

## Policy

## APPENDIX 1

1. The Local Government Finance Act 1992 (as amended) requires the Council to determine the estimated surplus or deficit on the Collection Fund in respect of Council Tax by 15 January. This will enable the precepting authorities (the Police and Crime Commissioner for Avon and Somerset and Avon Fire and Rescue) to take into account their share of any surplus or deficit before finalising their precepts for 2020/21.

Similarly, following the introduction of the Business Rates Retention Scheme from April 2013, in accordance with the Non-Domestic Rating (Rates Retention) Regulations 2013, the Council must determine the estimated surplus or deficit on the Collection Fund in respect of Business Rates prior to 31 January.

## Consultation

2. **Internal**  
[Resources Scrutiny](#)  
[Head of Revenues - Resources](#)
3. **External**  
[Not applicable](#)

## Context

4. Income from Council Tax and Business Rates are fixed at the start of each financial year. Any variations from this are realised through the Collection Fund and are distributed in the following two financial years (based on estimated in the following year and actuals in the subsequent year.) The Council is required by statute to maintain a Collection Fund separate from the General Fund. The Collection Fund accounts independently for:
  - Income into the Fund: the Fund is credited with the amount of receipts of Council Tax and (Non Domestic Rates) NDR it collects.
  - Payments out of the Fund: in relation to Council Tax payments that are made to the Council and the two major precepting authorities (Avon and Somerset Police and Crime Commissioner and Avon Fire and Rescue ). In relation to NDR payments that are made to the Council, the Secretary of State, Avon Fire and Rescue Service and WECA.

### **2019/20 Estimated Surplus for Council Tax**

5. For the year ending 31 March 2020 we are forecasting a breakeven position for the council tax element of the Collection Fund. After taking account of balances brought forward in the collection fund this is increased to a surplus of £43k which will be distributed in 2020/21

6. Significant progress has been made in recent years with regards improving the estimate of new dwellings banded and added to the rating list during the financial year. The Council Tax Base report for 2019/20 estimated a further 1,760 band D equivalent dwellings added to the rating list and chargeable for council tax during 2019/20. Current projections would indicate this target will be achieved by year-end.
7. Underlying the estimated breakeven position for 2019/20 are two significant variations. Discounts and exemptions have increased by £1.9m over and above those originally estimated, of which around almost all of which relates to students. Conversely, in line with previous trends there was a reduction in benefits awarded through the Council Tax Reduction Scheme of £2.0m. A number of other small adjustments make up the balance.
8. The value of benefits awarded through the Council Tax Support Scheme has continued to fall from an estimate of £41.2m at the beginning of the year to an anticipated outturn position of £39.2m. This is following a trend identified over the last few years. The table shows the split between the budgeted and likely actual cost of the scheme split between working age and pensioner claimants. This results in a reduction of £2.0m.

	Value of benefits claimed		
	Working Age	Pensioner	Total
	£m	£m	£m
Council Tax Base Estimate for 2018/19	26,522	13,759	40,281
Estimated Outturn 2018/19	26,077	12,923	39,000
Difference	445	836	1,281
Percentage Reduction	1.68%	6.08%	

9. The table below shows the number of pensioner and working age claimants recorded each year on the CTB return since October 2014.

	October 2015	October 2016	October 2017	October 2018	October 2019
Pensioners	11,019	10,054	9,594	9,077	8,650
Working Age	20,163	19,447	19,100	18,938	18,254
Total	31,182	29,501	28,694	28,015	26,904

10. The table above shows that the reduction in tax base due to pensioner claimants has fallen by 2,459 , or 22.1% since 2015, primarily because pensioner benefit income is rising more quickly than the cost of living ("triple lock"), while the number of working age claimants has reduced by 1,909 or 9.5% over the same period of time. This is in line with previously reported trends and therefore has been reflected both in the calculation of the Tax Base and estimated position at

31 March 2020.

- 11.** The estimated surplus is distributed to the major precepting authorities in proportion to the current year's demands and precepts on the Collection Fund. A detailed determination of the estimated Council Tax Collection Fund surplus for 2019/20 is shown in Appendix A and the allocation of the estimated deficit to each of the major precepting authorities is summarised below:

	£'000
Bristol City Council	(37)
Avon and Somerset Police and Crime Commissioner	(4)
Avon Fire and Rescue	(2)
	<u>(43)</u>

### **2019/20 Estimated Deficit for Non-Domestic Rates (NDR)**

- 12.** The Government introduced the first 100% pilot schemes in 2017/18. Only authorities with signed devolution deals were eligible to participate in a pilot: the pilot for the West of England (WoE) therefore includes Bath & North East Somerset Council (B&NES), Bristol City Council (BCC), South Gloucestershire Council (SGC) and the West of England Combined Authority (WECA). The 100% pilot gives the WoE the opportunity to retain 100% of any business rates growth. This arrangement will continue during 2020/21 until the proposed full reset of business rates baselines in 2021/22.
- 13.** In line with the Government's stated intention for the reforms to the Business Rate Retention system, authorities participating in a pilot will not have to pay a Levy on growth above their Retained Income target and will retain an increased Local Share of Non-Domestic Rating Income. Various grants, including Revenue Support Grant are 'rolled in' to the pilot, with the funding source being switched from grant to the Business Rates retained under the pilot. Through a system of tariffs and top-ups the creation of the pilot is fiscally neutral at baseline but authorities gain from retaining 100% of any above baseline growth.
- 14.** Any estimated surplus/deficit is distributed in accordance with the 100% Business Rates Retention Pilot Agreement between the West of England authorities, so 94% Bristol City Council, 4% WECA and 1% Avon Fire and Rescue. The forecast of the Non-Domestic Rates Collection Fund Balance for the year ending 31 March 2020 is an estimated deficit of £1.780m.
- 15.** The detailed determination of the estimated NDR Collection Fund deficit for 2019/20 is shown in Appendix B and the allocation of the estimated deficit to the relevant precepting authorities is summarised in the table below.

	£'000
Bristol City Council	1,673
Avon Fire and Rescue	89
West of England Combined Authority	18
	1,780

This is split between current and prior years in the table below

	£'000
Accumulated (surplus)/deficit brought forward	1,288
Distribution of prior years estimated surplus	62
Estimated in-year (surplus)/deficit	430
	1,780

- 16.** The majority of the deficit is brought forward from previous financial years. In 2018/19 there was a net reduction in rateable values of £2.5m due mainly to the on-going effect of successful appeals or reductions due to significant refurbishment works. Examples of the later include the Colston Hall and various office blocks such as Marlborough House, The Core and Temple Point.
- 17.** There are a number of factors making up the in-year deficit. There have been a number of rateable value (RV) reductions, primarily around empty office accommodation, not covered by the provision for appeals. There has been more small business rates relief claimed than originally estimated. This will be reimbursed to the Council through S31 Grant. More positively there is increased growth of £1.3m forecast in the Enterprise Area's and Enterprise Zones. Reflecting better collection rates there is an anticipated reduction in write-offs and bad debts. As appeals against the 2010 list continue to dwindle there is a slightly reduced contribution than estimated required to the appeals provision.
- 18.** The business rates income which each billing authority collects is determined by reference to local rating lists maintained by the Valuation Office Agency. These lists are subject to variation between revaluations as a result of physical changes (either to the property or the locality) and appeals. The amount of business rates income collected by billing authorities therefore varies year on year. The major factors giving rise to changes include:
- Reductions to the rateable value of business properties arising from appeals. Once settled the appeal may be backdated resulting in the Council having to refund several years rates from a single year's income. Under the business rates Pilot the risk to the Council of these large appeals is 94% of the loss.
  - Changes in the rateable values of very large business properties such as power stations or hospitals can have a material effect.
  - Business properties switching between rating lists. Large business properties which cross boundaries, such as ports, appear in the list which contains the largest area. Changes in these properties could lead to large amounts of rateable value switching from one list to another. Similarly locally rated

business with infrastructure covering large areas of the Country, for example telecommunication companies, may apply to switch to the national list.

- 19.** Properties facing large rating increases are entitled to transitional relief to phase in these increases over a number of years. This relief is fully funded by the Government. In the event of a successful appeal resulting in a significant RV reduction, the transitional relief awarded is clawed back by netting off the refund. The relief is then paid back to the Government at the end of the financial year via the NNDR3 return.
- 20.** The Council is required to provide for potential appeals from its business rates income. Calculations for the provision are based upon the Valuation Office Agency ‘Settled and Outstanding’ proposals at end March reports. These reports show all appeals that have been lodged for each authority against the 2017 valuation listing along with remaining appeals outstanding on the 2010 list, including those which were agreed, dismissed, withdrawn or are still outstanding. This list is analysed into “types” of appeal. The average success rate and the percentage reduction in rateable value for those appeals which were successful is considered along with the potential for the backdating of any appeals decisions and the estimated annual cost was then adjusted by the ratings multiplier for the relevant year. Local intelligence is used alongside statistical modelling to inform decision making.
- 21.** As at the end of 2018/19 the appeals provision stood at £26.9m. As this is a significant amount this provision is regularly reviewed and monitored. Officers have determined that an estimated additional contribution to the provision of £9.7m will be required at the end of 2019/20. The Government recommends that 4.7% of net rates should be set aside in the provision to cover potential, and yet unknown, appeals relating to the 2017 list. Consequently £11m was built into the original estimate for 2019/20. However the number of appeals against the 2010 list, has as expected, seen a significant decline, reducing the year on year increase into the provision. The provision is reviewed against valuation lists on a quarterly basis and is compared to that of both our nearest neighbours and similar sized authorities nationally which has enabled us to reduce the additional contribution to the provision by £1.3m.
- 22.** It should be noted that volatility in Appeals outcomes is an on-going risk of the business rates retention system which does introduce uncertainty in forecasting Collection Fund performance. However, the most significant risk that remains to the generation of gains under the pilot is the NHS/Foundation Trust applications for Charitable Relief. A claim has been made by 20 Foundation Trusts against 48 billing authorities. Bristol City Council is not one of these however, depending on how the result of the case, the outcome may very well affect the Council. The estimated cost to BCC if successful, including backdated awards, is of the order of £48m. The case is due to be heard in November 2019.

### 23. Summary of Council Share of Collection Fund Deficit

The total share of the collection fund deficit falling due to the Council in 2019/20 is as follows.

	£'000
Council Tax	(37)
NDR	1,673
<b>BCC Share</b>	<b>1,636</b>

### Other Options Considered

#### 24. Not applicable

### Risk Assessment

There are a number of risks associated with estimating the amount of Council Tax and Business Rates collected during the year. These include;

- Reductions to the rateable value of business properties arising from appeals. Once settled the Council may have to settle several years business rates from a single year's income. This is a significant financial risk as the Council is now required to fund 94% of any award. Furthermore the Government have yet to set out clear proposals as to how the appeals process will be dealt with going forward.
- Changes to the rateable values of very large business properties such as power stations or hospitals can have a material effect on business rate collection.
- Business Properties switching between rating lists. This can include large cross boundary properties switching from one list to another or joining the central list.
- Difficulty in estimating Council Tax discounts and exemptions, including the take-up of the Council Tax Support Scheme.
- Effect of Brexit property market in Bristol

### Public Sector Equality Duties

There are no proposals in this report which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment

## Legal and Resource Implications

### Legal

This report enables the Council to comply with the requirements of the Local Government Finance Act 1992(as amended), to determine the estimated surplus or deficit on the Collection Fund in respect of Council Tax prior to 15 January. This is so that the precepting authorities (the Police and Crime Commissioner for Avon and Somerset and Avon Fire and Rescue) can take into account their share of any surplus before finalising their precepts for 2020/21.

The report also enables the Council to comply with the requirements of the Non-Domestic Rating (Rates Retention) Regulations 2013, to determine the estimated surplus or deficit on the Collection Fund in respect of Business Rates prior to 31 January.

### Financial

#### (a) Revenue

The Bristol share of the estimated surplus on the Collection Fund for 2019/20 is £1.636m. This contributes to the resources available to the fund the revenue budget in 2020/21 due to be considered by Full Council on 25 February 2020

#### (b) Capital

None

(Financial advice provided by [Tony Whitlock – Finance Business Partner](#))

### Land

Not applicable

### Personnel

Not applicable

### Appendices:

Appendix I – Estimated Council Tax Collection Fund Account 2019/20

Appendix II – Estimated Non-Domestic Rates Collection Fund Account 2019/20

### LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

**Background Papers:** Working papers held in Corporate Finance

Council Tax Collection Fund Adjustment Account

APPENDIX I

2017/18		2018/19	2018/19	2019/20
Actual		Estimate as per Dec 18 Surplus/Deficit Report	Actual	Estimated Outturn
£'000		£'000	£'000	£'000
	<b>Income</b>			
(227,200)	Council Tax Income	(240,869)	(240,849)	(255,663)
	<b>Expenditure</b>			
	<b>Precepts</b>			
192,162	Bristol City Council	204,540	204,539	214,730
22,559	Police	24,381	24,380	27,662
8,596	Fire	8,976	8,974	9,510
	<b>Bad and Doubtful Debts</b>			
2,268	Write Offs	2,632	2,573	3,761
<b>225,585</b>	<b>Total Expenditure</b>	<b>240,529</b>	<b>240,466</b>	<b>255,663</b>
<b>(1,615)</b>	<b>(Surplus)/Deficit for the year</b>	<b>(340)</b>	<b>(383)</b>	<b>0</b>
(4,761)	Accumulated (surplus)/deficit Bfwd	(1,772)	(1,772)	(2,192)
4,604	Distribution of prior years estimated surplus	(37)	(37)	2,149
<b>(1,615)</b>	<b>(Surplus)/Deficit for the year</b>	<b>(340)</b>	<b>(383)</b>	<b>0</b>
<b>(1,772)</b>		<b>(2,149)</b>	<b>(2,192)</b>	<b>(43)</b>
	<b>Distribution of estimated Collection Fund deficit:</b>			
(1,525)	Bristol City Council	(1,849)	(1,886)	(37)
(179)	Police	(217)	(221)	(4)
(68)	Fire	(83)	(84)	(2)
<b>(1,772)</b>		<b>(2,149)</b>	<b>(2,192)</b>	<b>(43)</b>



## Business Rates Collection Fund Adjustment Account

## APPENDIX II

	2018/19	2018/19	2019/20
	Estimate as per surplus/deficit report Dec 18	Actual	Estimated Outturn
	£'000	£'000	£'000
<b>Income</b>			
<b>Business rates income</b>	(223,749)	(219,626)	(231,528)
<b>Transitional Surcharge</b>	3,533	2,355	2,228
<b>Expenditure</b>			
<b>Payments to Preceptors</b>			
Bristol City Council	197,400	197,400	197,330
Avon Fire	2,100	2,100	2,099
WECA	10,500	10,500	10,496
Disregarded amounts	4,417	4,572	6,964
Cost of collection allowance	716	714	714
<b>Bad and Doubtful debts</b>			
Write offs	1,810	123	2,413
<b>Appeals losses and provision</b>			
Increase/(decrease) in appeals provision	4,020	3,401	9,714
<b>Total Expenditure</b>	<b>220,963</b>	<b>218,810</b>	<b>229,730</b>
<b>(Surplus)/Deficit for the year</b>	<b>747</b>	<b>1,539</b>	<b>430</b>
<b>Accumulated (surplus)/deficit</b>			
Accumulated (surplus)/deficit BFwd	13,725	13,725	1,288
Distribution of prior year estimated (surplus)/deficit	(13,976)	(13,976)	62
Prior Year Adjustments	(558)		
(Surplus)/deficit for the year	747	1,539	430
	<b>(62)</b>	<b>1,288</b>	<b>1,780</b>
<b>Distribution of estimated collection fund deficit</b>			
Bristol City Council	(58)	1,211	1,673
WECA	(3)	64	89
Avon Fire and Rescue	(1)	13	18
	<b>(62)</b>	<b>1,288</b>	<b>1,780</b>