

## Policy

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 factor in their share of any surplus or deficit before finalising their precepts for 2023/24.

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 and Benefits - 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 will now be distributed in the following three financial years. 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, Avon Fire and Rescue Service and WECA.

### **2022/23 estimated surplus for Council Tax**

5. For the year ending 31 March 2023 we are forecasting a surplus of £1.038m for the council tax element of the Collection Fund. After taking account of balances brought forward in the collection fund, and the final year of spreading 2020/21

additional losses attributable to Covid-19, this is increased to a surplus of £1.960m. Under current arrangements this surplus will be distributed in 2023/24.

### Composition of Council Tax surplus 2022/23

6. The table below details the major elements making up the in-year element of the council tax surplus in 2022/23.

	£m
Reduction in the estimated cost of Council Tax Support	(4.7)
Increase in the number of chargeable dwellings	(0.5)
Net increase in discounts, exemptions and reliefs	1.1
Increase in the allowance for impairment of debts (net of budgeted allowance of £8.8m)	3.1
<b>Total Surplus</b>	<b>(1.0)</b>

Details are set out below.

### Council Tax Reduction Scheme

7. Bristol is one of the few local authorities that implements a fully funded Local Council Tax Reduction scheme (CTRS). Prior to the pandemic, there had been year on year reductions in both the numbers of working age and pensioner claimants to the CTRS. During the pandemic, we saw a significant increase in CTRS working age claimants and caseload. Since then both pensioner and working age numbers have continued to drop on a month-by-month basis. This is particularly noticeable amongst working age claimants. Both the pensioner and working age caseloads are now below pre pandemic levels.

Table 1 below shows the number of pensioner and working age claimants for the last five years, while table 2 shows the value (net of the Hardship Fund where applicable) for each of the last three years.

Table 1

	Oct-18	Oct-19	Oct-20	Oct-21	Oct-22
Working Age	24,026	23,506	25,114	25,211	23,399
Pensioners	11,844	11,239	10,755	10,436	10,166
<b>Total</b>	<b>35,870</b>	<b>34,745</b>	<b>35,869</b>	<b>35,647</b>	<b>33,565</b>

Table 2

	Value of Claims			Total £'000
	Working Age £'000	Pensioners £'000	Hardship Fund £'000	
01-Oct-20	30,489	13,012	(1,289)	42,212
01-Oct-21	31,167	13,252	(730)	43,689
01-Oct-22	29,170	13,288	0	42,458

8. The value of benefits awarded through the Council Tax Reduction Scheme for 2022/23 was originally estimated at £46.9m. It is anticipated that the actual cost of the scheme by the end of March will be £42.2m. The original estimate, based on September 2021 figures, assumed a further 2.5% increase in working age claimants going into 2022/23. This increase did not materialise, and instead has fallen month on month. This accounts for the £4.7m saving in the cost of the scheme.
9. It is difficult to estimate how the Cost of Living Crisis will impact on future caseloads. However, employment in Bristol remains high. It should also be noted that a reduction in claimants increases the amount of council tax to be collected and therefore may be contributing to increased levels of arrears.

### Growth

10. When setting the amount of Council Tax collectable for the year ahead an estimate is made on new properties being built which will pay Council Tax during the year. The Council Tax Base report for 2022/23 estimated a further 1,983 band D equivalent dwellings would be completed, added to the rating list and chargeable for council tax during the year. Current estimates would suggest this number will see an increase of 244 band D equivalents. The Valuation Office Agency have changed the way they value 'cluster flats'. This is where there are several units within one property that share a kitchen – these would previously have been valued as one higher band dwelling, but each unit is now being individually assessed in a lower band. As an example, flats in St Thomas Street, which we had estimated would be banded at 35 x Band A and 30 x Band D, have been banded as 343 Band A's under this new VOA practice.

### Discounts and Exemptions

11. There is a net increase of around £1.073m in discounts and exemptions forecast for year-end. predominantly from an increase in Single Person Discount (SPD). We normally undertake a review of SPD every two years; however, the last review was

undertaken before the pandemic. Regular National Fraud Initiative data matches identify potential multiple occupants in properties claiming single person discount, which the council tax team follow up on, helping to ensure that the Council Tax Base properly reflects entitlements to this discount. The annual National Fraud Office review is now being carried out for 2022/23 and is expected to identify further reductions but trends suggest these are likely to be balanced by a further general increase in legitimate applications for single person discount.

### **Losses on Collection and contribution to the provision for the impairment of debts**

- 12.** Council Tax collection for 2022/23 is likely to show a shortfall of £23.2m against the annual billing debit, potentially increasing arrears at year-end to £38m. The figures in the table below assume around £5m will be collected against arrears during the year. £3m has already been allocated against arrears. This is an improvement on the previous financial year. However, the £5m is inclusive of citizens electing to offset their energy rebate against balances on their account.
- 13.** Pre-pandemic, collection would normally keep pace with, and slightly exceed, the annual increase in council tax, year on year, however collection since 2020/21 has slipped whilst recovery action was paused to support households manage the impact of the pandemic. As recovery action continues officers will focus on supporting citizens to maintain their ongoing payments, but are confident arrears will also start to reduce, with an on-going improved position continuing throughout 2022/23. However, it must be recognised, over time this debt will become more difficult to collect, although clearly the Council will seek to recover as much of the arrears as it is possible to do.
- 14.** Last year, to ensure the provision is sufficient to provide for year-end arrears, we increased the annual percentage of debt provided for by five percent. So, for example, the Council might expect, over time, to recover 53 percent of current year arrears. This has been reduced to 48 percent. All balances over three years old are fully provided for. Given the current level of arrears we have decided to retain these percentages. These will however remain under review based on recovery experience. All impairment provisions are the subject of scrutiny by the Council's External Auditor at year end.
- 15.** The total requirement for the provision is estimated at £38m. As at the 1 April 2022 the provision stood at £25m. After adjustments for write offs and further arrears collection, an increase of £11.9m is required. (Note, the original tax base allowed for £8.8m) This additional sum reduces net receipts, reducing the surplus for the council tax element of the collection fund.
- 16.** Only after full investigations have been completed will debt be recommended for write-off if deemed uncollectable in the longer term. Debt written off during

2022/23 is largely due to citizens who have moved where we are unable to trace them.

**17. Calculation of the council tax debt impairment provision**

Year	Arrears	Percentage Provided	Provision
	£'000		£'000
To 14/15	239	100%	239
2015/16	306	100%	306
2016/17	679	100%	679
2017/18	1,149	100%	1,149
2018/19	1,941	100%	1,941
2019/20	3,842	100%	3,842
2020/21	7,542	84%	6,335
2021/22	15,619	73%	11,402
2022/23	23,290	52%	12,111
<b>Total</b>	<b>54,606</b>		<b>38,003</b>
Provision opening balance 1.4.22			25,053
Additional in-year write offs			(1,000)
Additional arrears collection			2,000
Total remaining in provision			26,053
Required as above			<u>38,003</u>
<b>Additional required to top up provision</b>			<b>11,950</b>
Budgeted Provision for 2022/23			(8,822)
<b>Additional required over budget 31.3.23</b>			<u><b>3,128</b></u>

**Distribution of the Council Tax Surplus**

- 18.** 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 2022/23 is shown in Appendix A. The allocation of the estimated surplus to each of the major precepting authorities, is summarised below:

	2022/23 £m
Council Tax	
22/23 Surplus	(1,038)
(Surplus)/Deficit carried forward	(2,215)
Spreading Adjustment	1,293
<b>Total Surplus</b>	<b>(1,960)</b>
Apportionment of Surplus	
Bristol City Council	(1,671)
Police and Crime Commissioner for Avon & Somerset	(220)
Avon Fire Authority	(69)
	<b>(1,960)</b>

### **2022/23 Estimated Surplus for Non-Domestic Rates (NDR)**

- 19.** Since 2017/18 Bristol has been piloting 100% retention of business rates. 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.
- 20.** December 2021 the government made one further relief available to support businesses affected by the pandemic. The Covid-19 Additional Relief Fund (CARF) allocated £1.7bn of grant to local authorities. Bristol received £13.7m to award as discretionary rate relief to accounts for the 2021-22 financial year. As at October 2022, £0.5m has reduced 2021/22 arrears, £10m of credit on accounts has been transferred to this year's liability, and £2.7m has been refunded where accounts were paid up to date. Unspent grant will need to be returned to government.

### **Composition of the Business Rates in-year deficit for 2022/23**

- 21.** The table below details the major elements making up the business rates in-year deficit for 2022/23. Note that all CARF reliefs will be fully funded by S31 Grant reducing the deficit accordingly.

	£m
Net changes in the liability	(1.3)
Increase in contribution to business rates pool	0.5
CARF Relief given (Funded by S31 Grant)	12.9
Reduction in the allowance for impairment of debts (net of budgeted allowance of £5.4m)	(2.4)
Increase to the appeals provision	2.0
<b>Total</b>	<b>11.7</b>

The net increase in in-year liability includes a significant increase of £2m relating to warehouse developments in Avonmouth pared back by a delay in the completion of a number of office developments in Bristol.

22. 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, 5% WECA and 1% Avon Fire and Rescue.
23. The detailed determination of the estimated NDR Collection Fund surplus (after the application of CARF) for 2022/23 is shown in Appendix B and the allocation of the estimated deficit to the relevant precepting authorities is summarised in the table below.

	2022/23 £m
Business Rates	
22/23 losses	11,737
(Surplus)/Deficit carried forward	(8,704)
Spreading Adjustment	2,961
Adjust of repayment of overclaimed S31 Grant	3,548
Allocation of CARF	(12,900)
<b>Total Surplus</b>	<b>(3,358)</b>
Apportionment of Surplus	
Bristol City Council	(3,156)
West of England Combined Authority	(168)
Avon Fire Authority	(34)
	<b>(3,358)</b>

24. 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 because 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 main factors affecting this year's business rates income are outlined below.

#### **Losses on Collection and contribution to the provision for the impairment of debts**

- 25.** The ability of businesses to recover from the pandemic the impact of Cost-of-Living crisis on businesses remains uncertain. As already outlined, during 2022/23 the government have continued to support businesses affected by the pandemic, albeit the reliefs have reduced significantly. Once these reliefs cease completely, and if no further support will be available in 2023/24, the impact on collection rates will become clearer. The outstanding debt position has not escalated as much as it might due to the allocation of CARF to arrears, £10m against in-year arrears and £0.5m against 2021/22 arrears.
- 26.** As at the end of September 2022, prior year arrears stood at £17.2m. £10.5m of CARF has been allocated to outstanding liabilities on accounts for both 2021/22 and 2022/23. This has resulted in a lowering of outstanding debt. However, overall collection for 2022/23, even after the allocation of CARF is likely to show a shortfall of £11.2m against the annual billing debit. Prior to the pandemic, arrears carried forward would usually be in the region of £2.4m.
- 27.** As with council tax, officers have reassessed the impairment provision for doubtful debts and have left the potential recovery percentages as they were in 2021/22. For the most recent three years, this is 5% lower than pre pandemic recovery levels. All debt over three years old is fully provided for.
- 28.** The total requirement for the provision as at 31 March 2023 is estimated at £19.5m. As at the 1 April 2022 the provision stood at £17.3m. After taking into account an adjustment for write offs of £800k, an increase of £3m is required, this is less than the original budgeted contribution of £5.4m. This reduction is in the main due to the allocation of CARF to arrears. The £2.4m not required reduces the in-year deficit for the business rates element of the collection fund.

Year	Arrears	Percentage Provided	Provision
	£'000		£'000
To 14/15	73	100%	73
2015/16	55	100%	55
2016/17	108	100%	108
2017/18	390	100%	390
2018/19	841	100%	841
2019/20	2,466	100%	2,466
2020/21	5,086	89%	4,527
2021/22	8,206	60%	4,923
2022/23	11,188	55%	6,153
<b>Total</b>	<b>28,413</b>		<b>19,537</b>
Provision opening balance 1.4.22			17,318
Written off in year			(800)
Total remaining in provision			16,518
Required as above			<u>19,537</u>
<b>Additional required to top up provision</b>			<b>3,018</b>
Budgeted Provision for 2022/23			(5,414)
<b>Reduction in budgeted requirement 31.3.23</b>			<u><b>(2,396)</b></u>

29. Officers are predicting an in-year collection rate of 95%. This compares with an actual collection rate of 91.25% for 2021/22 and 98% pre the pandemic.

### **Business Rates Appeals**

30. 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 the very small number of 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.

- 31.** As at the end of 2021/22 the appeals provision stood at £25.3m. As this is a significant amount this 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. 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. This amounts to an annual sum of £10.5m. However, it should be noted that the appeals position remains extremely volatile with potentially large fluctuations occurring from one year to the next.
- 32.** To illustrate the point, in 2021/22 over £20m of successful appeals were charged to the provision. Most of this was related to office accommodation within the city. This situation was repeated across many of the major cities in the UK as office accommodation was particularly targeted by agents. This results in the appeals provision needing to be topped up, with a further £19.3m added to it at the end of 2021/22. This effectively reduces the amount of business rates available to fund services.
- 33.** However, for the first six months of 2022/23 activity seems have slowed to a degree with successful appeals amounting to £6m by the end of September. Discussions with the VOA have suggested that appeal applications have slowed in comparison to 2021/22. However, to ensure any calls on the provision are adequately covered, it is prudent to increase the provision by a further £2m. This will be further reviewed at year-end. The impact on the provision is shown in the table below.
- 34.** Charging to the provision protects the “net rates” position including growth into the business rates pool. However, any replenishment to the provision needs to be charged to the income received from business rates and therefore contributes to the overall in-year deficit.

<b>Appeals Provision</b>	<b>£'000</b>
Opening balance 1 April 2022	26.8
Budgeted increase to the provision	10.2
Appeals to 1 October 2021	(6.0)
Additional to 31 March 2022	(6.0)
<b>Balance remaining 31 March 2023</b>	<b>25.0</b>
Top-up required	2.0
<b>Balance as at 31 March 2023</b>	<b>27.0</b>

## Bristol's share of the total surplus on the collection Fund for 2022/23

35. Bristol City Council's share of the total surplus on the collection fund, after allocation of CARF, credited in 2023/24 is as follows

	2022/23 £m
Council Tax	(1,671)
Business Rates	(3,156)
<b>Total</b>	<b>(4,827)</b>

### Other Options Considered

36. Not applicable

### Risk Assessment

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

- The volatility of business rates 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, hospitals and large office blocks 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.
- Post pandemic and Cost of Living crisis on employment and businesses on collection rates and Council Tax Reduction Scheme.

### Summary of Equalities Impact of the Proposed Decision

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 or deficit before finalising their precepts for 2023/24.

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.

**(Legal advice provided by: Husinara Jones – Solicitor/Team Manager)**

### **Financial**

#### **(a) Revenue**

The total estimated surplus on the Collection Fund for 2022/23, including any brought forward balances is £5.308m. The Bristol share of this surplus, net of adjustments and grant, credited to the general fund in 2023/24 is £4,818m.

#### **(b) Capital**

None

**(Financial advice provided by Tony Whitlock – Finance Business Partner)**

### **Land**

Not Applicable

### **Personnel**

No HR Implications

**(Personnel advice provided by James Brereton – Head of HR)**

### **Appendices:**

Appendix I – Estimated Council Tax Collection Fund Account 2022/23

Appendix II – Estimated Non-Domestic Rates Collection Fund Account 2022/23

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

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

## APPENDIX 1

ESTIMATED COUNCIL TAX COLLECTION FUND ACCOUNT		2021/22	2021/22	2022/23	
2020/21		Estimate as per	Actual	Estimated	
Actual		Surplus/Deficit		Outturn	
		Report			
£'000		£'000	£'000	£'000	
	<b>Income</b>				
(264,793)	Council Tax Income (in year liability)	(281,285)	(283,272)	(298,290)	
(1,563)	Additional S31 Grant (Hardship Fund) ended in 21/22	(985)			
	Expenditure				
	<b>Precepts</b>				
226,055	Bristol City Council	236,197	236,197	243,198	
29,289	Police	30,862	30,862	32,133	
9,635	Fire	9,779	9,779	9,971	
	<b>Bad and Doubtful Debts</b>				
4,960	Losses on Collection	15,448	12,942	11,950	
<b>269,939</b>	<b>Total Expenditure</b>	<b>292,286</b>	<b>289,780</b>	<b>297,252</b>	
<b>3,583</b>	<b>(Surplus)/Deficit for the year</b>	<b>10,016</b>	<b>6,508</b>	<b>(1,038)</b>	
1,695	Accumulated surplus/deficit Bfwd (Actual)	5,321	5,321	8,841	
43	Distribution of prior years estimated surplus/deficit	(5,574)	(2,988)	(9,763)	
3,583	(Surplus)/Deficit for the year	10,016	6,508	(1,038)	
<b>5,321</b>		<b>9,763</b>	<b>8,841</b>	<b>(1,960)</b>	
		BCC	Police	Avon Fire	Total
	In year( surplus)/deficit	(885)	(117)	(36)	(1,038)
	Residual prior-year (surplus)/deficit	(786)	(104)	(32)	(922)
	<b>Total Estimated (Surplus)/Deficit at the end of 22/23 for dis</b>	<b>(1,671)</b>	<b>(221)</b>	<b>(69)</b>	<b>(1,960)</b>

## APPENDIX 11

		NNDR COLLECTION FUND ACCOUNT				
2019/20	2020/21		2021/22	2021/22	2022/23	
Actual	Actual		Estimated Outturn as per surplus/deficit report	Actual	Estimated Outturn	
£'000	£'000		£'000	£'000	£'000	
		<b>Income</b>				
(227,650)	(137,951)	<b>Business rates income</b>	(193,931)	(201,566)	(204,951)	
2,879	3,254	<b>Transitional Surcharge</b>	2,127	3,743	0	
		<b>Payments to Preceptors</b>				
197,330	197,854	Bristol City Council	197,436	197,436	182,167	
2,111	2,105	Avon Fire	2,100	2,100	1,938	
10,547	10,524	WECA	10,502	10,502	9,690	
8,297	4,716	Disregarded amounts & Renewable Energy	6,386	5,657	6,979	
704	702	Cost of collection allowance	698	698	718	
		<b>Bad and Doubtful debts</b>				
2,589	7,200	Losses on in-year collection	10,152	8,698	3,018	
		<b>Appeals losses and provision</b>				
575	(2,056)	Increase/(decrease) in appeals provision	16842	19,301	12,178	
<b>222,153</b>	<b>221,045</b>	<b>Total Expenditure</b>	<b>244,116</b>	<b>244,392</b>	<b>216,688</b>	
<b>(2,618)</b>	<b>86,348</b>	<b>(Surplus)/Deficit for the year</b>	<b>52,312</b>	<b>46,569</b>	<b>11,737</b>	
		<b>Accumulated (surplus)/deficit</b>				
1,288	(314)	Accumulated (surplus)/deficit BFwd (Actual)	84,253	84,253	40,454	
1,016	(1,780)	Distribution of prior year estimated surplus/deficit	(90,368)	(90,368)	(46,197)	
(2,618)	86,348	(Surplus)/deficit for the year	52,312	46,569	11,737	
<b>(314)</b>	<b>84,254</b>		<b>46,197</b>	<b>40,454</b>	<b>5,994</b>	
			<b>2022/23</b>	<b>2022/23</b>	<b>2022/23</b>	
			BCC	WECA	Avon Fire	
			Total			
<b>2021/22</b>		<b>Prior year (surplus)/deficit</b>	(5,398)	-287	-57	(5,743)
<b>2022/23</b>		<b>Current year (surplus)/deficit</b>	11,033	587	117	11,737
<b>2022/23</b>		<b>S31 grant to reimburse 22/23 CARF</b>	(12,126)	(645)	(129)	(12,900)
<b>2021/22</b>		<b>Adjustment for overclaim of S31 Grant for retail relief</b>	3,335	177	35	3,548
		<b>Total Estimated (Surplus)/Deficit at the end of 22/23 for distribution in 23/24</b>	<b>(3,157)</b>	<b>(168)</b>	<b>(34)</b>	<b>(3,358)</b>