 businesses out of a total 1,490 eligible businesses, a return of 96.5%. The value of the grant payments made to date amounts to £16.690m.

Collection Fund Recovery Procedures

- 3.19 The impact of the pandemic resulted in the Council suspending recovery on both council tax and business rates. Formal recovery recommenced in June 2020 with reminders letters being sent to those in council tax arrears and reminders sent at the start of July for business rate arrears.
- 3.20 Whilst recovery action was suspended it was considered vitally important that the Council did not neglect taxpayers struggling to pay council tax during such a difficult period. In May a social media campaign was run and 4,335 letters were sent advising of arrears but also signposting to help those in need, this included:
- Urging residents to contact the Council if they were struggling to pay, there was an offer to recalculate instalments.
 - Advising to claim Universal Credit and Council Tax Reduction where eligible.
 - Signposting residents to advice from Citizens Advice Bureau and Step Change.
- 3.21 The Council is currently limited to what steps it can take with regard to recovery action, reminder letters will be sent out and attachment to earnings and benefits will be pursued where an existing liability order is in place. We will also work with enforcement agencies, again where an existing liability order allows this. The continued closure of Warrington Magistrate Court during the current period prevents new liability orders being obtained, this will slow the normal recovery procedure on new arrears.

4. Financial Implications

- 4.1 The decrease in the collection rate for both council tax and business rates will have an adverse impact on what the Council will have set aside at financial year end in terms of a bad debt provision. It is difficult to say at this point what that will be until it is further understood how the economy and business sector reacts to the pandemic and government attempts to mitigate the risk.
- 4.2 Using current collection rates, as a worst case scenario, forecast losses on the Collection Fund are

	£m
Business Rate Receipt Losses	6.767
Council Tax Receipt Losses	1.200
Increase to Working Age CTRS cases (as per para 3.7)	2.000
Total Loss	9.967

- 4.3 Losses to the Collection Fund create a deficit which would usually have to be addressed in the following financial year. Government have recently confirmed they will allow Local Government to spread the loss over three years. This

support will give breathing room in setting budgets for next year before a fuller announcement at the Spending Review.

5 Implications for the Council's Priorities

5.1 Children and Young People in Halton

5.2 Employment, Learning and Skills in Halton

5.3 A Healthy Halton

5.4 A Safer Halton

5.5 Halton's Urban Renewal

5.6 The financial implications outlined in the report could potentially have a detrimental impact on funding services to deliver the priorities.

6. Risk Analysis

6.1 The report is based on latest available information. The unique situation of the pandemic creates a risk in the lack of understanding of how the situation will develop.

7. Equality and Diversity Issues

7.1 Not Applicable