



Report sponsor: Alison Parkin, Director of Finance
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How Council Tax and Business Rates and Collection Rates have been affected by Covid-19

Purpose

- 1.1 The purpose of this report is to update Board members on the affect the COVID-19 pandemic has had on collection rates of both Council Tax and Business Rates.
- 1.2 The report sets out the challenges faced by the Council and the steps taken to overcome them. The report also focusses on some potential future challenges the Council may face.
- 1.3 In 2020/21 the Council collected 92.25% of Council Tax, compared with 93.62% in the previous financial year.
- 1.4 In 2020/21the Council collected 90.22% of Business Rates, compare with 96.85% in the previous financial year.

Recommendation(s)

- 2.1 To note the impact the COVID-19 pandemic has had on collection rates in the 2020-21 financial year and the current financial year to date.
- 2.2 To note the potential future challenges.

Reason(s)

- 3.1 Board members have requested a report setting out the impact the COVID-19 pandemic has had on Council Tax and Business Rates collection rates.
- 3.2

Supporting information

The 2020/21 Financial Year

- 4.1 On 23rd March 2020, the Prime Minister announced the first national lockdown in response to the COVID-19 pandemic. In response, two days later, the Council announced that all recovery action would be suspended until 30 June 2020.

- 4.2 In July 2020 the Council re-started its debt collection programme. However, for the following reasons the volume of recovery action taken was lower than pre-pandemic.
- The Magistrates Court confirmed that our liability order hearings could not take place for the majority of the 2020 calendar year and when it re-opened numbers allowed were lower. We held our first court in the 2020/21 financial year on 17 November, whereas in a “normal” year our first court is held in June.
 - Our Enforcement Agents activities were restricted to office based (letters and telephone calls).
 - We had reduced capacity to undertake recovery work owing to the priority to administer and pay business support grants.

Table 1 below shows the number of recovery documents issued and the number of referrals made to our Enforcement Agents compared to the 2019/20 financial year.

Table 1. Recovery activity in 2020/21 and 2019/20

	Number of reminders issued	Number of summons issued	Number of liability orders granted	Number of cases referred to Enforcement Agents
2019/20	52,762	17,102	15,481	9,017
2020/21	39,423	3,529	3,363	686

- 4.3 The impact on employment is well documented and has resulted in an overall increase in the Council’s Council Tax Support caseload, which is shown in Table 2 below. The increase has been limited by the Furlough scheme which at its peak in Derby saw 34,400 furloughed in June 2020. Nevertheless, there is clear evidence that more people were out of work in Derby or were receiving less weekly income which inevitably, for a proportion of households, reduced their ability to pay Council Tax.

Table 2. Council Tax Support Caseload

	Total Council Tax Support caseload	Total Working Age caseload
31-Jan-20	17,097	10,053
31-Mar-21	17,567	10,860
30-Jun-21	17,539	10,828

The Council worked with external partners, for example the Citizens Advice Bureau and the Department of Works and Pensions, to ensure that both emotional and financial support was signposted and take up maximised.

- 4.4 As with residents, the impact of the COVID-19 pandemic for business has been very significant with the retail, hospitality and leisure sectors being particularly badly affected. The Council made it a priority to support the business community by prioritising the payment of business support grants and awarding a series of new reliefs announced by the Government. Recent figures confirm that the Council has awarded over 15,000 business support grants, totalling over £80million.

In 2020/21 we also awarded over £42million in new and extended relief schemes announced by the Government. Doing this not only meant businesses did not have a business rates bill to pay it also protected the Council's financial position as these reliefs were fully funded by central Government.

- 4.5 The collection rates for the 2020/21 financial year, together with the total amount collected (£s) are shown in table 3. The figures for 2019/20 are also included for comparison purposes.

Table 3. Collection rates for 2020/21 and 2019/20

	Percentage of Council Tax collected	Amount of Council Tax collected (£000s)	Percentage of Business Rates collected	Amount of Business Rates collected (£000s)
2020/21	92.25	114,297	90.22	47,559*
2019/20	93.62	112,452	96.85	90,553

*Collectable debit reduced owing to increased reliefs awarded (see paragraph 4.4)

The pandemic also affected our collection of previous years arrears in 2020/21. In 2020/21 we collected Council Tax arrears of £3.214million against a total of £3.645million in 2019/20. The main explanation for this reduced impact is that much of our arrears debt is already secured, for example by way of attachment of earnings or attachment of benefits. Therefore, once the recovery suspension period had passed, we were able to re-instate recovery on many previous years debts.

The position was starker for Business Rates. In 2020/21 we collected Business Rates arrears of £1.399million against a total of £4.020million in 2019/20. The explanation here is that some of the enforcement methods available for the collection of Council Tax are not available for the collection of Business Rates, for example you cannot collect Business Rates by attachment of earnings. Reliance is far heavier on using Enforcement Agents to collect debt and, as set out in paragraph 4.2 their activities were curtailed.

4.6 The 2021/22 Financial Year

For 2021/22 there are some encouraging early signs that collection rates are improving, particularly for Council Tax. The current year collection rate as at 30 June for this year, plus the two previous years are shown in table 4 below. The table also shows the amount collected for Council Tax but not for Business Rates as the changes to the relief scheme makes direct comparison impossible.

Table 4. Collection rates as at 30 June.

	Percentage of Council Tax collected	Amount of Council Tax collected (£000s)	Percentage of Business Rates collected
2021/22	27.41	36,665	27.58*
2020/21	26.05	32,985	27.75*
2019/20	27.71	33,353	27.17

*this figure includes Derby City Council business rate payments.

Collection of arrears is also showing improvement as set out in table 5.

Table 5. Collection of arrears as at 30 June

	Council Tax arrears (£000s)	Business Rates arrears (£000s)
2021/22	1,412	2,596
2020/21	895	284
2019/20	1,272	1,644

- 4.7 Recovery activity is taking place for both Council Tax and Business. The number of reminders issued, together with the value this represents is set out in table 6 below. The team will also have pro-active recovery conversations with Council Tax and Business Ratepayers in appropriate cases following contact.

Table 6. Number and value of reminders issued in the 2021/22 financial year

	Number issued	Value (£000s)
Council Tax	14,854	3,436*
Business Rates	1,509	11,453**

*circa £1million in respect of outstanding 20/21 accounts

**circa £8million in respect of outstanding 2020/21 accounts.

4.8 Potential Future Challenges

The end of the furlough scheme

As at April 2021, 10,800 people remain furloughed in Derby. The end of the furlough scheme could present a “cliff edge” increasing the number of working age who are out of work and affecting their ability to pay their Council Tax. The end of the furlough scheme is also highly likely to present challenges for the business community, many of whom are currently receiving this significant financial support.

The end of Universal Credit uplift

The Government have confirmed that the £20 weekly Universal Credit uplift will end in September. This reduction in income could present significant challenges for many vulnerable households across the City, impacting on their ability to pay Council Tax

Lack of Court time

The Court Service have confirmed that we cannot have any court time until the end of September. Therefore, whilst we have made a good start to our 2021/22 recovery programme, our ability to generate payment for those failing to pay upon receipt of a reminder is weakened

Changes to the Business Rates relief schemes

In 2020/21 the Government provided 100% Business Rates reliefs to those businesses within the retail, hospitality and leisure sectors and also to certain businesses providing nursey services to pre-school children. This resulted in around 1,700 additional businesses having no Business Rates to pay in 2020/21. Whilst the Government have extended these relief schemes into 2021/22 the amount of relief is being reduced from 1 July 2021 from 100% to 66% and also “cash caps” have been introduced limiting the amount of relief a company can receive. Our initial estimate suggests around 400 businesses that had no Business Rates to pay in 2020/21 will have full Business Rates to pay in 2021/22 from 1 July, owing to the cash cap.

Competing Demands

As with 2020/21 a number of grant schemes remain in operation, including the Restart Grant scheme for businesses and the Test and Trace Support Payment Scheme for those individuals who are having to self-isolate and therefore cannot work. These schemes are rightly prioritised but they are resource hungry. Whilst ever they remain in operation it will mean that resources are taken from other business as usual activities, including debt recovery.

Over the next 12 – 18 months the service aims to increase the number of people using self-service options that will in turn free up capacity to concentrate on business as usual activities. Further, if the business support grants schemes are not extending beyond the current deadlines, the services aim is to return recovery activities to pre-pandemic levels by the end of the calendar year.

Public/stakeholder engagement

- 5.1 This report is for information only and does not require public/stakeholder engagement.
- 5.2

Other options

- 6.1 Not applicable with this report.
- 6.2

Financial and value for money issues

- 7.1 Both Council Tax and Business Rates are vital income streams for the Council and it is important that these revenue streams are protected as far as possible, both through robust recovery action and maximising the payment of business rates reliefs that are fully funded by central Government.

Legal implications

- 8.1 Nil with this report.

Climate implications

- 9.1 Nil with this report.

Other significant implications

- 10.1 Nil with this report.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu, Head of Legal Services	28 June 2021
Finance	Toni Nash, Head of Finance	29 June 2021
Service Director(s)	Alison Parkin, Director of Financial Services	1 July 2021
Report sponsor		
Other(s)	Gemma Hadfield, Principal Accountant	29 June 2021

Background papers:
List of appendices: