

# Report to Business and Transformation Scrutiny Panel

**Agenda  
Item:**  
  
**A.3(d)**

Meeting Date: 3 June 2021  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD09/21  
Within Policy and Budget Framework YES  
Public / Private Public

Title: COUNCIL TAX PROVISIONAL OUTTURN 2020/21  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD04/21

## Summary:

This report summarises the provisional outturn and performance position for Council Tax and was considered by Executive on 2 June 2021.

## Questions for / input required from Scrutiny:

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

## Recommendations:

Members of the Business and Transformation Scrutiny Panel are asked to scrutinise this report.

## Tracking

Executive:	2 June 2021
Scrutiny:	BTSP 3 June 2021
Council:	N/A

# Report to Executive

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Title: COUNCIL TAX PROVISIONAL OUTTURN 2020/21  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD04/21

## Purpose / Summary:

This report summarises the 2020/21 provisional outturn and performance position for Council Tax.

## Recommendations:

The Executive is asked to:

- (i) note the provisional outturn position at 31 March 2021 for Council Tax and also note the position with regard to business rates and to write offs and bad debt trends;
- (ii) note that these figures, as presented, are subject to change pending the completion of the NNDR3 return and final confirmation of any business rates pooling gains for 2020/21;
- (iii) Approve the creation of a new earmarked reserves of £69,048 for the income received for the Tax Income Guarantee scheme as detailed at 2.1.5 for recommendation to Council.

## Tracking

Executive:	<b>2 June 2021</b>
Scrutiny:	<b>BTSP 3 June 2021</b>
Council:	<b>20 July 2021</b>

## **1. BACKGROUND**

1.1 The aim of this report is to:

- i) Advise Members of the current position on the 2020/21 Council Tax and Business Rates Accounts i.e. the total value of accounts raised and how much has been collected in the 2020/21 financial year.
- ii) Highlight and explain any variances against the expected (or budgeted) position.

## **2. COUNCIL TAX PROVISIONAL OUTTURN AS AT 31 MARCH 2021**

### **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 15<sup>th</sup> January each year and it is this figure that forms the basis of the following year's budget.

2.1.2 In setting the budget for 2020/21, the position on the collection fund was estimated to a surplus of £238,653, with the Council's share being £29,438.

2.1.3 When the final position was calculated at the end of 2019/20 the surplus on the Council Tax Collection Fund was actually £50,781 of which the Council's share was £6,197. This decrease in the surplus is then taken into account and redistributed in the budgeted estimate for 2021/22.

2.1.4 The actual collection fund position for 2020/21 has been calculated and the surplus has decreased and is now a deficit, now standing at £1,202,144.91 with the Council's share being £144,909.44. This worsening position is as a result of the effects of the COVID-19 pandemic and the Council's ability to recover Council Tax debt. Legislation has been passed that will allow the Council to spread this deficit position over the following three years (2021/22 – 2023/24) to ease the impact on the General Fund and allow time for arrears to be recovered. In January 2021, the estimated collection fund position was £1,204,081. The current position on the Council Tax Collection Fund is shown below:

Carlisle City Council	£000
Balance Brought Forward (Surplus)	(50)
Council Tax Income (Net)	(66,884)
Precepts from Major Preceptors	
Cumbria County Council	49,654
Police & Crime Commissioner for Cumbria	9,154
Carlisle City Council	8,175
Impairment of Debts / Bad Debt Provision	914
<b>In Year Deficit</b>	<b>1,013</b>
Contribution towards previous years surplus	239
<b>Total Carried Forward Deficit</b>	<b>1,202</b>
<b>Distributed to preceptors:</b>	
Cumbria County Council	895
Police & Crime Commissioner for Cumbria	162
Carlisle City Council	145

The Council's share of the deficit on the Collection fund is carried forward on the Balance Sheet and will be distributed as part of the budget process in 2022/23. The in-year deficit is as a result of an increase in the bad debt provision and a decrease in income collected, particularly due to the effects of COVID. The Government announced in December 2020 that local authorities would be able to spread any exceptional in-year deficits over the following 3-year period so as not to have an adverse effect on any single year. They also announced that any loss of taxation income would be compensated by a one-off grant covering 75% of losses. These losses are measured slightly differently to the calculation of any deficit position on the Collection Fund.

#### 2.1.5 Tax Income Guarantee Scheme

The Tax Income Guarantee Scheme covers losses of council tax income measured by comparing an authority's council tax requirement for 2020/21 with its share of the adjusted 'Net Collectable Debit' for 2020/21. The calculation for the Council is set out below.

Outturn Net Collectable Debit	£ 66,569,542.00	
Collection Rate	98.5%	
Adjusted Net Collectible Debit	65,544,371.05	
Gross up for S13A1C Discretionary Reliefs	684,667.00	
<b>Outturn for Income Compensation</b>	<b>66,229,038.05</b>	
<b>Estimated Net Collectable Council Tax at start of year</b>		
Cumbria County Council	49,654,101.00	74%
Police & Crime Commissioners	9,154,518.00	14%
Carlisle City Council	8,174,780.00	12%
	<b>66,983,399.00</b>	
2020/21 Total Income Compensation	<b>754,360.95</b>	
Grant @ 75%	<b>565,770.71</b>	
<b>Grant applicable to preceptors</b>		
Cumbria County Council	419,399.98	
Police & Crime Commissioners	77,323.01	
Carlisle City Council	69,047.72	

It is recommended that this grant £69,047.72 be set aside in an earmarked reserve and used to offset the deficit spreading amounts included in the budget.

### 3. COUNCIL TAX COLLECTION PERFORMANCE

- 3.1 The Council's Council Tax collection performance for 2020/21 was 95.67% (2019/20 - 97.1%).

### 4. NNDR PROVISIONAL OUTTURN AS AT 31 MARCH 2021

#### 4.3 2020/21 Outturn

It should be noted though that due to the ongoing effects of responding to the COVID-19 pandemic and the distribution of Business Grants, the Business Rates Outturn has been delayed along with completion of the annual return to Government (NNDR3). The deadline for this form to be submitted has been delayed until 30 June. Therefore, it is not possible at this time to report the outturn position and the impact on both the Collection Fund and General Fund.

Once the final outturn is known and the NNDR3 completed, the Business Rates Outturn position will be reported to a future Executive meeting and the impact will be included in the Statement of Accounts including the impact on the Cumbria Business Rates Pool.

Due to the pandemic, Government announced that there would be expanded relief given to the retail, leisure and hospitality sector. This relief was 100% of business rates for those businesses in the qualifying groups. As the Council would not collect Business Rates from these businesses, the Government provided compensation to local authorities in the form of a Section 31 Grant. The Council has therefore received £23m to date in respect of expanded retail relief. However, this compensation has been paid gross, i.e. the 50% local share and the 50% central government share. Therefore, until the final outturn is known it is not possible to properly account for the amount of grant to recognise.

## **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 £85,592.18 have been written off for the period 1<sup>st</sup> January 2021 to 31<sup>st</sup> March 2021; such bad debts are summarised for the Executive's information in Table 1 of this report. The total amount written off in 2020/21 of £630,397.33 compares to total write-offs in 2019/20 of £550,644.49.
- 5.2 The write-ons itemised in Table 1 totalling £4,083.27 are in respect of balances originally written off that have since been paid and credit write-offs for the period 1<sup>st</sup> January 2021 to 31<sup>st</sup> March 2021.
- 5.3 Also noted in Table 1 are the cumulative write offs and write-ons 1<sup>st</sup> April 2020- 31<sup>st</sup> March 2021. Total write-ons for 2020/21 were £15,549.36 compared to £27,700.93 in 2019/20.

**Table 1**

<u>Type of Debt</u>	Write offs 01/04/20 - 30/06/20 Quarter 1				Write offs 01/07/20 - 30/09/20 Quarter 2				Write offs 01/10/20 - 31/12/20 Quarters 3				Write offs 01/01/21 - 31/03/21 Quarter 4				Total Write offs 2020/21			
	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
<b>NNDR</b>	6		7	325.13	52		6		8	124,378.31	7	915.87	20	45,246.26	7	249.06	86	475,790.16	27	1,735.50
<b>NNDR ( PSC)</b>		139,623.25				166,542.34		245.44									0	0.00	0	0.00
<b>Council Tax</b>	33		12	2066.03	41		18	3895.63	116		15		54		18		244	136,156.53	63	13,788.42
		29,326.16				24,955.08				46,629.04		3,994.55		35,246.25		3,832.21	0	0.00	0	0.00
<b>Debtors</b>																	0	0.00	0	0.00
<b>Private</b>																	0	0.00	0	0.00
<b>Tenants</b>	20				4				14		1	13.19	8				46	14,034.97	1	13.19
<b>Housing</b>		7,406.28				1,997.56				1,672.64				2,958.49			0	0.00	0	0.00
<b>Benefit</b>																	51	3,925.67	7	12.25
<b>Overpayments</b>	7		3	6.77	7				19		2	3.48	18		2	2.00	0	0.00	0	0.00
<b>General Fund</b>		61.06				13.88				1,958.55				1892.18			0	0.00	0	0.00
<b>Penalty</b>																	0	0.00	0	0.00
<b>Charge</b>																	0	0.00	0	0.00
<b>Notices</b>																	0	0.00	0	0.00
<b>On Street 16</b>																	0	0.00	0	0.00
<b>Off Street 3</b>	2				1								3	249.00			6	490.00	0	0.00
		166.00				75.00											0	0.00	0	0.00
<b>TOTAL</b>	<b>68</b>	<b>176,582.75</b>	<b>22</b>	<b>2,397.93</b>	<b>105</b>	<b>193,583.86</b>	<b>24</b>	<b>4,141.07</b>	<b>157</b>	<b>174,638.54</b>	<b>25.00</b>	<b>4,927.09</b>	<b>103</b>	<b>85,592.18</b>	<b>27</b>	<b>4,083.27</b>	<b>433</b>	<b>630,397.33</b>	<b>98</b>	<b>15,549.36</b>

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

6.1 The outturn position in respect of 2020/210 on a cumulative basis by fund indicates total debts written off amount to £630,397.33.

6.2 Write offs were debited as follows:

	£
Council Tax (Collection Fund	136,156.53
NNDR	475,790.16
General Fund	18,450.64
<b>Total</b>	<b>630,397.33</b>

6.3 Write-ons were credited as follows:

	£
Council Tax (Collection Fund	13,788.42
NNDR	1,735.50
General Fund	25.44
<b>Total</b>	<b>15,549.36</b>

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	1,424,558	1,920,580	262,939	3,102,940
<b>Closing Bad Debt Provision</b>	<b>1,326,728</b>	<b>2,711,505</b>	<b>tbc</b>	<b>4,038,233</b>

N.B. The Bad Debt provision for NNDR is still to be calculated.

## 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 3 June 2021.

## **9. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 9.1 The provisional outturn position and comments on performance will feed into the overall Revenue accounts for 2020/21.
- 9.2 The Executive is asked to:
- (i) note the provisional outturn position at 31 March 2021 for Council Tax and also note the position with regard business rates and to write offs and bad debt trends.
  - (ii) note that these figures, as presented, are subject to change pending the completion of the NNDR3 return and final confirmation of any business rates pooling gains for 2020/21.
  - (iii) Approve the creation of a new earmarked reserves of £69,048 for the income received for the Tax Income Guarantee scheme as detailed at 2.1.5 for recommendation to Council.

## **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).

**Property** – No implications

**Finance** – Included within this report

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

**Information Governance** - No Implications