

Resources Overview and Scrutiny Panel

Agenda
Item:
A.7
(d)

Meeting Date: 13 June 2017
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD06/17
Within Policy and
Budget Framework YES
Public / Private Public

Title: PROVISIONAL OUTTURN FOR COUNCIL TAX AND NATIONAL
NON DOMESTIC RATES 2016/17
Report of: Chief Finance Officer
Report Number: RD06/17

Summary:

This report summarises the provisional outturn and performance position for Council Tax, NNDR and was considered by Executive on 5 June 2017.

Questions for / input required from Scrutiny:

Members are asked to scrutinise the outturn position for Council Tax and NNDR and note the performance and position with regard to write offs and bad debts.

Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to considered this report.

Tracking

Executive:	5 June 2017
Overview and Scrutiny:	13 June 2017
Council:	11 July 2017

Report to Executive

Agenda
Item:

Meeting Date: 5 June 2017
Portfolio: Finance, Governance and Resources
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Within Policy and Budget Framework YES
Public / Private Public

Title: COUNCIL TAX & NNDR PROVISIONAL OUTTURN 2016/17
Report of: CHIEF FINANCE OFFICER
Report Number: RD06/17

Purpose / Summary:

This report summarises the 2016/17 provisional outturn and performance position for Council Tax and NNDR.

Recommendations:

Members are asked to note the provisional outturn position at 31 March 2017 for Council Tax and NNDR and also note the position with regard to write offs and bad debt trends.

Tracking

Executive:	5 June 2017
Overview and Scrutiny:	13 June 2017
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1. BACKGROUND

1.1 The aim of this report is to:

- i) Advise Members of the current position on the 2016/17 Council Tax and Business Rates Accounts i.e. the total value of accounts raised and how much has been collected in the 2016/17 financial year.
- ii) Highlight and explain any variances against the expected (or budgeted) position.

2. COUNCIL TAX PROVISIONAL OUTTURN AS AT 31 MARCH 2017

2.1 **Appendix 1** details the provisional outturn position for Council Tax for 2016/17.

2.1.1 Collection Fund (Council Tax)

The Council Tax Collection Fund records all the entries in relation to income and expenditure in relation to Council Tax. For budgeting purposes, the Collection Fund position is estimated on 15th January each year and it is this figure that forms the basis of the following year's budget.

2.1.2 For 2016/17, the estimated position on the collection fund for 2015/16 was a surplus of £718,247, with the Council's share being £92,824.29.

2.1.3 When the actual position was calculated at the end of 2015/16 the surplus on the Council Tax Collection Fund was £1,242,496.48 of which the Council's share was £159,180.30. This increase in the surplus is then redistributed in the estimate for 2017/18 for budgeting purposes.

2.1.4 The actual collection fund position for 2016/17 has been calculated and the surplus has again increased, now standing at £1,708,288. The current position on the Council Tax Collection Fund is shown below:

Carlisle City Council	£000
Balance Brought Forward (Surplus)	(1,242)
Council Tax Income (Net)	(54,588)
Precepts from Major Preceptors	
Cumbria County Council	40,121
Police & Crime Commissioner for Cumbria	7,057
Carlisle City Council	6,933
Impairment of Debts / Bad Debt Provision	(82)
Contribution towards previous years surplus	93
In Year Surplus	(466)
Total Carried Forward Surplus	(1,708)
Distributed to preceptors:	
Cumbria County Council	(1,272)
Police & Crime Commissioner for Cumbria	(219)
Carlisle City Council	(217)

This surplus on the Collection fund is carried forward on the Balance Sheet and will be distributed as part of the budget process in 2018/19.

3. COUNCIL TAX COLLECTION PERFORMANCE

- 3.1 The Council's Council Tax collection performance for 2016/17 was 97.5% (2015/16 - 97.4%).

4. NNDR PROVISIONAL OUTTURN AS AT 31 MARCH 2017

- 4.1 2016/17 is the fourth year of the Business Rate Retention Scheme (BRRS) and new Collection Fund Accounting Regulations and the third year the Council has participated in the Cumbria Pooling arrangement.
- 4.2 For 2016/17, the BRRS baseline for the Council of £3.052m was used as its budget estimate for income to be retained from Business Rates and an additional £660,000 was estimated to be generated from additional business rate income over the baseline level and from the effects of participating in the Cumbria Pool.
- 4.3 Under normal circumstances any additional income over and above the baseline level is shared 50/50 between the Council and Central Government in what is known as a 'levy'. However, local areas can form combined pools, where the net position of top ups and tariffs result in the pool being a net top-up authority. The benefit of forming the pool is that 100% of additional income is kept within that pool

and not paid over to central government, meaning the local area benefits from growth in business rate income. However, there are also potential risks as the pool has to deal with any fall in business rates itself as the Government will not pay any safety net payments when income falls below 92.5% of the baseline.

- 4.4 The County Council are the administering body for the pool, with all Districts in Cumbria apart from Copeland participating in the arrangement. Each district pays the 50% levy that would have gone to Central Government into the Pool. This is then distributed amongst the members on an agreed formula. The distribution is as follows:

Gross Retained Levies

- Administration Costs by County Council
- = Net Retained Levy

40% distributed on basis of spending baseline proportions

40% distributed on basis of gross levy proportions (i.e. how much each authority pays into the pool)

20% retained as a volatility reserve for any future decline in income

4.5 2016/17 Outturn

There are three elements to the 2016/17 outturn, firstly the performance of the City Council's Business Rate Retention, secondly the performance of the Pool and finally the performance of the Collection Fund.

4.6 Business Rate Retention & Pooling

The table below shows the outturn for the Council's Business Rate Retention Scheme.

Carlisle City Council	£000
Income due from Rates Retention	(17,641)
Tariff payable	13,558
	(4,083)
Section 31 Grants for Small Business Rate Relief	(558)
Section 31 Grants Funded Reliefs	(141)
Total Net Retained Income	(4,782)
Baseline Funding	(3,052)
Total Additional Income	(1,730)
Levy Payable	(865)
Income Retained	(865)

Therefore, the Council retains £865,000 and pays £865,000 into the pool. The table below shows the total performance of the pool and the redistribution the Council will receive.

Cumbria Business Rate Pool	Levies	Spending Baseline Proportions	Gross Levy Proportions	Total Retained levy	Share of Volatility Reserve
	£	£	£	£	£
Allerdale	670,664	33,661	264,912	298,573	73,480
Barrow	55,556	28,816	21,945	50,761	12,492
Carlisle	864,897	30,710	341,634	372,344	91,636
Eden	236,516	15,798	93,424	109,222	26,880
South Lakeland	571,904	20,710	225,902	246,612	60,692
Cumbria		818,121	0	818,121	208,727
	2,399,537	947,816	947,817	1,895,633	473,907
Less Admin Cost	(30,000)				
Net Retained levy	2,369,537				

The Council has therefore benefited from the Pool by £372,344 and for 2016/17 the Pool has taken the decision not to increase the volatility reserve as income is growing and the risk of approaching the safety net by any partner is extremely low. Therefore, the retained shares that would normally be set aside in each authority's Volatility reserve will be retained in each Authority's General Fund. Therefore the total income from pooling for 2016/17 is £463,980. The benefit of participating in the pool has effectively reduced the levy rate from 50% to 23.1% i.e. the Council gains £1,329,000 out of £1,730,000 growth, as opposed to £865,000 without pooling.

4.6.1 2016/17 Budget

The budget for funding from Business Rates was set at the baseline level which is set by Government. However, actual income credited to the general fund is based on the 'NNDR1' estimate produced at the end of January 2016 and includes the estimate of Business Rate Income, the estimate for grant funding (Section 31 Grants) and the actual position on the Collection Fund. Therefore, the position **against the budget for retained income** is as follows:

Carlisle City Council	£000
Business Rate Baseline	(3,052)
Budgeted Growth/Pooling	(660)
Total Budgeted Funding	(3,712)
Income due from Rates Retention per NNDR1	(17,662)
Deficit on Collection Fund Brought Forward	158
Tariff payable	13,558
Section 31 Grants for Funded reliefs	(776)
Income due from Renewables Rate Growth	(28)
Levy Payable	865
Pooling Redistribution	(464)
Total Net Retained Income against Budget	(4,349)
Total Additional Income to be returned to Reserves	(637)

The amount to be returned to reserves highlighted in report RD03/17 will therefore increase by the £637,000 identified above.

4.6.2 Collection Fund

The final aspect of Business Rate Retention relates to the position on the Collection Fund. The Business Rates Collection Fund records all the entries in relation to income and expenditure in relation to Business Rates. In 2015/16 the deficit on the Business Rates Collection Fund was £967,442 of which the Council's share was £386,977.

The current position on the Business Rates Collection Fund is shown below:

Carlisle City Council	£000
Balance Brought Forward (Deficit)	967
Net Rates Payable	(44,175)
Transition payments	61
Cost of Collection	181
Shares to Major Preceptors	43,759
Renewables	53
Appeals Settled Provided for in 2015/16	(659)
New Appeals to be provided for 2016/17	354
Losses on Collection	82
In Year Deficit	(344)
Total Carried Forward Deficit	623
Carlisle City Council Share	249
Cumbria County Council Share	62
Central Government Share	312

The deficit on the Collection fund of £622,928 is carried forward on the Balance Sheet and will be recovered as part of the redistribution in 2018/19. The deficit on the Collection Fund for business Rates is primarily a legacy of establishing a large provision for potential repayment of amounts due to appeals. As more appeals are settled, the requirement of the provision reduces and hence the deficit has reduced.

4.7 Summary Business Rates

4.7.1 Business Rates income has performed well in 2016/17 and has exceeded budgeted expectations by £637,000. The Council has achieved additional income from Retained Business Rates income of £1,730,000 in 2016/17 and by participating in the Cumbria Pool has managed to retain £1,329,000. The Council's business rates collection performance for 2016/17 was 98.27% compared with 97.13% in 2015/16.

4.8 Overall Summary

4.8.1 In summary, the position on the Council Tax and Business Rates Collection Funds are as follows:

	Council Tax	Business Rates	Total
	£000	£000	£000
Balance Brought Forward (Surplus)/Deficit	(1,242)	967	(275)
In Year (Surplus)/Deficit	(466)	(344)	(810)
Total Carried Forward Deficit	(1,708)	623	(1,085)
Carlisle City Council Share	(217)	249	32
Cumbria County Council Share	(1,272)	62	(1,210)
Police & Crime Commissioner Share	(219)		(219)
Central Government Share		312	312

5. BAD DEBT WRITE-OFFS FOR NNDR, COUNCIL TAX AND DEBTORS (INCLUDING PENALTY CHARGE NOTICES)

- 5.1 In accordance with the Chief Finance Officer's delegated authority for the write-off of outstanding debts, without limit, the Executive is asked to note that debts totalling £91,849.89 have been written off for the period 1st January 2017 to 31st March 2017; such bad debts are summarised for the Executive's information in Table 1 of this report. The total amount written off in 2016/17 of £459,039.32 (mainly due to Business Rates written off) compares to total write-offs in 2015/16 of £819,023.79.
- 5.2 The 'write-ons' itemised in Table 1 totalling £11,178.10 are in respect of balances originally written off that have since been paid and credit write-offs for the period 1st January 2017 to 31st March 2017.
- 5.3 Also noted in Table 1 are the cumulative write offs and write ons 1st April 2016- 31st March 2017. Total write ons for 2016/17 were £117,303.28 compared to £54,300.81 in 2015/16.

Table 1

Type of Debt	Write offs 01/04/16 - 30/06/16 Quarter 1				Write offs 01/07/16 - 30/09/16 Quarter 2				Write offs 01/10/16 - 31/12/16 Quarters 3				Write offs 01/01/17 - 31/03/17 Quarter 4				Total Write offs 2016-17			
	No	Write Offs	No	Write Ons	No	Write Offs	No	Write Ons	No	Write Offs	No	Write Ons	No	Write Offs	No	Write Ons	No	Write Offs	No	Write Ons
NNDR					54	176,140.69	11	95,085.73					27	28,859.42	23	7,364.27	81	205,000.11	34	102,450.00
NNDR (PSC)																	0	0.00	0	0.00
Council Tax	83	42,173.27	7	2293.86	39	27,364.82	6	2626.47	23	7,315.16	18	4,908.45	66	38,747.88	19	3,806.96	211	115,601.13	50	13,635.74
Debtors																	0	0.00	0	0.00
Private Tenants													1	468.29			1	468.29	0	0.00
Housing Benefit	56	37,120.69	4	589.84	136	44,720.64	6	552.85	84	25,504.31			80	23,020.50			356	130,366.14	10	1,142.69
Overpayments																	0	0.00	0	0.00
General Fund	15	556.34	3	60.58	8	504.47	3	6.97	20	720.31	3	0.43	12	641.80	2	6.87	55	2,422.92	11	74.85
Penalty Charge																	0	0.00	0	0.00
Notices																	0	0.00	0	0.00
On Street 16	9	828.00							47	4,158.73			1	112.00			57	5,098.73	0	0.00
Off Street 3									1	82.00							1	82.00	0	0.00
																	0	0.00	0	0.00
TOTAL	163	80,678.30	14	2,944.28	237	248,730.62	26	98,272.02	175	37,780.51	21.00	4,908.88	187	91,849.89	44	11,178.10	762	459,039.32	105	117,303.28

6. OUTTURN POSITION ,WRITE OFFS / WRITE ONS VIA DEBTOR TYPE

6.1 The outturn position in respect of 2016/17 on a cumulative basis by fund indicates total debts written off of £459,039.32.

6.2	Council Tax (Collection Fund)	-	£115,601.13
	NNDR Pool	-	£205,000.11
	General Fund	-	<u>£138,438.08</u>
	Total	-	£459,039.32

6.3 'Write-ons' were credited as follows:

Council Tax (Collection Fund)	-	£13,635.74
NNDR Pool	-	£102,450.00
General Fund	-	<u>£ 1,217.54</u>
Total	-	£ 117,303.28

6.4 In the case of General Fund, the write-offs will be charged against provisions made for bad debts (except for PCN's which are accounted for on a cash basis). However VAT which has been separately identified will be recouped in future VAT returns. Write-off/Write on of Council Tax will fall against the Collection Fund provisions within those accounts. Any Council Tax Court Costs written off will be charged against the costs 'Bad Debt' provision within the General Fund.

	General Fund	Council Tax	NNDR	Total
Opening Bad Debt Provision	1,467,500	1,273,430	362,010	3,102,940
Write Offs in Year	(137,723)	(103,646)	(102,543)	(343,913)
Additional Charge to Collection Fund	0	114,646	81,445	196,091
Additional Charge to General Fund	200,988	0	0	200,988
Closing Bad Debt Provision	1,530,765	1,284,430	340,912	3,156,107

The overall increase in the Bad Debt Provision is mainly due to the continued growth in housing benefit overpayments.

7. CONSULTATION

7.1 Resources Overview and Scrutiny Panel will consider the report on 13June 2017.

8. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 8.1 The provisional outturn position and comments on performance will feed into the overall Revenue accounts for 2016/17.
- 8.2 Members are asked to note the provisional outturn position at 31 March 2017 for Council Tax and NNDR and also note the position with regard to write offs and bad debt trends.

9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 9.1 The collection of Council Tax and NNDR directly affects all residents receiving services from Carlisle City Council.

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Appendices **Appendix 1 – Council Tax Outturn**
attached to report:

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Economic Development – n/a

Governance& Regulatory Services – The Council has a statutory obligation to collect Council Tax (Local Government Finance Act 1992 and Council Tax (Administration and Enforcement) Regulations 1992 and NNDR (Local Government Finance Act 1988).

Community Services – n/a

Corporate Support & Resources–Included within this report

Appendix 1

COUNCIL TAX OUTTURN 2016/17

1993/94 to 2015/16

	<u>Council Tax</u>	<u>Costs</u>	
	<u>£</u>	<u>£</u>	
Arrears b/f at 01.04.2016	2,370,286.99	238,250.89	2,608,537.88
Net changes in Debit	-71,912.48		
Costs Raised (Net of Write Offs)		45,105.82	
Net Debit	<u>2,298,374.51</u>	<u>283,356.71</u>	
Write Offs	-78,913.02		
Cost Write off Adjustment			
Payments Net of Refunds	-1,057,917.82	-129,909.23	
Payments posted after 01/04/2017 (received in 16-17)	-1,595.01		
Arrears c/f 1993/94 to 2015/16	<u>1,159,948.66</u>	<u>153,447.48</u>	1,313,396.14

2016/17

Opening Debit	68,929,909.01		
MOD Contributions in Lieu	40,824.00		
<u>Changes in Liability</u>			
Costs Raised (Net of Write Offs)		197,654.65	
General	720,836.80		
Exemptions	-1,568,031.29		
Disabled Relief	-54,328.75		
Discounts	-6,781,617.42		
Flood Discount	-1,268,445.34		
Flood Discount - Empty/Second Homes	-17,196.04		
Empty Premium	111,475.59		
Net Debit	<u>60,113,426.56</u>	<u>197,654.65</u>	
<u>Income</u>			
Rebates	-6,644,805.08		
Payments Net of Refunds	-52,201,323.77	-122,463.88	
MOD Contributions in Lieu	-40,824.00		
Payments posted after 01/04/2017 (prepayments)	-64,923.61		
Prepayments 2016-17	-775,009.05		
Prepayments 2017-18	829,779.41		
Prepayments 2017-18 - posted after 01/04/2017	64,923.61		
Payments posted after 01/04/2017 (received in 16-17)	-11,386.96		
Total Income	<u>-58,843,569.45</u>	<u>-122,463.88</u>	
Write Offs	-24,733.26	0.00	
Arrears c/f	<u>1,245,123.85</u>	<u>75,190.77</u>	1,320,314.62
Total arrears c/f 1993/94 to 2016/17	2,405,072.51	228,638.25	2,633,710.76

Council Tax Bad Debt Provision

**Bad Debt Provision
as at 15.01.2017
calculated on arrears
of**

1,218,961 b/f
2,834,791 current

4,053,752

**Bad Debt provision was
plus**

975,168 b/f
811,583 current

1,786,751

**Net Collectable after
bad debt provision**

£2,267,001

**Bad Debt
Provision as at
31.03.2017
calculated on
arrears of**

1,159,949 b/f
1,245,124 current

2,405,073

**Bad Debt provision
plus ***

927,958 b/f
356,471 current

1,284,429

£1,120,643