

Business and Transformation Overview and Scrutiny Panel

Agenda
Item:

A.3(d)

Meeting Date: 31 May 2018
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD01/18
Within Policy and Budget Framework YES
Public / Private Public

Title: COUNCIL TAX & NNDR PROVISIONAL OUTTURN 2017/18
Report of: Chief Finance Officer
Report Number: RD.06/18

Summary:

This report summarises the provisional outturn and performance position for Council Tax, NNDR and was considered by Executive on 30 May 2018.

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 Business and Transformation Overview and Scrutiny Panel are asked to considered this report.

Tracking

Executive:	30 May 2018
Overview and Scrutiny:	31 May 2018
Council:	N/a

Report to Executive

Agenda
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Title: COUNCIL TAX & NNDR PROVISIONAL OUTTURN 2017/18
Report of: CHIEF FINANCE OFFICER
Report Number: RD06/18

Purpose / Summary:

This report summarises the 2017/18 provisional outturn and performance position for Council Tax and NNDR.

Recommendations:

Members are asked to note the provisional outturn position at 31 March 2018 for Council Tax and NNDR and also note the position with regard to write offs and bad debt trends.

Tracking

Executive:	30 May 2018
Overview and Scrutiny:	31 May 2018
Council:	N/A

1. BACKGROUND

1.1 The aim of this report is to:

- i) Advise Members of the current position on the 2017/18 Council Tax and Business Rates Accounts i.e. the total value of accounts raised and how much has been collected in the 2017/18 financial year.
- ii) Highlight and explain any variances against the expected (or budgeted) position.

2. COUNCIL TAX PROVISIONAL OUTTURN AS AT 31 MARCH 2018

2.1 **Appendix 1** details the provisional outturn position for Council Tax for 2017/18.

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 2017/18, the estimated position on the collection fund was a surplus of £1,066,888, with the Council's share being £136,682.

2.1.3 When the actual position was calculated at the end of 2016/17 the surplus on the Council Tax Collection Fund was £1,708,288 of which the Council's share was £217,388. This increase in the surplus is then redistributed in the estimate for 2018/19 for budgeting purposes.

2.1.4 The actual collection fund position for 2017/18 has been calculated and the surplus has decreased, now standing at £937,227. The current position on the Council Tax Collection Fund is shown below:

Carlisle City Council	£000
Balance Brought Forward (Surplus)	(1,708)
Council Tax Income (Net)	(57,103)
Precepts from Major Preceptors	
Cumbria County Council	42,972
Police & Crime Commissioner for Cumbria	7,409
Carlisle City Council	7,347
Impairment of Debts / Bad Debt Provision	9
Contribution towards previous years surplus	137
In Year Deficit	771
Total Carried Forward Surplus	(937)
Distributed to preceptors:	
Cumbria County Council	(697)
Police & Crime Commissioner for Cumbria	(122)
Carlisle City Council	(118)

This surplus on the Collection fund is carried forward on the Balance Sheet and will be distributed as part of the budget process in 2019/20. The in-year deficit is as a result of an increased amount of discounts being given (both normal and Council Tax Reduction Scheme discounts have increased in 2017/18).

3. COUNCIL TAX COLLECTION PERFORMANCE

- 3.1 The Council's Council Tax collection performance for 2017/18 was 97.5% (2016/17 - 97.5%).

4. NNDR PROVISIONAL OUTTURN AS AT 31 MARCH 2018

- 4.1 2017/18 is the fifth year of the Business Rate Retention Scheme (BRRS) and new Collection Fund Accounting Regulations and the fourth year the Council has participated in the Cumbria Pooling arrangement.
- 4.2 For 2017/18, the BRRS baseline for the Council of £3.114m was used as its budget estimate for income to be retained from Business Rates and an additional £1,200,000 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 2017/18 Outturn

There are three elements to the 2017/18 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	(16,133)
Tariff payable	11,738
	(4,395)
Small Business Rate Relief	(1,053)
Autumn Statement Reliefs, Localism Reliefs and 1/2 Small Business Rate Reliefs 13/14 - 16/17	(152)
Total Net Retained Income	(5,600)
Baseline Funding	(3,114)
Total Additional Income	(2,486)
Levy Payable (to Pool)	(1,243)
Income Retained	(1,243)

Therefore, the Council retains £1,243,000 and pays £1,243,000 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	928,868	59,684	368,913	428,597	106,201
Barrow	363,745	51,094	144,466	195,560	48,458
Carlisle	1,242,973	54,452	493,664	548,116	135,817
Eden	441,035	28,011	175,163	203,174	50,344
South Lakeland	1,254,808	36,721	498,365	535,086	132,588
Cumbria		1,450,610	0	1,450,610	366,878
	4,231,429	1,680,572	1,680,571	3,361,143	840,286
Less Admin Cost	(30,000)				
Net Retained levy	4,201,429				

The Council has therefore benefited from the Pool by £548,116 and for 2017/18 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 2017/18 is £683,933. The benefit of participating in the pool has effectively reduced the levy rate from 50% to 22.5% i.e. the Council

gains £1,926,906 out of £2,486,000 growth, as opposed to £1,243,000 without pooling.

4.6.1 2017/18 Budget

The budget for funding from Business Rates was set at the baseline level which is set by Government and an additional amount to allow for growth and pooling benefits. However, actual income credited to the general fund is based on the 'NNDR1' estimate produced at the end of January 2017 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	(3,114)
Budgeted Growth/Pooling	(1,200)
Total Budgeted Funding	(4,314)
Income due from Rates Retention per NNDR1	(16,483)
Deficit on Collection Fund Brought Forward	99
Tariff payable	11,738
Section 31 Grants for Funded reliefs	(1,379)
Income due from Renewables Rate Growth	(110)
Enterprise Zone Reliefs	(74)
Levy Payable	1,243
Pooling Redistribution	(684)
Total Net Retained Income against Budget	(5,650)
Total Additional Income to be returned to Reserves	(1,336)

The amount to be returned to reserves highlighted in report RD03/18 will therefore increase by the £1,336,000 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 2016/17 the deficit on the Business Rates Collection Fund was £622,928 of which the Council's share was £249,171.

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

Carlisle City Council	£000
Balance Brought Forward (Deficit)	623
Net Rates Payable	(43,819)
Transition payments	3,025
Cost of Collection	176
Shares to Major Preceptors	40,960
Renewables	334
Appeals Settled Provided for in 2016/17	(1,145)
New Appeals to be provided for 2017/18	1,068
Losses on Collection	30
In Year Deficit	629
Total Carried Forward Deficit	1,252
Carlisle City Council Share	501
Cumbria County Council Share	125
Central Government Share	626

The deficit on the Collection fund of £1,251,729 is carried forward on the Balance Sheet and will be recovered as part of the redistribution in 2019/20. 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 now being made due to a revaluation in 2017, with a resulting increase in transitional payments, the use of the provision has increased hence the deficit has also increased.

4.7 Summary Business Rates

4.7.1 Business Rates income has performed well in 2017/18 and has exceeded budgeted expectations by £1,336,000. The Council has achieved additional income from Retained Business Rates income of £2,486,000 in 2017/18 and by participating in the Cumbria Pool has managed to retain £1,926,000. The Council's business rates collection performance for 2017/18 was 97.83% compared with 98.27% in 2016/17.

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	(1,708)	623	(1,085)
In Year (Surplus)/Deficit	771	629	1,400
Total Carried Forward Deficit	(937)	1,252	315
Carlisle City Council Share	(118)	501	383
Cumbria County Council Share	(697)	125	(572)
Police & Crime Commissioner Share	(122)		(122)
Central Government Share		626	626

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

- 5.1 In accordance with Constitution, the Chief Finance Officer is delegated with authority for the write-off of outstanding debts, without limit, and the Executive is asked to note that debts totalling £51,368.98 have been written off for the period 1st January 2018 to 31st March 2018; such bad debts are summarised for the Executive's information in Table 1 of this report. The total amount written off in 2017/18 of £281,314.22 compares to total write-offs in 2016/17 of £459,039.32.
- 5.2 The write-ons itemised in Table 1 totalling £5,480 are in respect of balances originally written off that have since been paid and credit write-offs for the period 1st January 2018 to 31st March 2018.
- 5.3 Also noted in Table 1 are the cumulative write offs and write ons 1st April 2017- 31st March 2018. Total write ons for 2017/18 were £15,094.57 compared to £117,303.28 in 2016/17.

Table 1

[illegible]

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

6.1 The outturn position in respect of 2017/18 on a cumulative basis by fund indicates total debts written off of £281,314.22.

6.2 Write offs were debited as follows:

	£
Council Tax (Collection Fund	79,994.76
NNDR	85,917.27
General Fund	115,402.19
Total	281,314.22

6.3 Write-ons were credited as follows:

	£
Council Tax (Collection Fund	9,489.63
NNDR	5,401.96
General Fund	202.98
Total	15,094.57

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	1,530,765	1,284,430	340,911	3,102,940
Closing Bad Debt Provision	1,511,910	1,430,212	290,228	3,232,350

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

7. RISKS

With the implementation of Business Rate Retention, the Council relies on Business Rate income to support its service delivery. Any significant loss of income would have a significant impact on the Council's Medium Term Financial Plan.

8. CONSULTATION

- 8.1 Business and Transformation Overview and Scrutiny Panel will consider the report on 31 May 2018.

9. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 9.1 The provisional outturn position and comments on performance will feed into the overall Revenue accounts for 2017/18.
- 9.2 Members are asked to note the provisional outturn position at 31 March 2018 for Council Tax and NNDR and also note the position with regard to write offs and bad debt trends.

10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 10.1 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:

Legal – 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).

Finance – Included within this report

Equality – This report raises no explicit issues relating to the public sector Equality Duty

Information Governance - No Implications

Appendix 1

COUNCIL TAX OUTTURN 2017/18			
1993/94 to 2016/17	Council Tax	Costs	
	£	£	
Arrears b/f at 01.04.2017	2,405,072.51	228,638.25	2,633,710.76
Net changes in Debit	-131,895.88		
Costs Raised (Net of Write Offs)		87,107.97	
Net Debit	2,273,176.63	315,746.22	
Write Offs	-49,251.31		
Cost Write off Adjustment			
Payments Net of Refunds	-957,075.25	-134,001.22	
Payments posted after 01/04/2018 (received in 17-18)	-1,960.84		
Arrears c/f 1993/94 to 2016/17	1,264,889.23	181,745.00	1,446,634.23
2017/18			
Opening Debit	72,376,253.01		
MOD Contributions in Lieu	43,137.20		
Changes in Liability			
Costs Raised (Net of Write Offs)		195,847.62	
General	563,919.52		
Exemptions	-1,693,801.02		
Disabled Relief	-54,827.87		
Discounts	-7,276,735.30		
Flood Discount	-146,885.60		
Flood Discount - Empty/Second Homes	537.26		
Empty Premium	148,001.51		
Net Debit	63,959,598.71	195,847.62	
Income			
Rebates	-6,809,147.86		
Payments Net of Refunds	-55,745,502.36	-116,719.87	
MOD Contributions in Lieu	-43,137.20		
Payments posted after 01/04/2018 (prepayments)	-136,132.68		
Prepayments 2017-18	-829,779.41		
Prepayments 2018-19	816,120.23		
Prepayments 2018-19 - posted after 01/04/2018	136,132.68		
Payments posted after 01/04/2018 (received in 17-18)	-19,660.17		
Total Income	-62,631,106.77	-116,719.87	
Write Offs	-23,329.78	-0.99	
Arrears c/f	1,305,162.16	79,126.76	1,384,288.92
Total arrears c/f 1993/94 to 2017/18	2,570,051.39	260,871.76	2,830,923.15

Council Tax Bad Debt Provision						
				Bad Debt Provision as at 31.03.2018 calculated on arrears of		
Bad Debt Provision as at 15.01.2017 calculated on arrears of	1,248,551	b/f			1,264,889	b/f
	1,710,551	current			1,305,162	current
	2,959,102				2,570,051	
Bad Debt provision was plus	998,841	b/f		Bad Debt provision is plus *	1,011,912	b/f
	548,226	current			418,300	current
	1,547,067				1,430,212	
Net Collectable after bad debt provision	£1,412,035				£1,139,840	