



Re-assessing your funding resilience post Covid-19

July 2021

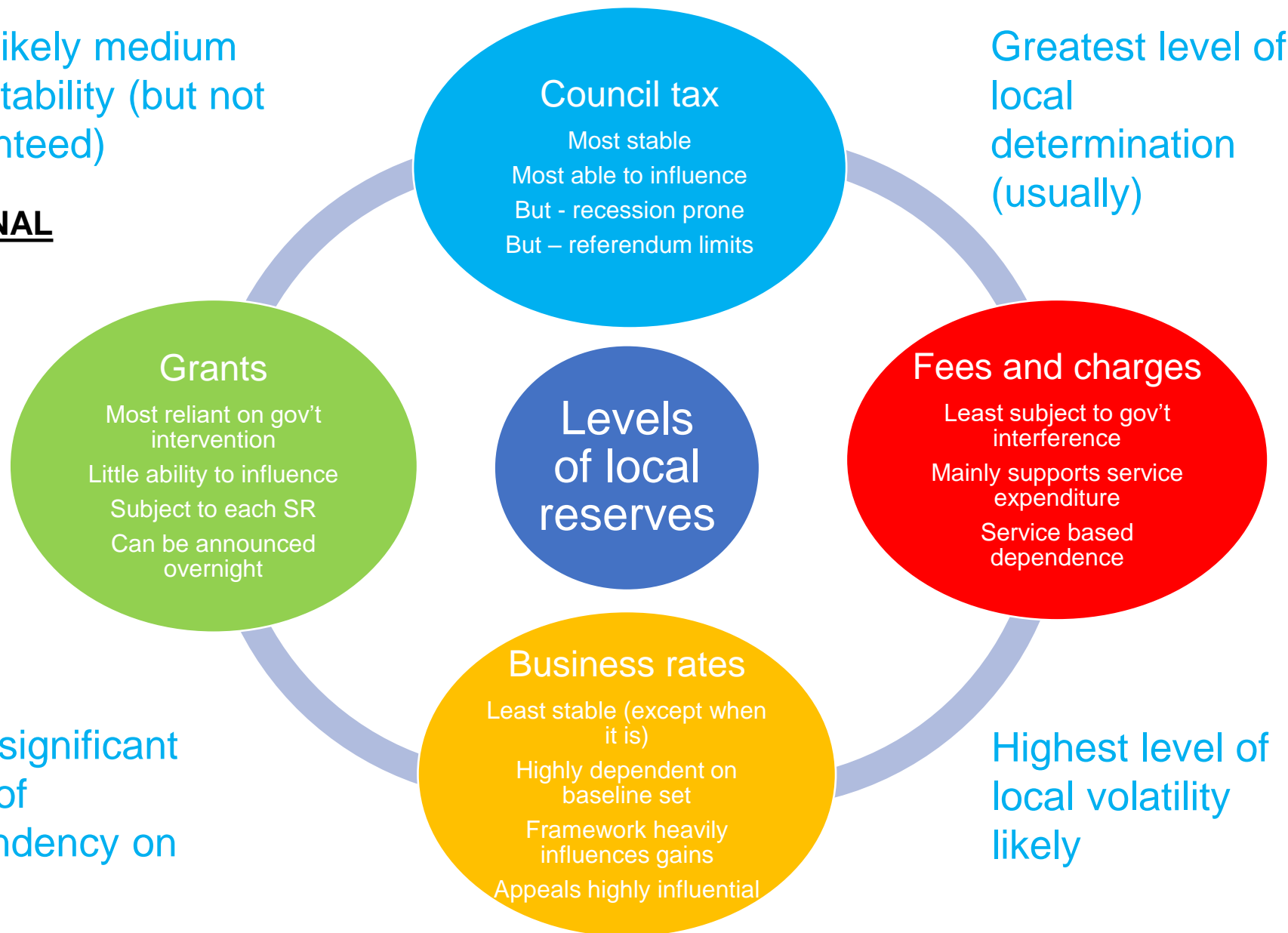
Purpose of the session

- To provide updated analysis of the resilience of funding streams across local government with particular focus on the impact of Covid-19 on a variety of indicators
- Provide local authorities with a snap shot of their comparative 'performance' against a basket of indicators compared with other local authorities
- To identify for councils which of their resources have been relatively impacted the least and most to signpost where potential focus should be in the near term
- Identify the implications for funding across local government of assumptions being made in completing NNDR3 and the potential future impact on the resilience of business rates income

More likely medium term stability (but not guaranteed)

ORIGINAL

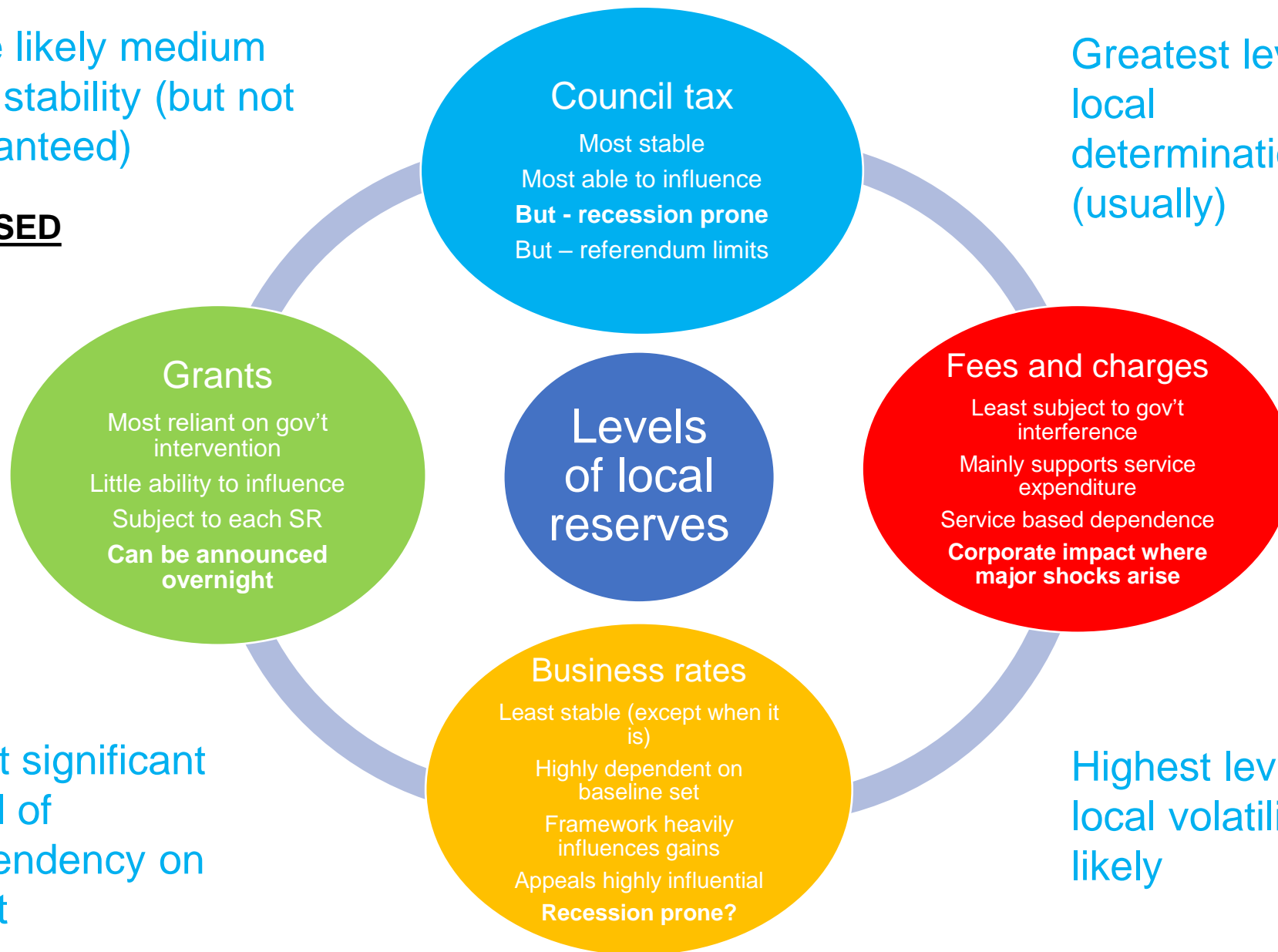
Most significant level of dependency on gov't



More likely medium term stability (but not guaranteed)

REVISED

Greatest level of local determination (usually)



Most significant level of dependency on gov't

Highest level of local volatility likely

Council tax

- Council tax income
 - What decisions have been taken since 2010/11 about increasing council tax?
 - How has the taxbase increased since CTS introduced?

- Council tax support (CTS)
 - How has the numbers changed over time?
 - What has been the impact of Covid/recession?

- Budgeted taxbase 2020/21 to 2021/22
 - What has been the impact on the size of the taxbase?
 - How has the budgeted taxbase been impacted?

- Collection rate and arrears
 - Trends up to 2020/21 and to end of 2021/22

Overview

Background

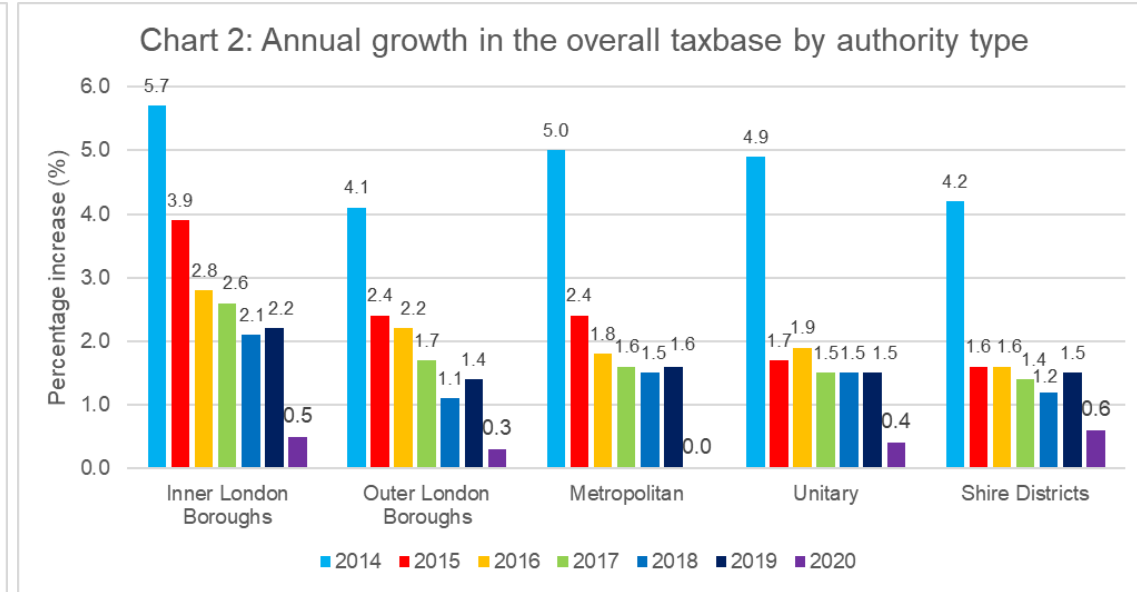
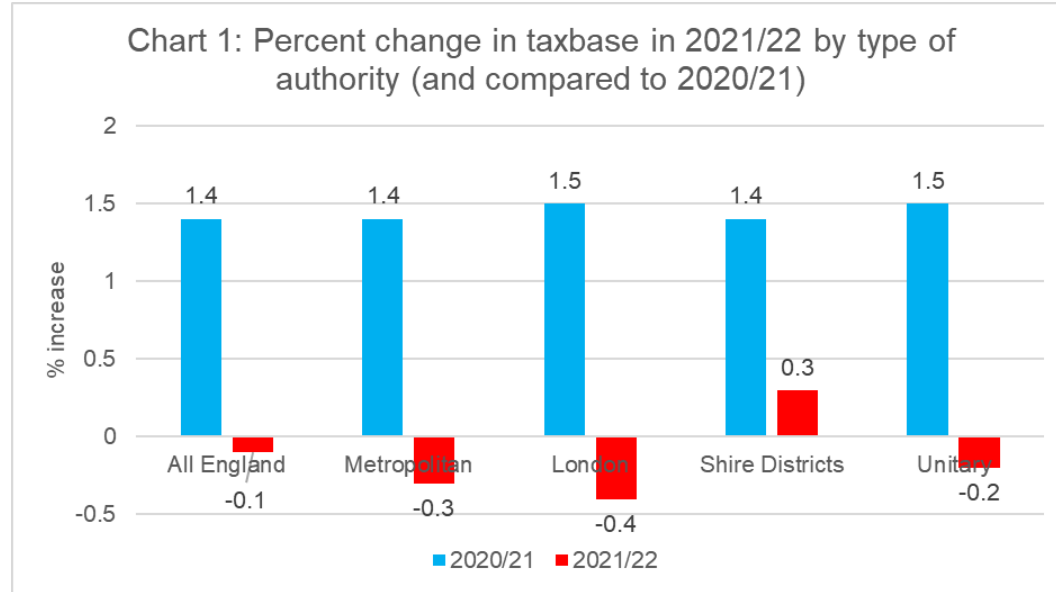
Trends to 21/22

NNDR3

Council tax metrics

	Eng %	ILB %	OLB %	MBC %	UA %	SD %	SC %
Level increases (since 10/11)	34	26	26	33	36	46	31
Taxbase increase (13/14)	13	20	15	13	13	12	12
CTB1 change (2020)	0.4	0.5	0.3	0.0	0.4	0.6	0.6
CTS decline (4 years to 20/21)	Eng (Pensioner) -18.9; Eng (Working Age) 5.2, Eng split 36/64						
Collection rate decrease (since 12/13)	-0.4	-0.4	-0.2	-0.9	-0.5	-0.2	-0.2
Arrears o/s increases – current year (since 12/13)	119	127	92	116	144	111	111

Taxbase change – the impact of Covid



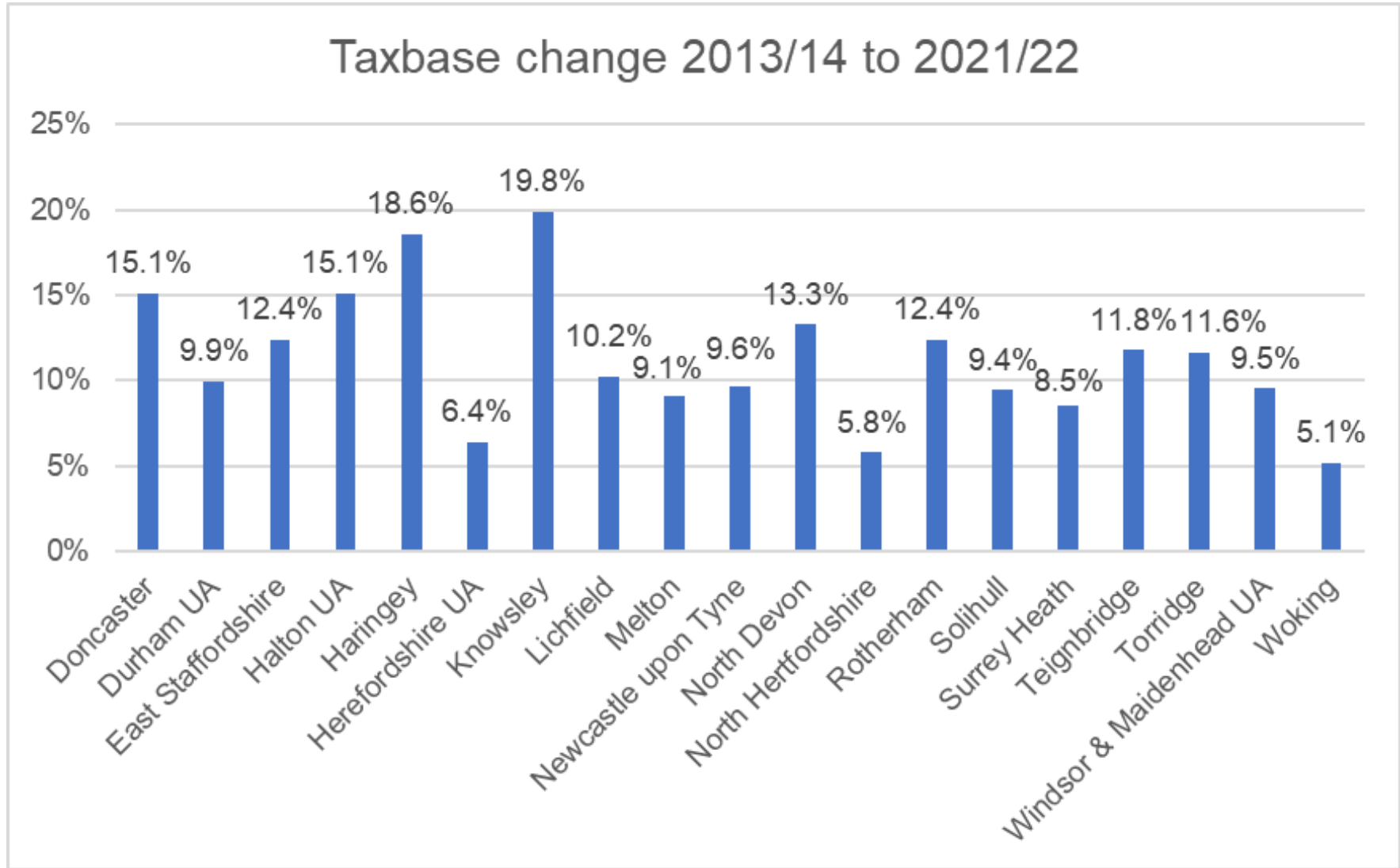
Budgeted taxbase

- Greatest slowdown in taxbase change in London (-1.9%)
- Districts least affected, but still significant decline (-1.1%)

CTB1 actual taxbase

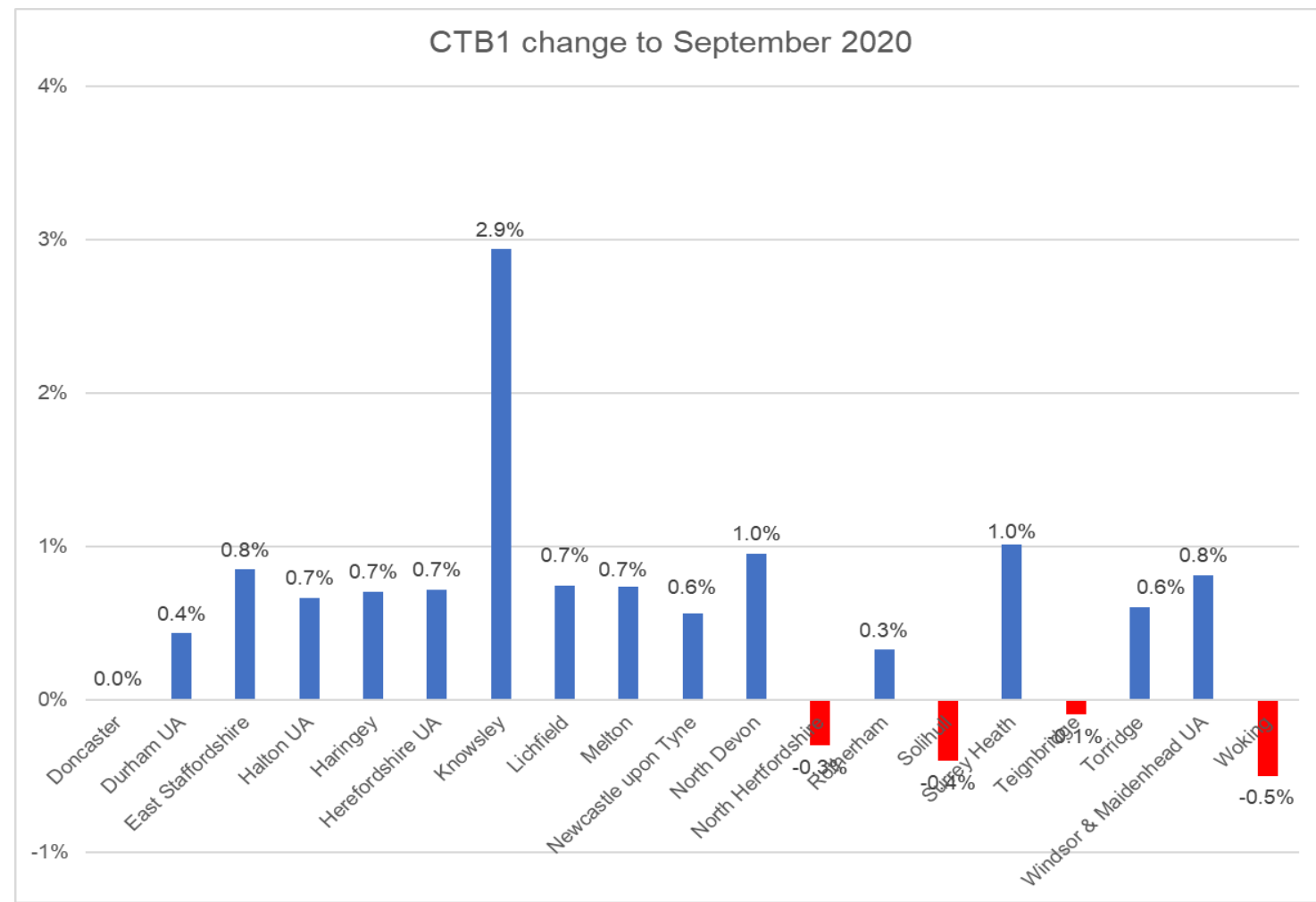
- Greatest slowdown in taxbase change in Inner London and Metropolitan Authorities
- Districts least affected, but still significant decline (-0.9%)

Taxbase change since 2013/14 – individual analysis

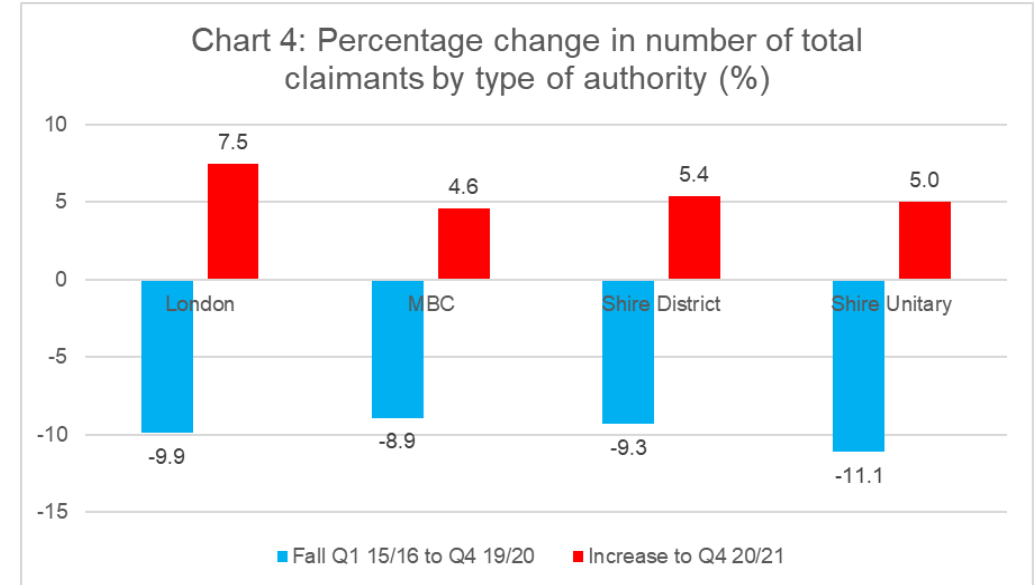
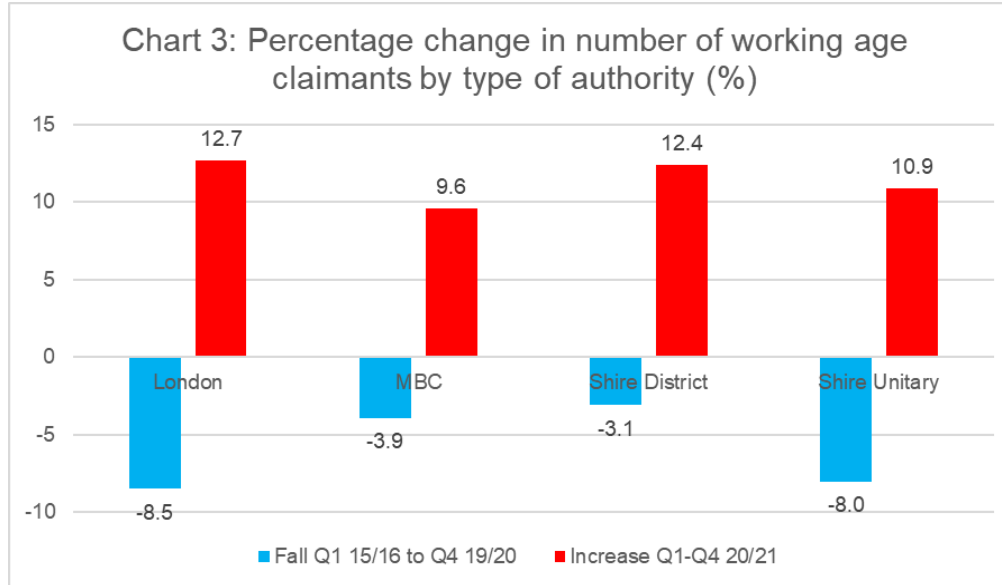


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CTB1 change annually 2020 – individual analysis



Council tax support – the impact of Covid



Working age claimants

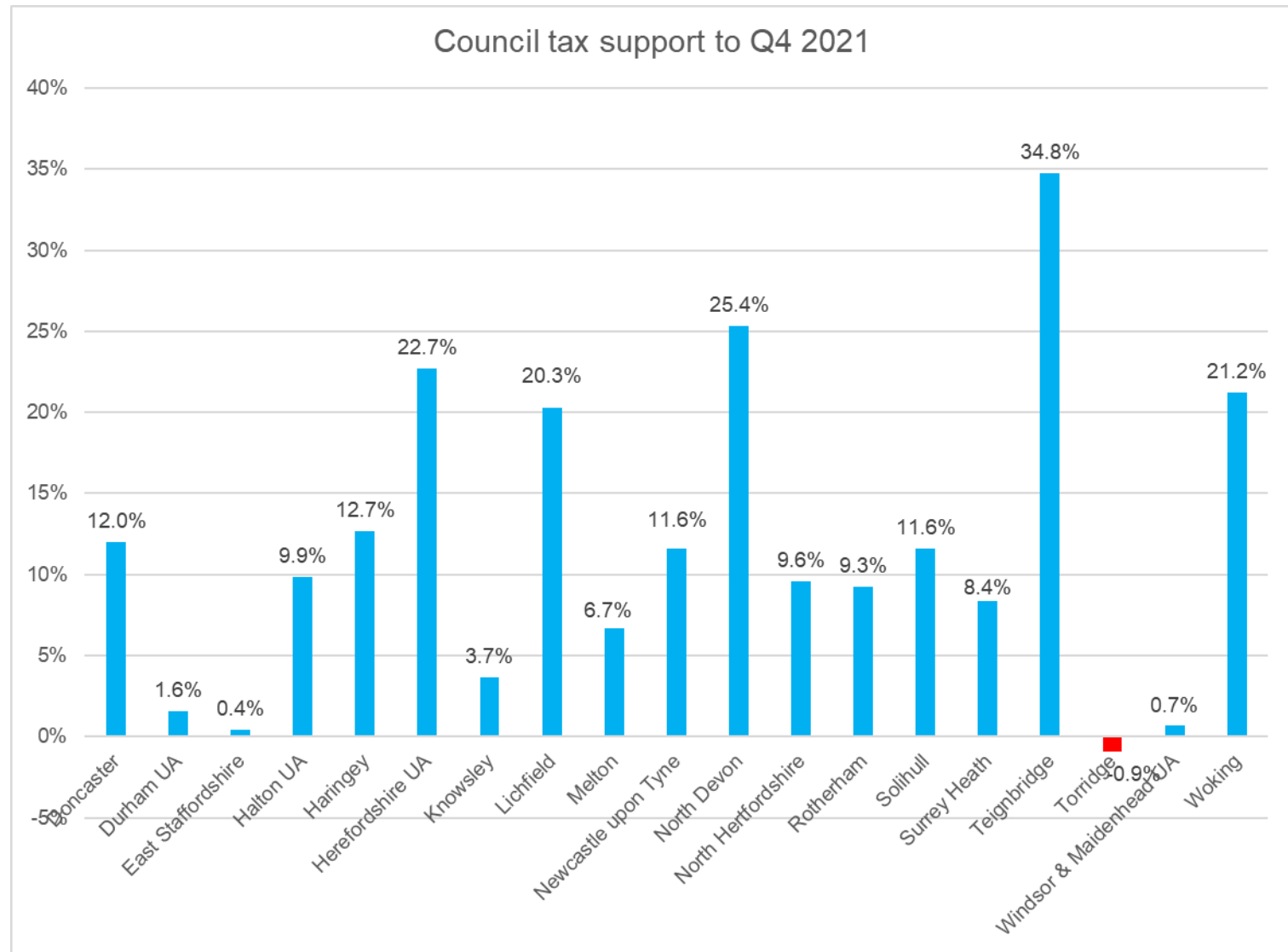
- Greatest increase in claimants in London (12.7%)
- Metropolitan Authorities least affected, but still significant increase (9.6%)
- Shire Districts and Metropolitan Authorities largest impact relative to previous declines

Total claimants

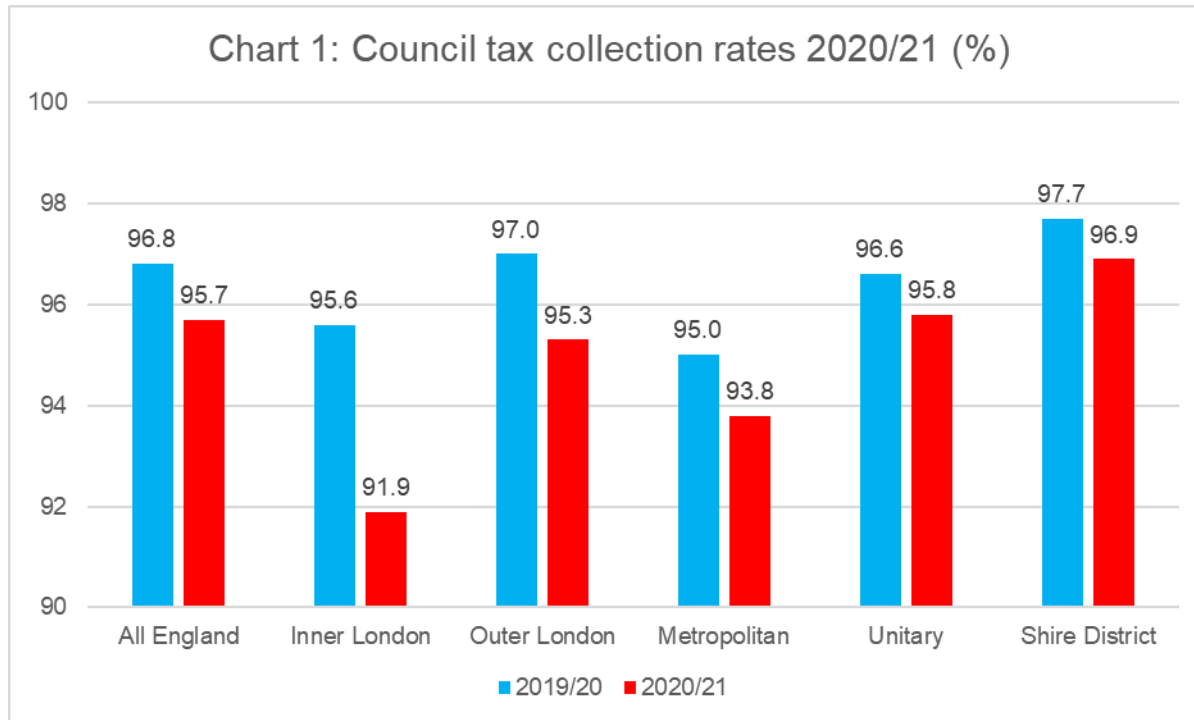
- Continued pensioner claimant declines had biggest impact in Shire District and Shire Unitary councils
- London shows greatest increase relative to previous declines

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CTS claimants – individual analysis



Collection rates – the impact of Covid

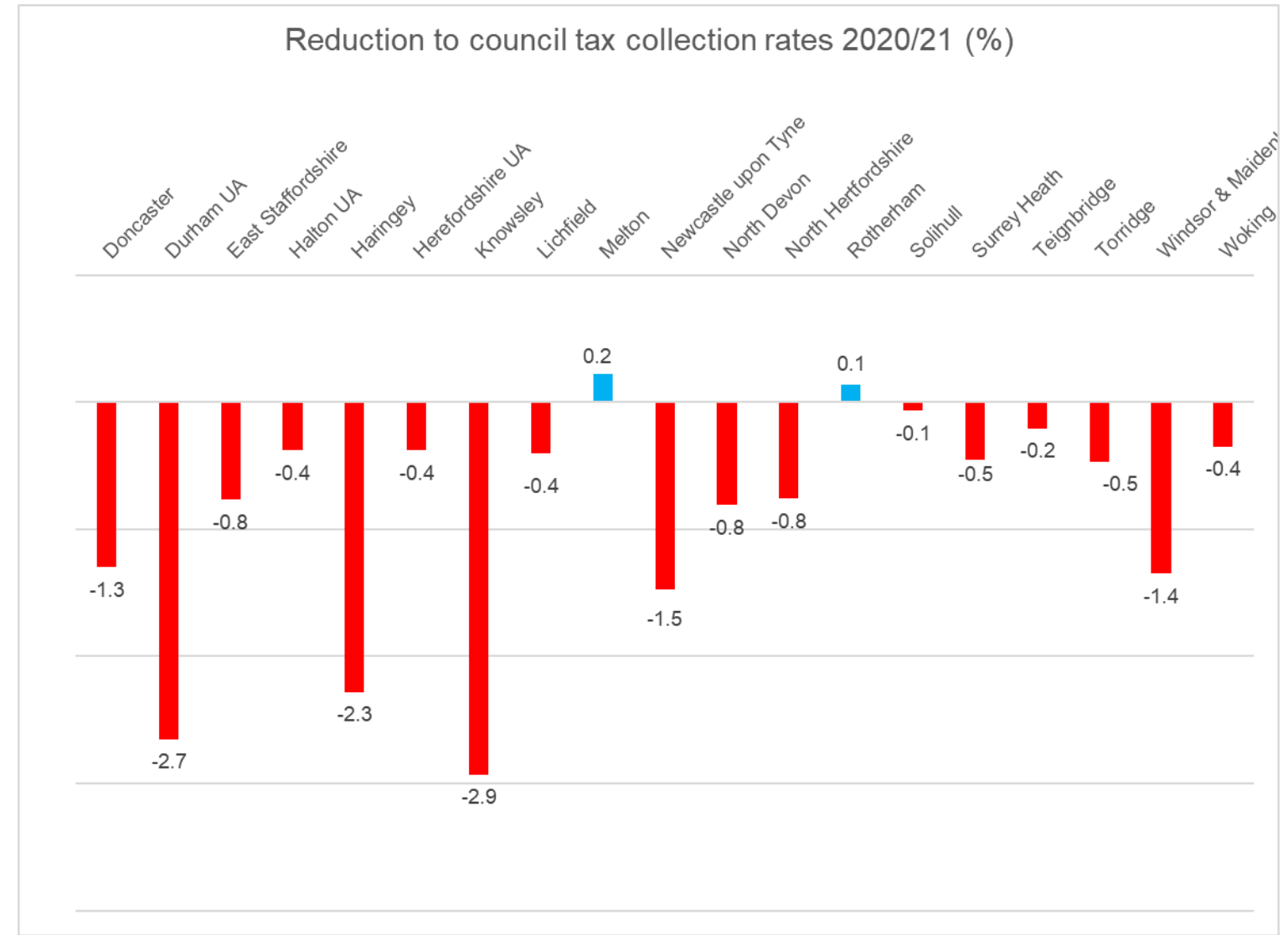


Collection rates

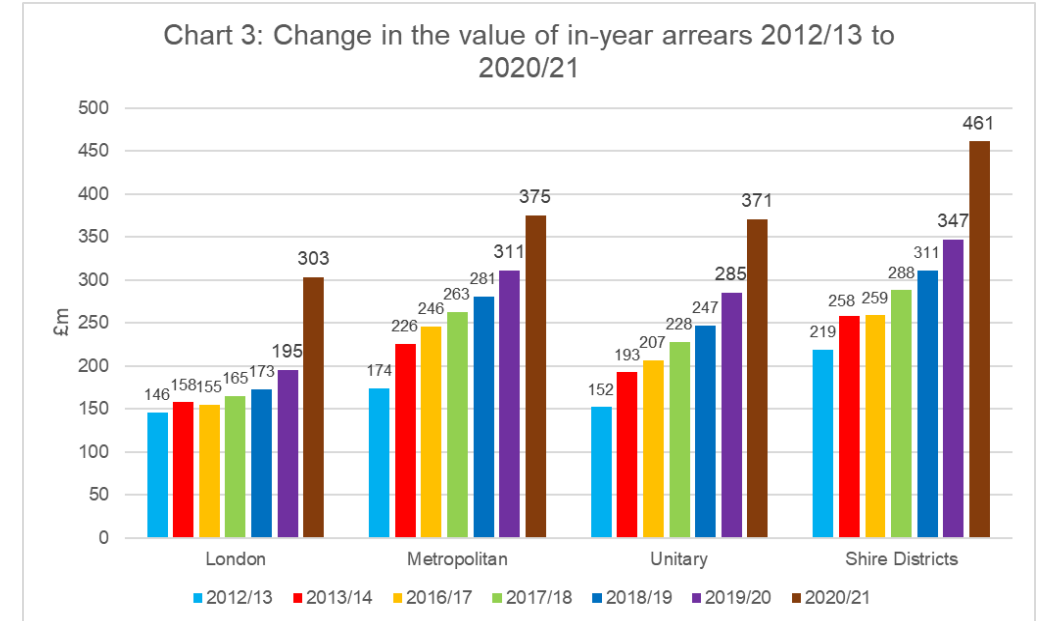
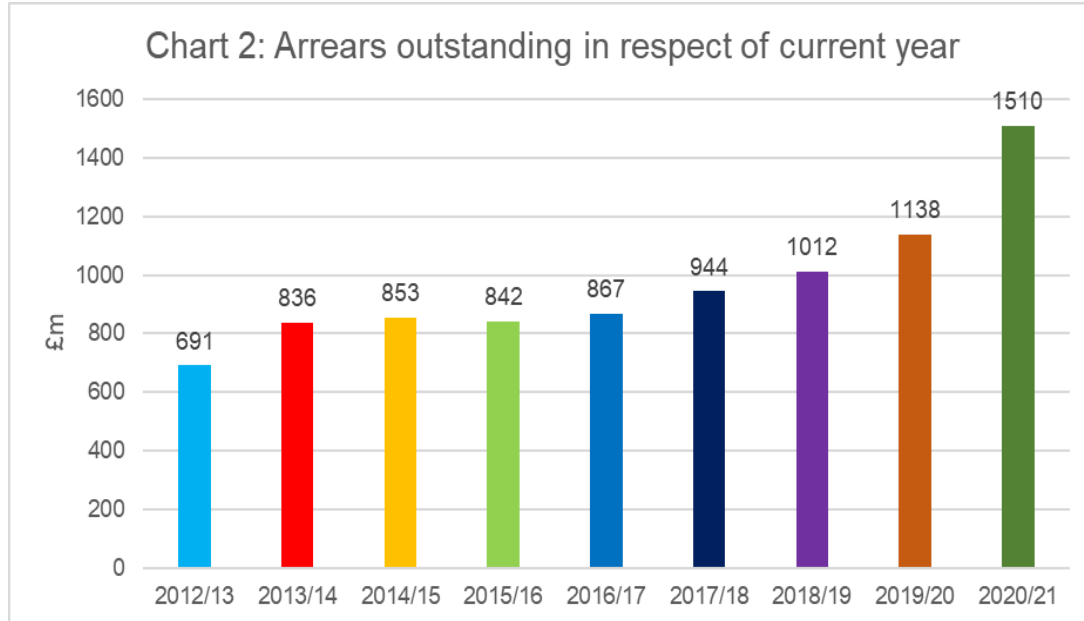
- Reductions across all types of authority
- Reductions greatest across Inner London (-3.7%)
- Greater reductions in City areas compared to Shire areas

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Council tax collection rates – individual analysis



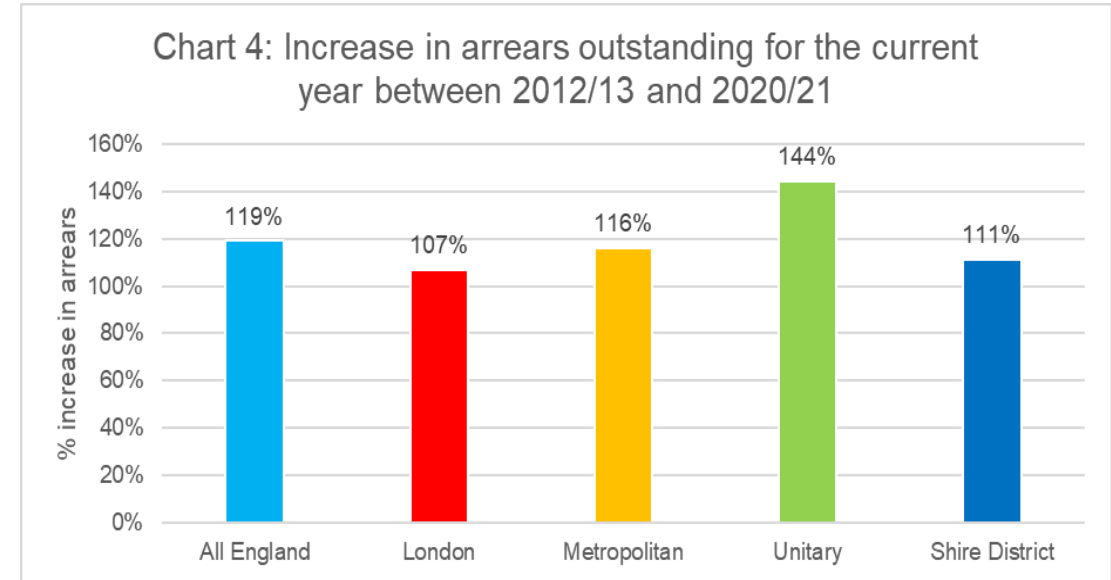
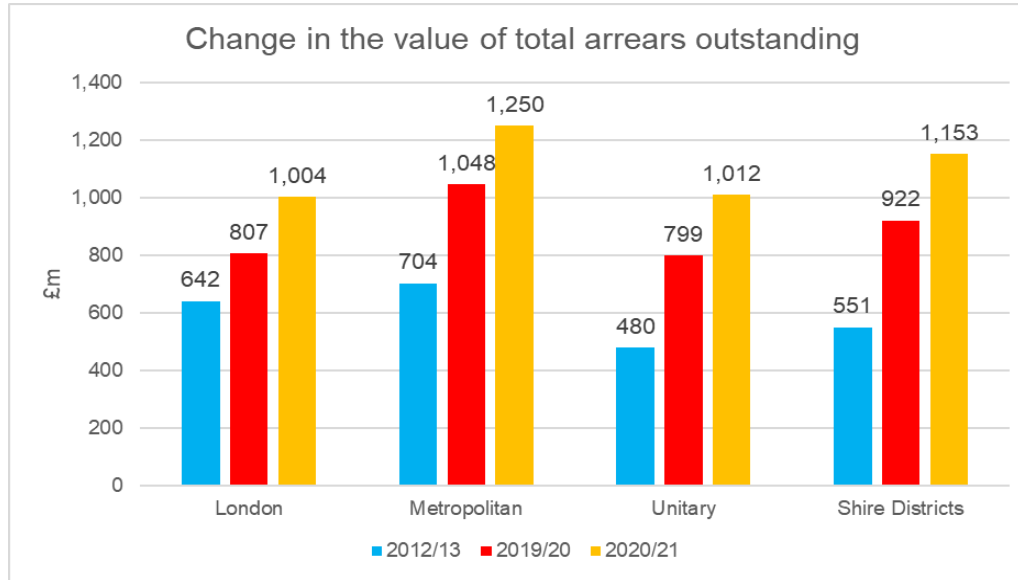
Arrears in the current year – the impact of Covid



Levels of arrears in-year

- Biggest increase in one year on record
- Continues trend for worsening each year
- Impact of Covid previous trends greatest in London and Shire District Authorities

Total arrears outstanding – the impact of Covid



Total arrears at year-end

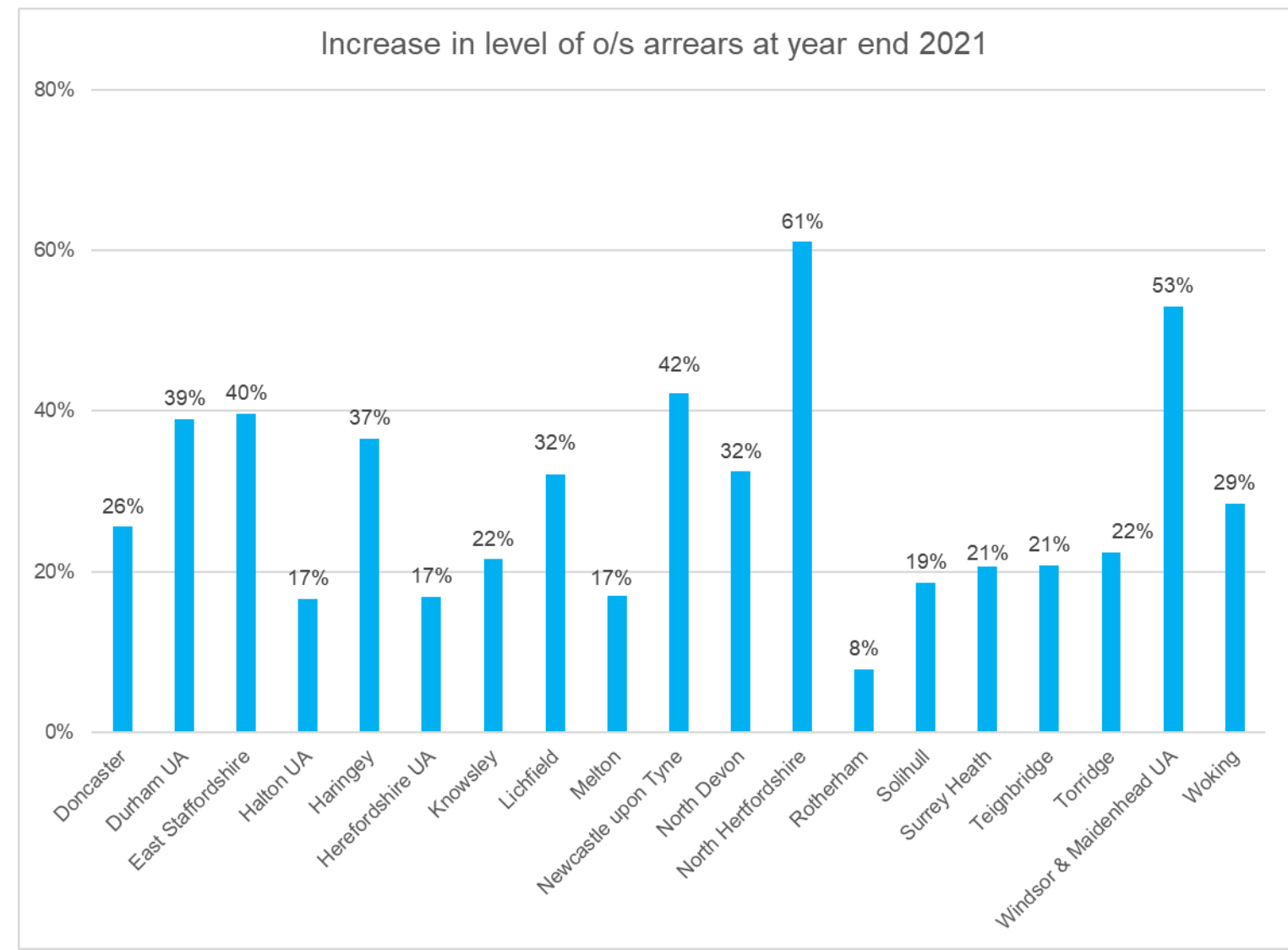
- Total arrears increased by at least £0.2bn across all types of council
- Impact greatest for Shire Unitary Authorities

Total arrears at year-end

- Covid has contributed to the ever increasing levels of outstanding arrears
- Increase since CTS introduced is for over 100% rise in all types of authority

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Increase in level of o/s arrears for council tax 2020/21 – individual analysis



Overview

Background

Trends to 21/22

NNDR3

Business rates

- Growth in 2020/21
 - How has previous trends for growth been impacted by Covid?

- Collection Rates and arrears
 - Trends up to 2020/21 and to end of 2021/22

- Retail risk/Office risk
 - Where does the greatest risk to resilience now reside?

Overview

Background

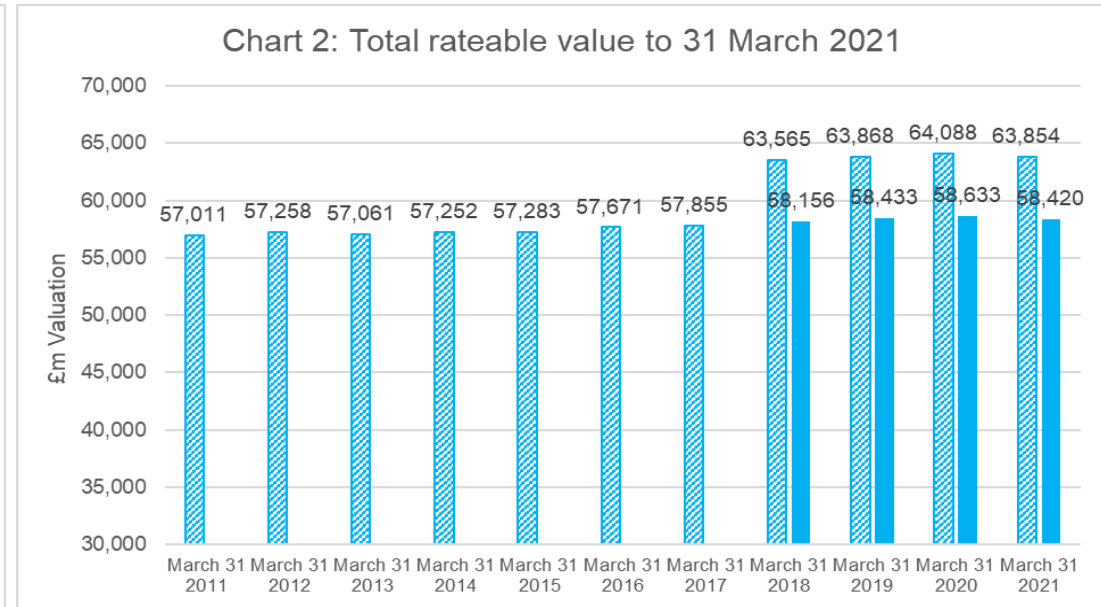
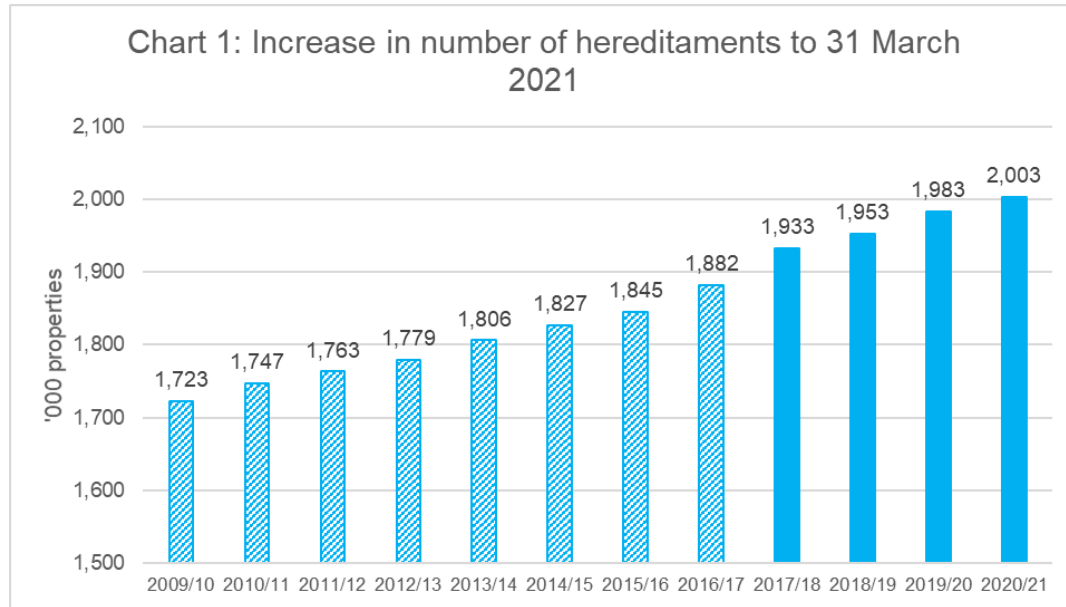
Trends to 21/22

NNDR3

Business rates

	Eng %	ILB %	OLB %	MBC %	UA %	SD %	SC %
Collection rates annual change	-6.0	-6.4	-7.2	-5.8	-2.9	-4.6	-4.6
Collection increase (since 12/13)	-4.7	-6.5	-6.6	-5.1	-3.7	-3.1	-3.1
Arrears: annual increase in in-year arrears	102	190	129	73	80	63	63
Increase in total arrears o/s		125	86	49	71	61	61
Retail risk	25	20	31	29	25	25	25
Office risk	23	55	15	15	13	13	13

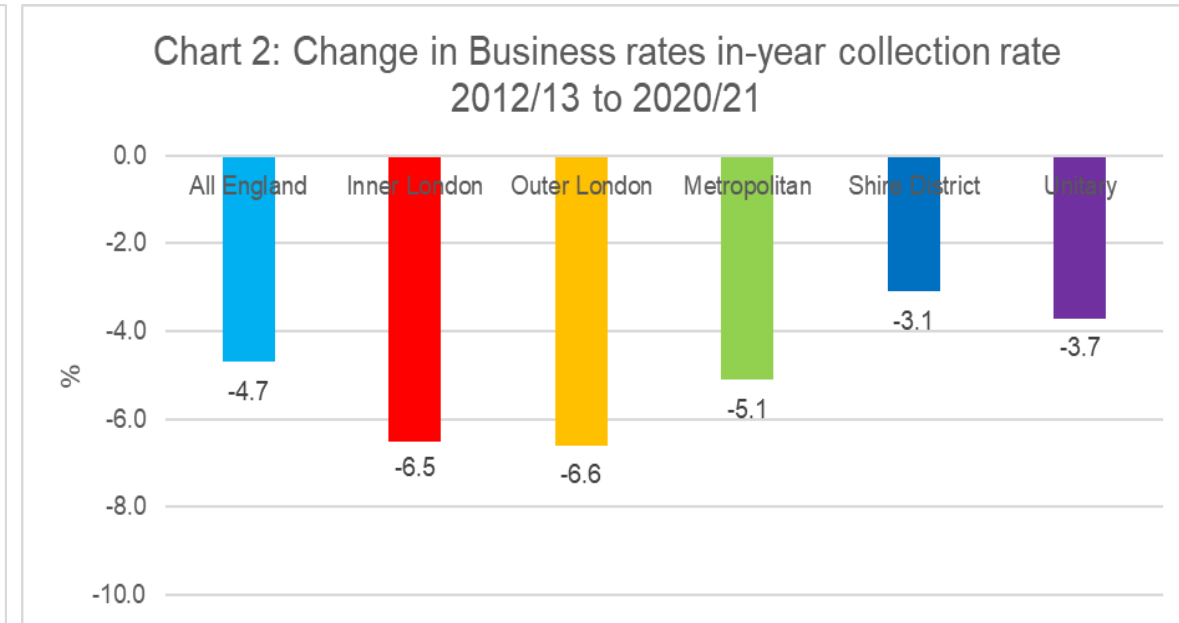
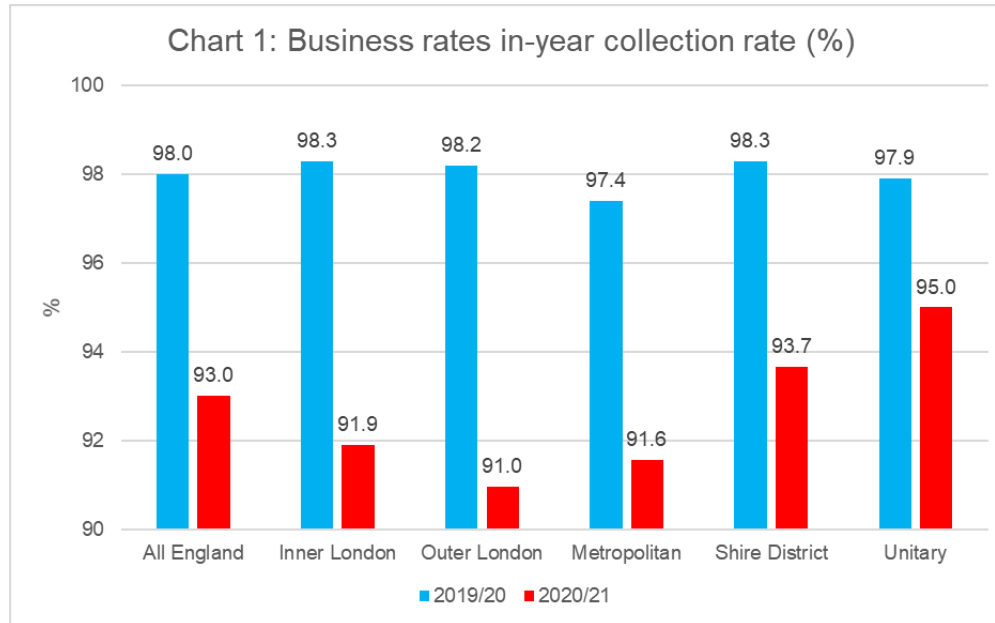
Growth in 2021/22



- Despite Covid, there has been a continuation in the trend for small increases each year

- Covid has not necessarily decreased RV on the list – there was a fall year to year on the last list, after 3 years

Collection Rates

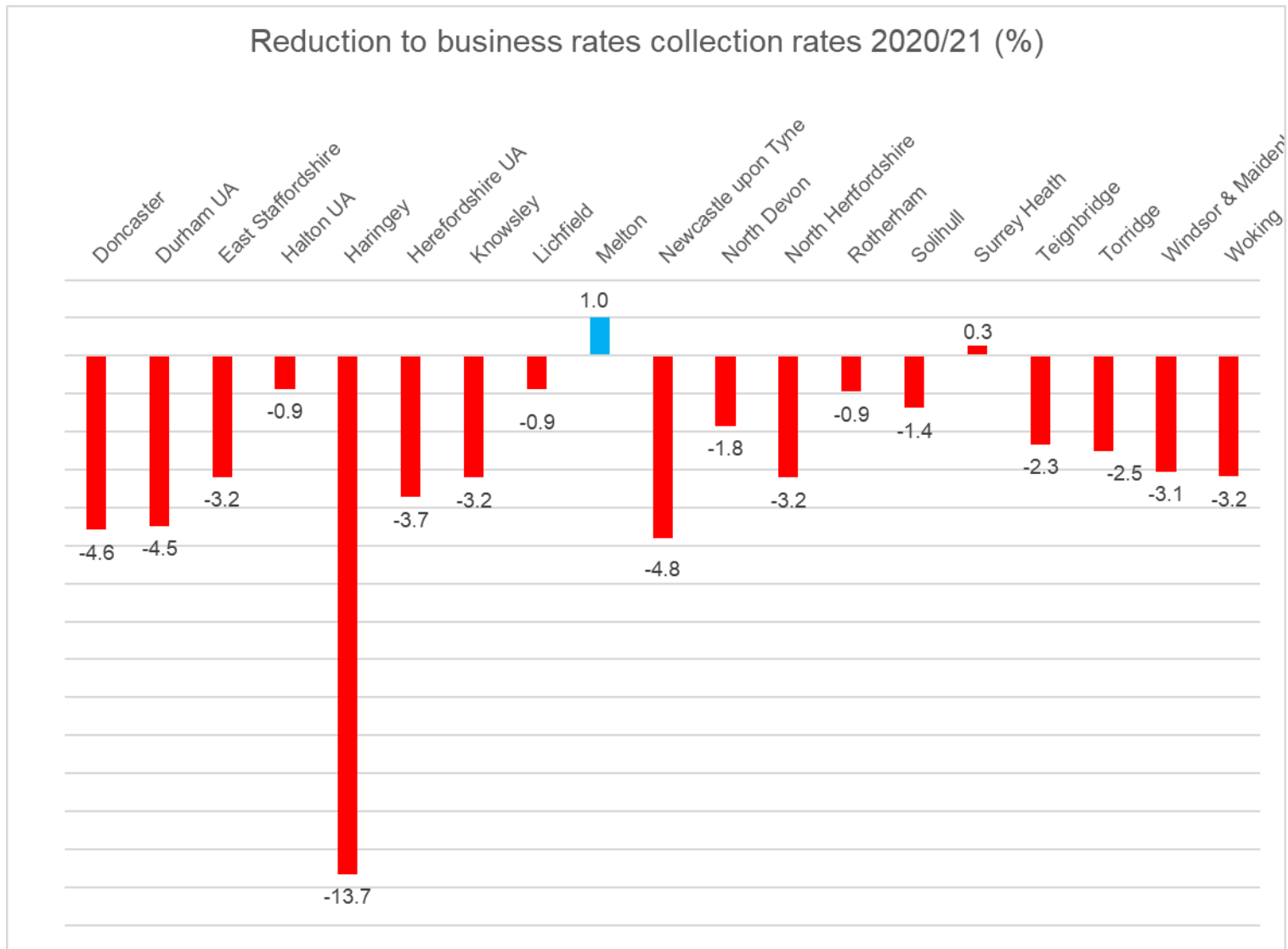


- In-year collection declined significantly in 2020/21 (-5%) nationally
- Greatest decline in Outer London (-7.2%) and least in Shire Unitary councils (-2.9%)

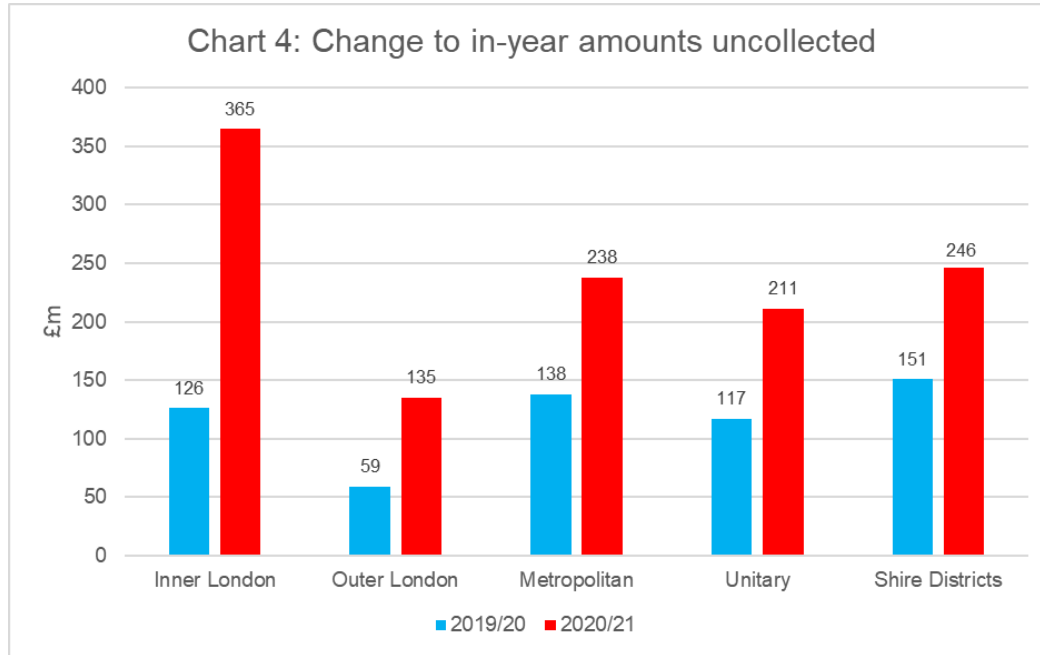
- Most of the medium term change can be attributed to Covid – so can a bounce back be anticipated?
- Greatest decline in Outer London (-6.6%) and least in Shire District councils (-3.1%)

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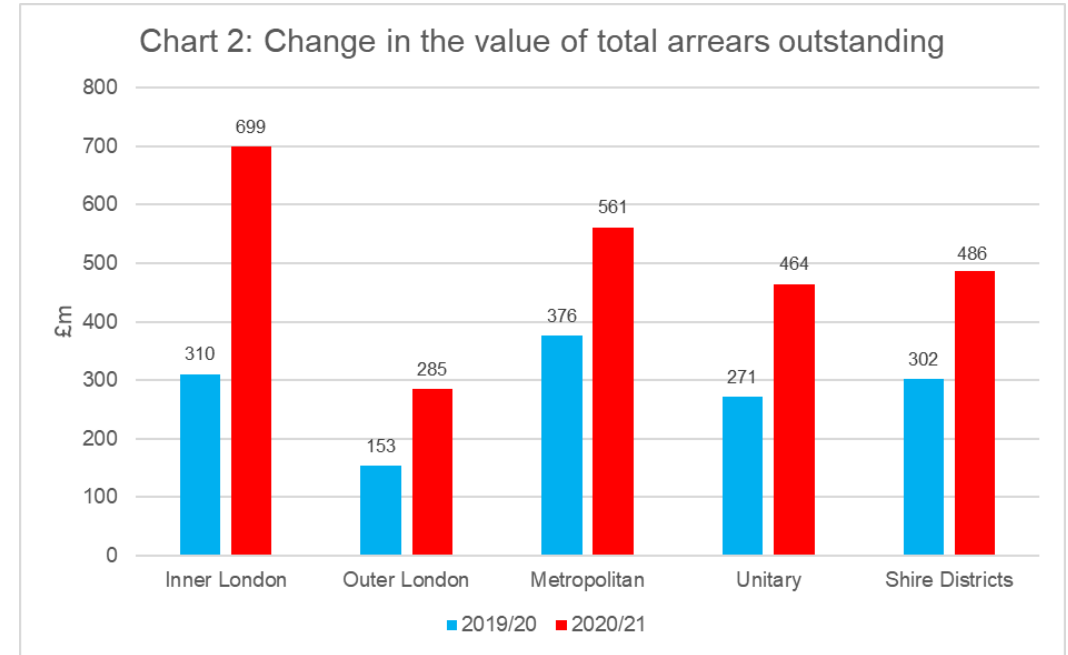
Business rates collection rates – individual analysis



Arrears

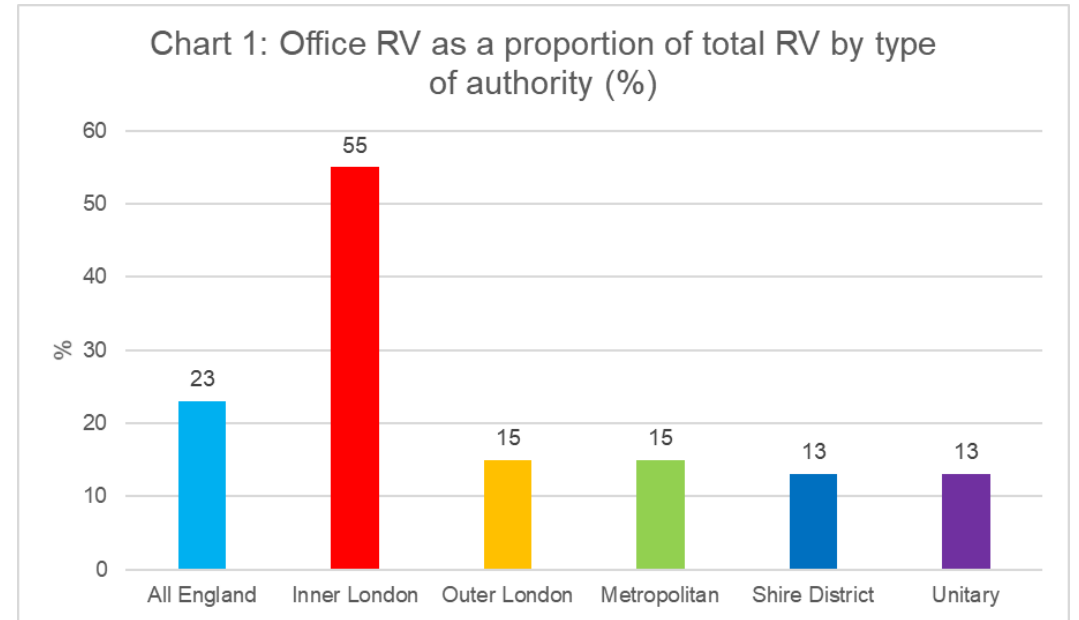
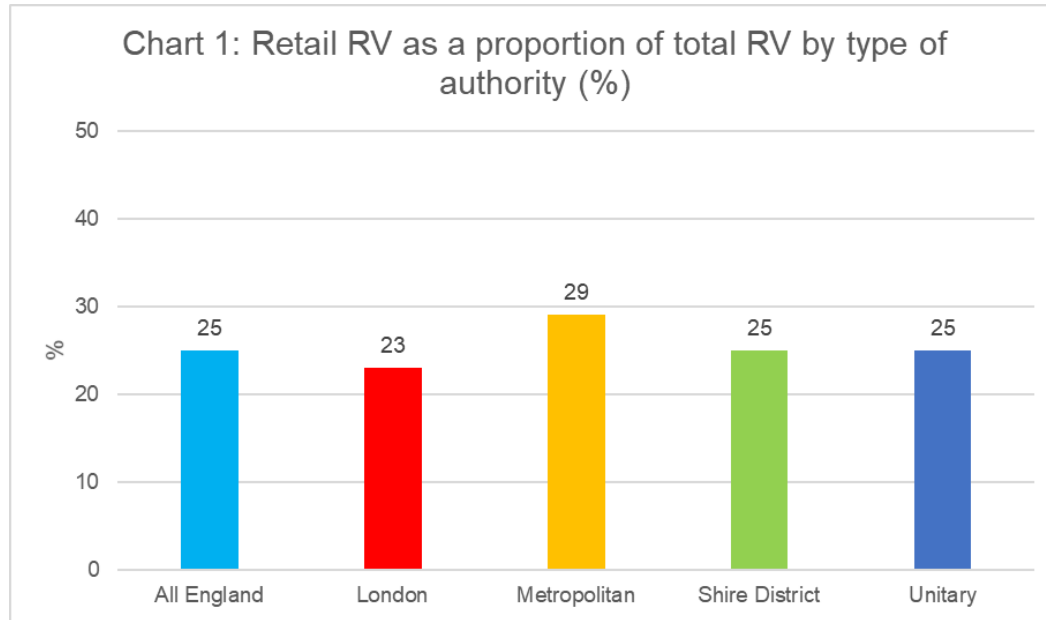


- Big rises across all types of council but especially Inner London - trebling



- Big rises across all types of council but especially Inner London – more than doubling

Retail and office risk as a proportion of taxbase

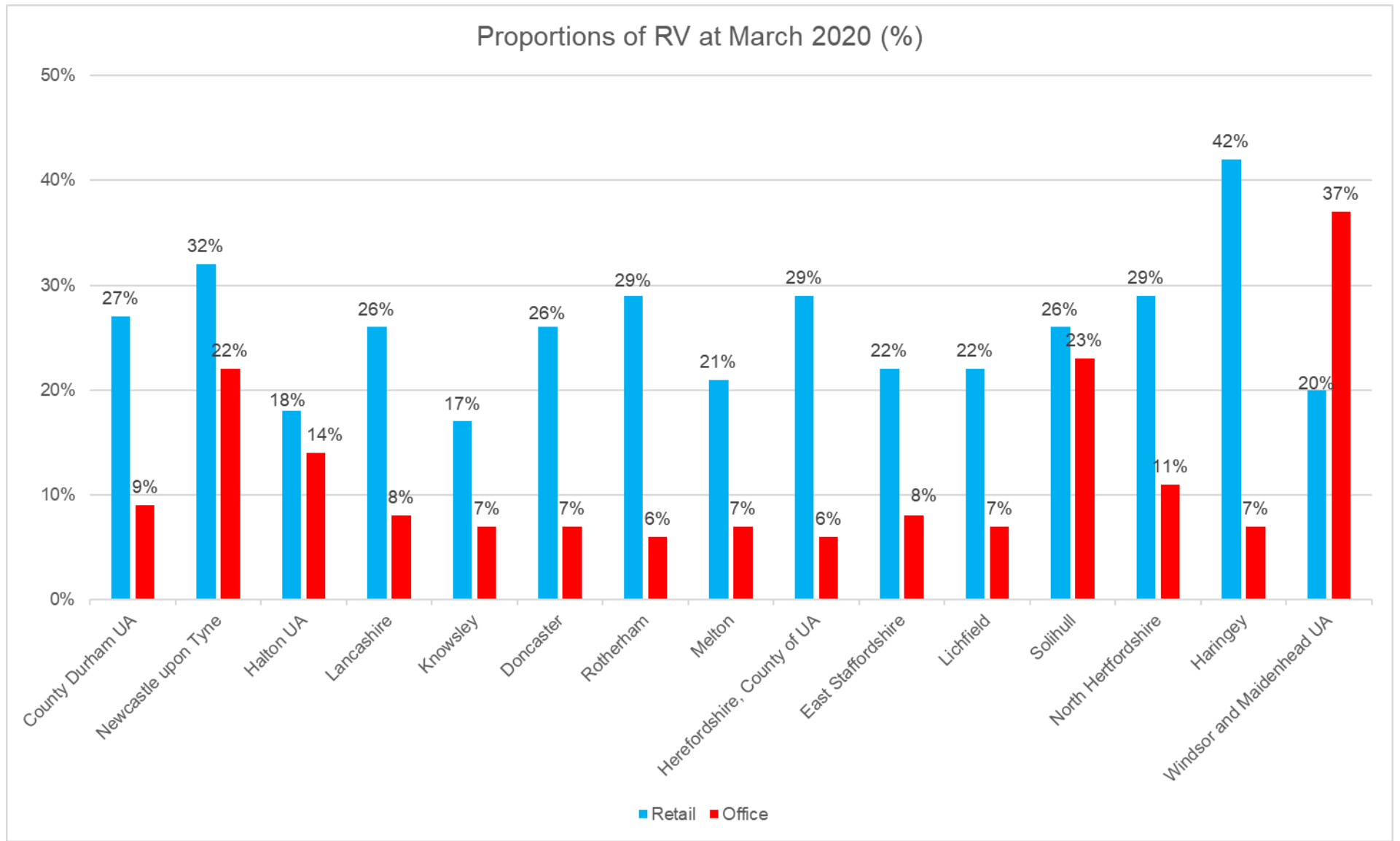


- Retail risk greatest in Outer London (31%) and Metropolitan councils (29%)

- Office risk greatest in Inn London (55%)

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Retail and office risk – individual analysis



Fees and charges

- The basis for this is outturn data, and not available for 2020/21 (Delta returns completed in a very different way and much less robust, so simply not comparable)
- No like for like data on 2019/20 but would expect a significant decline in income
- 2019/20 had continued with trend for slight increase in total income – from £13.2bn to £13.4bn
- Fees and charges income in 2019/20 had declined from 45% of CTR in 2018/19 to 42% of CTR in 2019/20
- Proportion of expenditure recovered through fees and charges had declined from 10.7% in 2018/19 to 10.5% in 2019/20
- How much will 2020/21 show a significant shift?
- How much will change in 2020/21 signal a change in the trend?

Reserves

- The basis for this is outturn data, and not available for 2020/21 – will take into account the impact of Covid
- Can compare actual at outturn at 31 March 2020 compared to budgeted opening balance at 1 April 2021

	March 2020 £bn	1 st April 2021 £bn	At 31 March 2022 £bn
Earmarked	21.023	20.978	18.468
Unallocated	4.681	6.405	6.368

- Balances on earmarked reserve are budgeted to be £2.6bn or 12% lower over the two years to March 2022
- Balances on unallocated reserve are budgeted to be £1.7bn or 36% higher over the two years to March 2022
- Movements on s31 grants for business rates, government compensations and collection fund balances could impact significantly on estimates of reserves balances

Summary

- Funding resilience significantly impacted upon by Covid
- Actual data on council tax and business rates available for 2020/21 but not for fees and charges and reserves – these will become available in late 2021
- Impact for council tax:
 - Actual taxbase grown less quickly (part year data)
 - Budgeted taxbase impacted more than actual taxbase
 - Collection rates declined significantly, even more so in Inner London
 - Arrears rose significantly, building on trend for worrying post 2012/13 increases
 - CTS increases: working age increases (11%) much less than anticipated and offset by continued declines in pensioner claimant numbers (-4%)
- Business rates
 - Growth in property numbers (not valuations) continued during Covid
 - In-year collection rates plummeted
 - Big increases in in-year arrears and total arrears, especially in Inner London
 - Retail risk joined by office space risk as key area of concern for future
- Information on fees and charges, year end balances on reserves
 - too early to confidently analyse

2020/21 NNDR3

- LG Futures has supported over 80 authorities in completing their forms
- Business Rates is more complex this year due to:
 - Extended Reliefs (need to put S31 grant in reserves)
 - Spreading of January Deficits over 2021/22 to 2023/24
 - Indicative TIG amounts from NNDR1
 - TIG methodology announced in March (less generous) i.e. even MHCLG believe it will be lower than the NNDR1 generated amounts and are basing the payments on account at 85%
 - Significant S31 payback for billing LAs
- And just when you thought it was over for another year and could not get any more complex.....
 - MHCLG identified an error (two months after we told them) that resulted in the TIG methodology changing on the last day for submission
 - This changes TIG amounts / resources (if adding or releasing 2010 appeals provision)
 - The deadline is extended to Wednesday 7th July

2020/21 NNDR3 – Trends

- Collection rates are down, with some lower than 90%, with rates typically between 90% and 94%
- Therefore, there has been a significant increase in debtors
- This increase coupled with the greater uncertainty around future collection (particularly for debts prior to 2020/21) has led to large increases to bad debt provisions (which the TIG will refund at 75%)
- Around 15% of authorities included an amount for MCCs appeals
- Pools across 4 county areas have seen a reduction in gains, but are still making gains in the region of 75% of the original forecast
- There are some districts with no TIG amounts (i.e. an assessed increase compared to 2020/21 NNDR1) and these are netting off the TIG amount of their preceptors
- In reviewing forms it is evident that the complexity of the TIG calc (coupled with the usual complexity around the levy / safety net and the interaction of the two) is leading to authorities sometimes (i) not realising the resource implications of decisions or (ii) are making decisions thinking they will increase resources, but are actually reducing resources

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FINANCE WITH VISION



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Rupert Dewhirst

07775 428 145
rupert.dewhirst@lgfutures.co.uk



Chris Roberts

07376 674 442
chris.roberts@lgfutures.co.uk