

Report to Executive

Agenda
Item:

A.1(d)

Meeting Date: 29 May 2019
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD05/19
Within Policy and Budget Framework YES
Public / Private Public

Title: COUNCIL TAX & NNDR PROVISIONAL OUTTURN 2018/19
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number: RD04/19

Purpose / Summary:

This report summarises the 2018/19 provisional outturn and performance position for Council Tax and NNDR.

Recommendations:

Members are asked to note the provisional outturn position at 31 March 2019 for Council Tax and NNDR and also note the position with regard to write offs and bad debt trends.

Tracking

Executive:	29 May 2019
Scrutiny Panel:	30 May 2019
Council:	N/A

1. BACKGROUND

1.1 The aim of this report is to:

- i) Advise Members of the current position on the 2018/19 Council Tax and Business Rates Accounts i.e. the total value of accounts raised and how much has been collected in the 2018/19 financial year.
- ii) Highlight and explain any variances against the expected (or budgeted) position.

2. COUNCIL TAX PROVISIONAL OUTTURN AS AT 31 MARCH 2019

2.1 Collection Fund (Council Tax)

2.1.1 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 2018/19, the estimated position on the collection fund was a surplus of £763,657, with the Council's share being £97,179.

2.1.3 When the actual position was calculated at the end of 2017/18 the surplus on the Council Tax Collection Fund was £937,227 of which the Council's share was £117,885. This increase in the surplus is then redistributed in the estimate for 2019/20 for budgeting purposes.

2.1.4 The actual collection fund position for 2018/19 has been calculated and the surplus has decreased, now standing at £542,709. The current position on the Council Tax Collection Fund is shown below:

Carlisle City Council	£000
Balance Brought Forward (Surplus)	(937)
Council Tax Income (Net)	(60,210)
Precepts from Major Preceptors	
Cumbria County Council	44,964
Police & Crime Commissioner for Cumbria	7,854
Carlisle City Council	7,601
Impairment of Debts / Bad Debt Provision	89
Contribution towards previous years surplus	97
In Year Deficit	395
Total Carried Forward Surplus	(542)
Distributed to preceptors:	
Cumbria County Council	(401)
Police & Crime Commissioner for Cumbria	(74)
Carlisle City Council	(67)

This surplus on the Collection fund is carried forward on the Balance Sheet and will be distributed as part of the budget process in 2020/21. 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 2018/19).

3. COUNCIL TAX COLLECTION PERFORMANCE

- 3.1 The Council's Council Tax collection performance for 2018/19 was 97.4% (2017/18 - 97.5%).

4. NNDR PROVISIONAL OUTTURN AS AT 31 MARCH 2019

- 4.1 2018/19 is the sixth year of the Business Rate Retention Scheme (BRRS) and the Collection Fund Accounting Regulations and the fifth year the Council has participated in the Cumbria Pooling arrangement.
- 4.2 For 2018/19, the BRRS baseline for the Council of £3.208m was used as its budget estimate for income to be retained from Business Rates and an additional £1.650m 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 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 2018/19 Outturn

There are three elements to the 2018/19 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	12,090
	(4,043)
Small Business Rate Relief	(1,142)
Autumn Statement Reliefs, Localism Reliefs and 1/2 Small Business Rate Reliefs 13/14 - 18/19	(85)
Total Net Retained Income	(5,270)
Baseline Funding	(3,208)
Total Additional Income	(2,062)
Levy Payable (to Pool)	(1,031)
Income Retained	(1,031)

Therefore, the Council retains £1,031,049 and pays £1,031,049 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	980,460	86,204	390,301	476,505	118,412
Barrow	680,397	73,797	270,852	344,649	85,646
Carlisle	1,031,049	78,648	410,439	489,087	121,539
Copeland	1,249,257	59,468	497,303	556,771	138,358
Eden	660,029	40,457	262,744	303,201	75,346
South Lakeland	1,645,781	53,038	655,151	708,189	175,986
Cumbria		2,095,178	0	2,095,178	528,109
	6,246,973	2,486,790	2,486,790	4,973,580	1,243,396
Less Admin Cost	(30,000)				
Net Retained levy	6,216,973				

The Council has therefore benefited from the Pool by £489,087 and for 2018/19 it is not proposed to set the share of the Volatility Reserve up as a separate earmarked reserve as income is growing and the risk of approaching the safety net by any partner is extremely low (the pool members are between 13.3% and 44.2% away from requiring safety net support). Therefore, the retained shares that would normally be set aside in the Volatility reserve will be retained in the General Fund.

Therefore, the total income from pooling for the Council for 2018/19 is £610,626. There is also an adjustment due to the Council for the pooling gains from 2017/18 of £13,409 following the final reconciliation of 2017/18 gains made during the year. Therefore, the total recognised pooling gains will be £624,035 for 2018/19. The benefit of participating in the pool has effectively reduced the levy rate from 50% to 19.7% i.e. the Council gains £1,655,084 out of £2,062,098 growth, as opposed to £1,031,049 without pooling.

4.6.1 2018/19 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 2018 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	(3,208)
Business Rate Multiplier Grant	(74)
Budgeted Growth/Pooling	(1,650)
Total Budgeted Funding	(4,932)
Income due from Rates Retention per NNDR1	(16,306)
Deficit on Collection Fund Brought Forward	836
Tariff payable	12,090
Section 31 Grants for Funded reliefs	(1,517)
Section 31 Grants for Flooding Reliefs ¹	(507)
Income due from Renewables Rate Growth	(516)
Enterprise Zone Reliefs	28
2017/18 Levy Adjustments	(5)
Levy Payable	1,031
Pooling Redistribution	(624)
Total Net Retained Income against Budget	(5,490)
Total Additional Income to be returned to Reserves	(558)

Note1: It should be noted that the Council is still awaiting final confirmation and reconciliation of flood discounts funding from MHCLG and how the scheme for flood discounts will be closed.

The amount to be returned to reserves highlighted in report RD01/19 will therefore increase by the £558,000 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 2017/18 the deficit on the Business Rates Collection Fund was £1,251,729 of which the Council's share was £500,692.

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

Carlisle City Council	£000
Balance Brought Forward (Deficit)	1,252
Net Rates Payable	(44,225)
Transition payments	1,792
Cost of Collection	179
Shares to Major Preceptors	38,675
Renewables	319
Appeals Settled Provided for in 2017/18	(294)
New Appeals to be provided for 2018/19	1,875
Losses on Collection	289
In Year Surplus	(1,390)
Total Carried Forward Surplus	(138)
Carlisle City Council Share	(55)
Cumbria County Council Share	(14)
Central Government Share	(69)

The main reason for the improved position from a brought forward deficit to a surplus is in relation to a reduced amount of transitional payments following the revaluation in 2017.

The Surplus on the Collection fund of £137,523 is carried forward on the Balance Sheet and will be paid as part of the redistribution in 2020/21.

4.7 Summary Business Rates

- 4.7.1 Business Rates income has performed well in 2018/19 and has exceeded budgeted expectations by £558,000. The Council has achieved additional income from Retained Business Rates income of £2,062,098 in 2018/19 and by participating in the Cumbria Pool has managed to retain £1,655,084 of this. The Council's business rates collection performance for 2018/19 was 98.42% compared with 97.83% in 2017/18.

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	(937)	1,252	315
In Year (Surplus)/Deficit	395	(1,390)	(995)
Total Carried Forward Deficit	(542)	(138)	(680)
Carlisle City Council Share	(67)	(55)	(122)
Cumbria County Council Share	(401)	(14)	(415)
Police & Crime Commissioner Share	(74)		(74)
Central Government Share		(69)	(69)

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

- 5.1 In accordance with Constitution, the Corporate Director of Finance and Resources is delegated with authority for the write-off of outstanding debts, without limit, and the Executive is asked to note that debts totalling £149,554.53 have been written off for the period 1st January 2019 to 31st March 2019; such bad debts are summarised for the Executive's information in Table 1 of this report. The total amount written off in 2018/19 of £548,483.81 compares to total write-offs in 2017/18 of £281,314.22.
- 5.2 The write-ons itemised in Table 1 totalling £12,231.78 are in respect of balances originally written off that have since been paid and credit write-offs for the period 1st January 2019 to 31st March 2019.
- 5.3 Also noted in Table 1 are the cumulative write offs and write-ons 1st April 2018- 31st March 2019. Total write-ons for 2018/19 were £24,832.80 compared to £15,094.57 in 2017/18.

Table 1

<u>Type of Debt</u>	Write offs 01/04/18 - 30/06/18 Quarter 1				Write offs 01/07/18 - 30/09/18 Quarter 2				Write offs 01/10/18 - 31/12/18 Quarters 3				Write offs 01/01/19 - 31/03/19 Quarter 4				Total Write offs 2018/19			
	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	9	43,054.28	7	194.12	11	59,462.61	10	372.17	16	151,182.54	4	43.22	29	74,275.42	11	11,153.39	65	327,974.85	32	11,762.90
NNDR (PSC)																	0	0.00	0	0.00
Council Tax	95	32,174.33	15	4576.62	53	26,425.25	15	1948.85	32	14,923.34	12	2,530.58	62	38,912.97	13	1,025.33	242	112,435.89	55	10,081.38
Debtors																	0	0.00	0	0.00
Private Tenants																	0	0.00	0	0.00
Housing Benefit	73	42,148.02	5	2811.13	56	17,807.55			20	5,033.85	3	123.11	62	18,529.79	1	39.31	211	83,519.21	9	2,973.55
Overpayments																	0	0.00	0	0.00
General Fund	20	1,254.22	5	0.92	8	1,023.55	3	0.04	5	5.00	1	0.26	20	17474.35	6	13.75	53	19,757.12	15	14.97
Penalty Charge																	0	0.00	0	0.00
Notices																	0	0.00	0	0.00
On Street 16	2	194.00			1	28.46			1	77.00			0	0			4	299.46	0	0.00
Off Street 3	30	2461.00			11	973.00			9	701.28			4	362.00			54	4,497.28	0	0.00
																	0	0.00	0	0.00
TOTAL	229	121,285.85	32	7,582.79	140	105,720.42	28	2,321.06	83	171,923.01	20.00	2,697.17	177	149,554.53	31	12,231.78	629	548,483.81	111	24,832.80

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

6.1 The outturn position in respect of 2018/19 on a cumulative basis by fund indicates total debts written off amount to £548,483.81.

6.2 Write offs were debited as follows:

	£
Council Tax (Collection Fund	112,435.89
NNDR	327,974.85
General Fund	108,073.07
Total	548,483.81

6.3 Write-ons were credited as follows:

	£
Council Tax (Collection Fund	10,081.38
NNDR	11,762.90
General Fund	2,988.52
Total	24,832.80

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	1,511,910	1,430,212	290,228	3,102,940
Closing Bad Debt Provision	1,502,533	1,616,235	262,939	3,381,707

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 Scrutiny Panel will consider the report on 30 May 2019.

9. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 9.1 The provisional outturn position and comments on performance will feed into the overall Revenue accounts for 2018/19.
- 9.2 Members are asked to note the provisional outturn position at 31 March 2019 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
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