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Collection rates for Council Tax and NNDR in England 2019 to 2020

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FINANCE WITH VISION

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1. Introduction

- 1.1 The Ministry of Housing, Local Government and Communities published the ‘Collection rates for Council Tax and non-domestic rates in England, 2019 to 2020’ on the 2 July 2020. This represents a summary of all the 2019/20 QRC4 returns submitted by local authorities to MHCLG and it is available [here](#). This year’s data is inclusive of figures from 290 councils, with 27 yet to submit their full returns.
- 1.2 The QRC4 returns show the levels of council tax and business rates collected in 2019/20, including the levels of in-year debit collected, arrears collected and levels of outstanding arrears at year end. It includes some authority type comparisons. The publication by MHCLG includes a summary prepared by MHCLG itself as well as the full dataset of the submissions made by local authorities.
- 1.3 With 27 councils yet to submit their full returns, for the first time in nine years MHCLG have decided not to publish a table on arrears and write offs. To support the analysis in this briefing, we have recreated this missing table and added in assumptions for the reminding 27 councils’ submissions, based on the same level of pro-rata increase year to year.
- 1.4 This note is structured as follows:
- Section 2 – highlights the main messages arising from our analysis of the publication of QRC4 for 2019/20; and
 - Section 3 – Detailed analysis of QRC4s published for 2019/20.

2. Main messages

2.1. The main messages emerging from analysis of the publication of QRC4s for 2019/20 are:

Council tax

- The collection rate for council tax has fallen by -0.2% between 2018/19 and 2019/20 from 97.0% to 96.8%. The fall was -0.3% across Metropolitan authorities and -0.2% for Shire Unitary, Shire District and London Boroughs.
- This in-year collection rate of 96.8% is at its lowest since 2005/06.
- The level of arrears outstanding on council tax has increased from £3.2bn in 2018/19 to £3.7bn in 2019/20, despite 2019/20 figures excluding 27 councils.
- Using an assumed pro rata level of arrears for the missing returns, the level of arrears outstanding across England is estimated at £4.0bn for 2019/20. This would represent an increase of £0.8bn or 24% on 2018/19. This projected of the increase in the total level of outstanding arrears in 2019/20 is as great as the cumulative increase over the previous five years.
- Since 1 April 2013/14, the balance on arrears has risen steadily from £2.4bn, with the projected £1.6bn increase representing a 67% increase over the period.
- The total level of arrears being collected has remained constant at £0.6bn per annum; but the additions to outstanding arrears through added in-year arrears has steadily increased from £0.7bn in 2012/13 to a projected £1.4bn in 2019/20.
- Write-offs in 2019/20 are projected at £178m, which would represent a small decrease on the total of £195m in 2018/19.

Business rates

- The collection rate for business rates was 98.0% in 2019/20, which was a fall of - 0.3% compared to 2018/19. The collection rate is now at its lowest since 2013/14 when it was 97.9%.
- The total level of arrears outstanding at the end of 2019/20 (including projections for the missing 27 councils) is £1.6bn, compared to £1.3bn at the end of 2018/19; this represents a 29% increase.

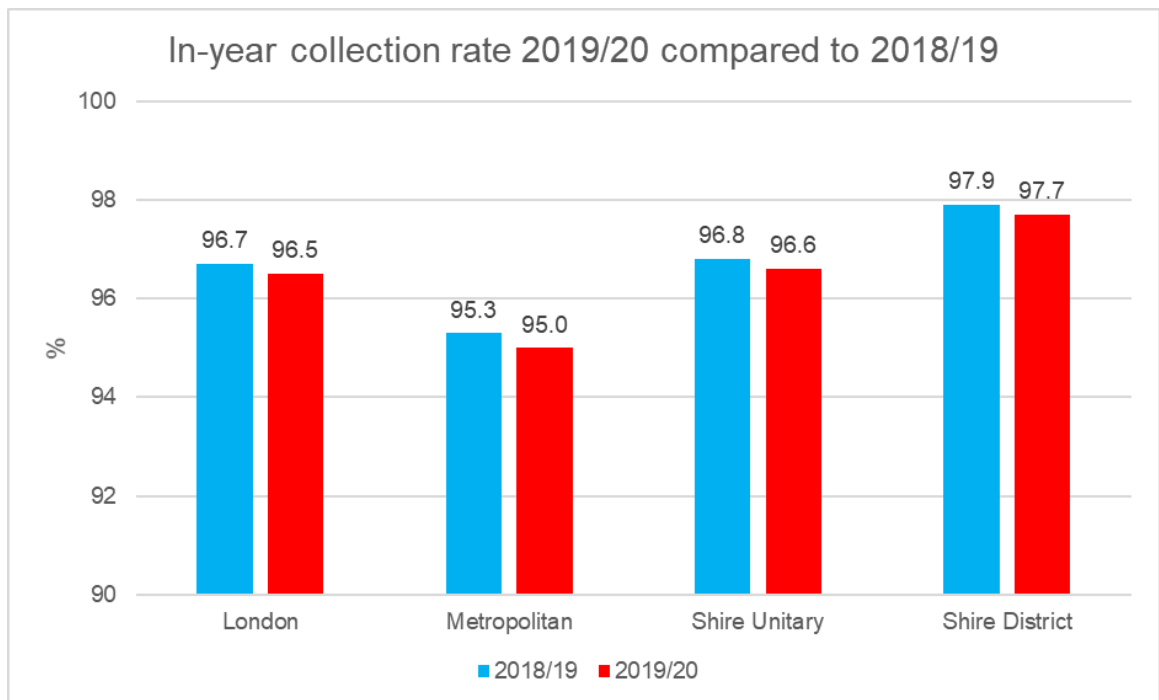
3. Analysis of collection rates across England 2019 to 2020

Council tax

Collection Rates

- 3.1. The level of net collectable debit for 2019/20 was £32.1bn and of this £31.1bn had been collected by the end of 2019/20 (including £0.4bn of pre-payments). This equates to an in-year collection rate in 2019/20 of 96.8% (97.0% 2018/19).
- 3.2. This fall of -0.2% in the collection rate represents a third year of decline following reductions of -0.1% in each of the last two years. This in-year collection rate of 96.8% is at its lowest since 2005/06.
- 3.3. The collection rate across different types of authority was as follows:

Chart 1: Collection rate by type of authority

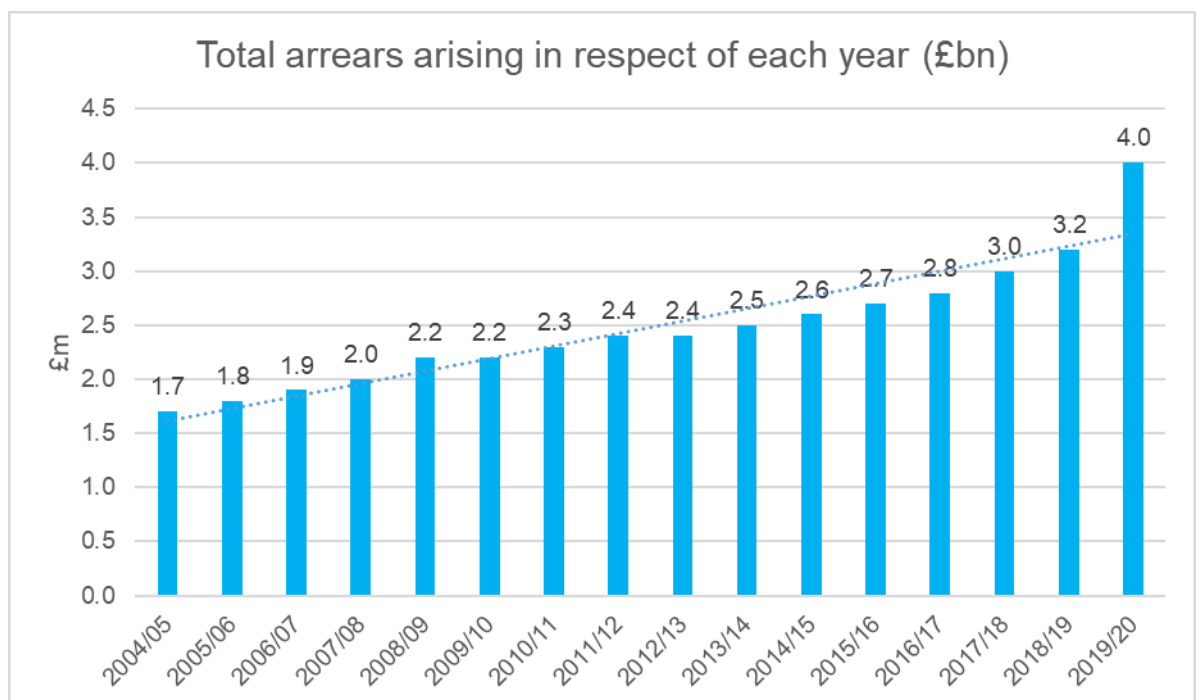


- 3.4. Chart 1 shows that the collection rate year to year declined across all four types of authority, although the decline was greatest in Metropolitan authorities. This now means the in-year collection rate in Metropolitan authorities is fully 1.5% less than in London and 1.6% less than in Shire Unitary authorities. But in all three types of unitary authority the collection rate is between 1.1% and 2.7% less than the rate in Shire areas.

Levels of arrears

- 3.5. For the first time in 9 years MHCLG have decided not to publish the tables that show the levels of arrears and write-offs for the previous financial year, both for council tax and business rates. MHCLG have indicated that this is because only 290 of 317 councils had submitted their data. LG Futures has therefore used the detailed submissions to re-create the table to allow further analysis.
- 3.6. The submissions show that the level of arrears outstanding at 31 March 2020 is £3.7bn (£3.2bn at 31 March 2019), an increase of £0.5bn (16%). This is despite data from 27 councils not being included. When further additions are made pro-rata to the general increases for these missing councils, then arrears across England are estimated to rise to £4.0bn at the end of 2019/20, an increase of £0.8bn or 24% on the previous year. This is a bigger increase in arrears in one year than the combined increases of the previous five years.
- 3.7. On 1 April 2013/14, the balance on arrears was £2.4bn and this has risen steadily since, with a cumulative increase of £1.6bn (or 67%) over the subsequent six years. Chart 2 shows the level of arrears for 2019/20, with the in-year increase significantly above trend.

Chart 2: Increase in total arrears on council tax collection at year end



- 3.8. Although a number of reasons feed into this annual increase in total arrears outstanding, a key factor has been that the total level of arrears being collected has remained constant at £0.6bn per annum.

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- 3.9. However, the additions through in-year arrears has steadily increased from £0.7bn in 2012/13 (which was the last year before the introduction of Council Tax Support) to £1.0bn in 2018/19. There was then a further sharp rise to a projected £1.4bn in 2019/20.
- 3.10. This steep rise, at this stage, is hard to connect with the COVID-19 epidemic. In 2019/20, 15.7% of the income collected in-year was collected in Q4 and this compares to 15.6% in the same period in 2018/19. Perhaps worryingly, the impact of COVID-19 on the level of arrears outstanding is yet to be added to this trend for annually increasing levels of outstanding arrears.
- 3.11. Write-offs in 2019/20 (adjusted for the missing council returns) are estimated to total £178m, which is a decrease of £17m or 9% on £195m of write-offs in 2018/19.

NNDR

Collection Rates

- 3.12. The collection rate for business rates was 98.0% in 2019/20, representing a -0.3% fall on 2018/19 and this follows a slight decline of -0.1% between 2017/18 and 2018/19. The collection rate is now worse than in any year since 2013/14, when it was 97.9%.
- 3.13. This collection rate remains above the rate of collection in 2012/13 of 97.7%, which was the last year before the move to 50% business rates retention. However, this was significantly below the 98.8% achieved in 2007/8.

Levels of arrears

- 3.14. The total level of arrears outstanding at the end of 2019/20 (including projections for the missing 27 councils) is £1.6bn compared to £1.3bn at the end of 2018/19 and this represents a 29% increase.