

<b>Committee(s):</b>	<b>Date:</b>
Finance Committee – For Information	19 <sup>th</sup> July 2022
<b>Subject:</b> Key Income Collection Update	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Phil Black – Head of Financial Shared Services	

## Summary

This report provides an update on collection performance for the City of London's income streams including key income streams for Investment Property, Operational Property, Business Rates and Council Tax.

The report also provides a general update on issues relating to Business Rates and Council Tax and their potential impact on City income.

Business Rates income continued to recover well during 21/22 with in-year collection around 2% down on the pre pandemic levels, and nearly 1% up on 20/21. Quarter 1 collection continues to demonstrate continued improvement with Business Rates increasing on Q1 21/22 rates and Council Tax in year collection now above pre-covid levels.

Investment property income continues to improve with total arrears at June quarter day minus 1 at £15.9m (£13.6m of which is rent). Deferrals, which are down to £0.921m continue to be paid which is contributing to the continuing improvement. The moratorium on recovery action has now been lifted but there are limitations on recovery action that remain in place, so the full impact on Investment Property of the pandemic may not be evident for some months.

Operational Property Arrears began to be closely monitored from October 2020. They are decreasing with deferrals being paid. Detailed reports are regularly being submitted to Corporate Assets Sub Committee giving further details of Operational Property Arrears and Tenant Support.

Income collection figures continue to be monitored closely and are fed into the thinking and assumptions in the MFTP. Current forecasts on City Fund have not hit the risk triggers that were put in place as part of the pandemic response.

## Recommendations

Members are asked to:

- note the contents of the report.

## Main Report

### Background

1. As a result of the Covid-19 Pandemic the City's key income streams have been placed under unprecedented pressure. Initial 2020/21 forecasts for the eventual Income outturn looked bleak. Improvements were made in some areas, particularly Business Rates and Council Tax where the overall impact has been less than initially feared.
2. There is still some significant uncertainty around the eventual outcome for both investment and operational property arrears but improvements are being seen. The support provided to businesses through the deferral scheme appear to have been successful with most businesses now meeting their obligations to repay these amounts.
3. All property income is being closely monitored. The level of collection is a key indicator and is feeding in to the assumptions being made in the MTFP. The current forecasts for City Fund are still within target and have not hit the risk triggers that were put in place as part of the response to the pandemic. However, there is still risk across the property portfolio as the full impact of the pandemic on business may not become apparent until full recovery action can be initiated. Further details on triggers and risk are detailed in the Monthly Risk Management Report.
4. The Chancellor announced a continuation of business rates relief of 50% (up to a limit of £110,000 per business) to the retail, leisure and hospitality sector and this was applied to all eligible business rate accounts for 2022/23. Further reliefs were announced relating to property improvement's and onsite renewable energy generation. These reliefs will be fully funded by Government but guidance on their application has yet to be published.
5. Overall income collection across all income streams is good with no concerns around collection rates or outstanding debt levels.

### Current Collection Rates for Key Income Streams

6. Below are the collection rates over the last three years as at 1<sup>st</sup> April and trends are analysed in the following paragraphs:

	Q1	Q2	Q3	Q4
<b>Business Rates 22/23</b>	35.58%	TBC	TBC	TBC
21/22 Collection Rate	34.81%	58.74%	86.09%	97.63%
<b>Council Tax 22/23</b>	30.90%	TBC	TBC	TBC
21/22 Collection Rate	26.80%	52.10%	80.20%	96.30%

<b>Investment Property Income 22/23</b>	90.88%	TBC	TBC	TBC
21/22 Collection Rate	89%	82.96%	84.28%	84.53%

## Business Rates

7. Business Rates collects approximately £1.2 Billion per annum. This is not a fixed target as factors such as reliefs, deletions and new properties will change the collectable debit. For these same reasons 100% collection would be impossible to achieve. However, the percentage in-year collection rate provides a key indicator for how Business Rate collection has performed.
8. Collection was anticipated to fall in 20/21 by up to 6% due to the pandemic impact. However, by year end collection was less than 3% down on the previous year. This continues to improve with 22/23 Quarter 1 collection up on the same point in 21/22.
9. In order to assist Businesses the Business Rate Team has accepted longer and more flexible arrangements to collect business rates. this coupled with the ending of the 100% retail relief in July will also have had an impact on the collection rate. Where businesses fail to engage, the City continues to use all statutory recovery methods available to maximise collection.
10. Whilst the collection rate is a slight concern it will not have a material impact on the overall amount that the City receives from the Business Rate Retention scheme. Contingencies such as the bad debt provision assumed in the NNDR1, particularly around retail, reduce any significant risk. Business Rates is also split between Government, GLA with the City, so any reduction is limited to the 30% City share.
11. The recent autumn budget and Business Rates announcements have made no mention of an end to the current business rate retention scheme, which suggests that the City will continue to benefit in 2022/23 from the growth achieved since 2017.
12. The City has launched an Covid Additional Restriction Relief scheme (CARF). The government scheme requires local authorities to provide an allowance against ratepayer NNDR liabilities, rather than pay as a grant to the business. The City received approximately £64m to fund this scheme.
13. To maximise the amount of money retained in the City, the City has formed a business rate pool with 7 other authorities. This will allow more business rates to be retained by the 8 authorities.
14. The City's proposed scheme will provide relief of approximately 20% against the net 2021/22 NNDR liability for approximately 13,800 office properties and 4 commercial car parks that meet the scheme's eligibility criteria.

## **Council Tax**

15. Council Tax collection has recovered well and is now above pre-covid levels for Q1. Collection inclusive of arrears is slightly down on pre-covid levels which is to be expected with longer arrangements in place. Council Tax collect approximately £9 million in Council Tax per annum. This is not a fixed target as changes occur throughout the year so achieving 100% collection is impossible. However, the percentage in-year collection rate provides a key indicator for how Council Tax collection has performed
16. The Council Tax Team are administering the Council Tax Energy Rebate scheme. This is a payment of £150 to all properties in Band A – D. The City has also launched a discretionary scheme which is targeted at vulnerable residents in properties E-H. The team have so far administered 926 grants totalling £138,750.

## **Property Income**

17. The Government Moratorium against taking Enforcement action for non-payment of rent and other related property arrears was extended until March 2022 with limitations on Covid related arrears in place until September 2022, making ongoing recovery challenging.
18. The current arrears for Investment Property are £15.9m as at June quarter day minus 1, £13.6m of this relates to rent. At the same point in 2021/22 arrears were at £24.6m with £22.8m relating to rent. This shows a significant improvement and demonstrates that the deferral scheme was particularly effective.
19. The Operational Portfolio has arrears of around £6.8m which includes the Smithfield Commercial Offices. This sum excludes a further £5.4m relating to residential HRA properties including the service charges in dispute at Great Arthur House.
20. The Chamberlain's Accounts Receivable Team continues to work closely with Asset Managers in City Surveyors to negotiate payment arrangements and agree repayment plans. This continues to work well but it is accepted that the full impact on property income may not be known until full enforcement action is permitted.

## **Sundry Debt Collection**

21. Debt levels across the Corporation remain relatively low with the total outstanding aged debt currently at around £11.6m. Of this around £913K is over 1 year old.
22. Collection rates in each Department are high with most departments achieving 98% or above in their collection rates. Overall the City is achieving a 99.44% collection rate for Sundry Income. A full breakdown by Department is provided at Appendix A.

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T: 020 7332 1348 E: [phil.black@cityoflondon.gov.uk](mailto:phil.black@cityoflondon.gov.uk)**Appendix A – Department Collection Rates**

Dept desc	Orig Amount £	Balance £	Collection rate %
Barbican Centre	248,698,071	2,078,034	99.16
Central Criminal Court	16,548,277	3,300	99.98
Chamberlain's	131,601,029	180,120	99.86
City of London Freemens' School	3,381	0	100.00
City of London School for Girls	1,876,898	0	100.00
City of London School	1,606,195	21,041	98.69
Chief Operating Officer	102,306	0	100.00
DCCS Adults Services	64,076,510	1,811,590	97.17
DCCS Barbican Estate	2,078,528	35,570	98.29
DCCS Family & Young People	2,320,581	96,500	95.84
DCCS Housing	4,925,388	248,002	94.96
Community & Childrens Services	289,526	4,178	98.56
Community Services Social Services	2,080,140	900	99.96
DTS	-82	0	100.00
DTS Projects Projects	16,994,069	0	100.00
Environmental Services DTS	9,048,721	0	100.00
Built Environment	293,809,939	1,895,202	99.35
Built Environment	196,915,899	671,114	99.66
ENV Projects Projects	12,360,443	0	100.00
Young London	2,864,109	23,025	99.20
Guildhall Club	2,405,765	0	100.00
Guildhall School of Music and Drama	13,969,020	80,241	99.43
Heart of the City	434,576	570	99.87
Culture, Heritage & Libraries	4,737,726	0	100.00
Mansion House	8,384,040	132,126	98.42
Markets (Billingsgate)	10,528,312	65,463	99.38
Markets (Central - Smithfield)	25,389,812	200,612	99.21
Markets and Consumer Protection	75,944,926	1,142,337	98.50
Markets (Spitalfields)	12,160,446	305,753	97.49
Open Spaces	51,546,387	499,539	99.03
Planning and Transportation	114,970,994	0	100.00
City of London Police	218,311,307	929,287	99.57
Remembrancer's	36,889,981	22,314	99.94
Comptroller and City Solicitor's Department	103,559,047	280,637	99.73
Shoreditch Trust (City Surveyors)	3,429,965	0	100.00
City Surveyor's	294,816,586	367,722	99.88
SVY Projects Projects	15,092,530	0	100.00
Aldgate School	2,982,025	14,725	99.51
Tower Bridge	20,466,175	91,557	99.55

Town Clerk's Bridgehouse Grants	8,037,452	8,142	99.90
Security and Contingency Planning	1,775,214	0	100.00
Education	1,147,061	0	100.00
Town Clerk's	23,163,389	347,102	98.50
London Metropolitan Archives	5,096,893	121,350	97.62
Occupational Health	262,680	0	100.00
Public Relations	1,443,901	0	100.00
Records Office	94	0	100.00
Printing and Stationery	307,229	0	100.00
Learning and Development	177,555	0	100.00
Innovation & Growth	8,123,241	1	100.00
	<b>2,073,754,256</b>	<b>11,678,052</b>	<b>99.44</b>