



# Carlisle City Council

## Report to People Panel

### Report details

Meeting Date:	9 June 2022
Portfolio:	Finance Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD11/22
Policy and Budget Framework	Yes
Public / Private	Public
Title:	COUNCIL TAX PROVISIONAL OUTTURN 2021/22
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD06/22

### Purpose / Summary:

This report summarises the 2021/22 provisional outturn and performance position for Council Tax and was considered by Executive on 25 May 2022.

### 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 People Panel are asked to scrutinise this report.

### Tracking

Executive:	25 May 2022
Scrutiny:	9 June 2022 (People Panel)
Council:	19 July 2022



# Carlisle City Council

## Report to Executive

### Report details

Meeting Date:	25 May 2022
Portfolio:	Finance Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD11/22
Policy and Budget Framework	Yes
Public / Private	Public
Title:	COUNCIL TAX PROVISIONAL OUTTURN 2021/22
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD06/22

### Purpose / Summary:

This report summarises the 2021/22 provisional outturn and performance position for Council Tax.

### Recommendations:

Members are asked to:

- (i) note the provisional outturn position at 31 March 2022 for Council Tax, and
- (ii) note the current position with regard to business rates and to write offs and bad debt trends.

### Tracking

Executive:	25 May 2022
Scrutiny:	9 June 2022 (People Panel)
Council:	19 July 2022

## **1. Background**

1.1 The aim of this report is to:

- i) Advise Members of the current position on the 2021/22 Council Tax and Business Rates Accounts i.e., the total value of accounts raised and how much has been collected in the 2021/22 financial year.
- ii) Highlight and explain any variances against the expected (or budgeted) position.

## **2. Council Tax Provisional Outturn as at 31 March 2022**

### **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 2021/22, the position on the collection fund was estimated to a deficit of £1,204,081, with the Council's share being £146,948.37. However, amended regulations (Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020) during the COVID-19 pandemic allowed Council's the opportunity to 'spread' the in-year (2020/21) deficit over 3-years. Therefore, the amount of the deficit recognised in 2021/22 was £526,608, with the Council's share being £64,268.29.

2.1.3 When the final position was calculated at the end of 2020/21 the deficit on the Council Tax Collection Fund was actually £1,202,142 of which the Council's share was £144,909.44 (compared to £146,948.37). This decrease in the deficit is then taken into account and redistributed in the budgeted estimate for 2022/23.

2.1.4 The actual collection fund position for 2021/22 has been calculated and the deficit has decreased, now standing at £587,456 with the Council's share being £70,813. This improved position is as a result of the normalisation of recovery Council Tax debt following the pandemic. In January 2022, the estimated collection fund position was a surplus of £981,853. When the estimate was prepared in January the expected level of income between January and March was anticipated to be higher. The year end collection rate of 96.59% remained lower than pre-pandemic levels (97.12% in 2019/20). The current position on the Council Tax Collection Fund is shown below:

Carlisle City Council	£000
Balance Brought Forward (Surplus) / Deficit	1,202
Council Tax Income (Net)	(70,305)
Precepts from Major Preceptors	
Cumbria County Council	51,932
Police & Crime Commissioner for Cumbria	9,435
Carlisle City Council	8,411
Impairment of Debts / Bad Debt Provision	439
<b>In Year Deficit</b>	<b>(88)</b>
Contribution towards previous years (surplus) / Deficit	527
<b>Total Carried Forward Deficit</b>	<b>587</b>
<b>Distributed to preceptors:</b>	
Cumbria County Council	437
Police & Crime Commissioner for Cumbria	79
Carlisle City Council	71

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 2023/24 as part of the new Cumberland Council. The in-year deficit is as a result of an increase in the bad debt provision and a decrease in income collected.

### 3. Council Tax Collection Performance

- 3.1 The Council's Council Tax collection performance for 2021/22 was 96.59% (2020/21 – 95.67%).

### 4. NNDR Provisional Outturn as at 31 March 2022

- 4.1 It should be noted that the statutory return to government on the final Business Rate Retention Scheme (BRRS) position, known as the NNDR3 is still being compiled with the deadline for this form to be submitted being 30 June. Therefore, it is not possible at this time to report the final outturn position and the impact on both the Collection Fund and General Fund. A separate report will be brought to the next Executive (27 June 2022) with the final NNDR outturn and collection fund position once the NNDR3 has been completed.
- 4.2 2021/22 is the ninth year of the Business Rate Retention Scheme and the Collection Fund Accounting Regulations and the sixth year the Council has participated in the Cumbria Pooling arrangement.

- 4.3 For 2021/22, the BRRS baseline for the Council of £3.335m was used as its budget estimate for income to be retained from Business Rates and an additional £2.700m was estimated to be generated from additional business rate income over the baseline level and from the effects of participating in the Cumbria Pool. A further £0.174m was expected for the Business Rate Multiplier Grant.
- 4.4 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.
- 4.5 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

4.6 2021/22 Outturn

There are three elements to the 2021/22 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.

Once the final outturn is known and the NNDR3 completed, the impact will be included in the Statement of Accounts including the impact on the Cumbria Business Rates Pool.

Due to the COVID-19 pandemic, Government announced that there would continue to be additional expanded relief given to the retail, leisure and hospitality sector for the first part of 2021/22. As in 2020/21, the Council would not collect Business

Rates from these businesses in the period the relief was given, and the Government provided compensation to local authorities in the form of a Section 31 Grant. The Council has therefore received approx. £8.1m to date in respect of this expanded retail and nursery relief. However, this compensation has been paid gross, i.e., the 50% local share and the 50% central government share. Once the NNDR3 is completed and a final amount of relief is known for the year, the Council will only recognise its share of the grant in the general fund which will be approximately 40% of the above amount.

As the grant is credited to the general fund and not the collection fund as is the case for any rating income collected, the Collection Fund will be in deficit to a similar amount (due to the non-collection of the business rate income). Therefore, it will again be necessary to carry forward a proportion of the received S.31 grant to offset the potential deficit into 2022/23 through an earmarked reserve (as was the case in 2021/22).

## **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 £28,207.05 have been written off for the period 1<sup>st</sup> January 2022 to 31<sup>st</sup> March 2022; such bad debts are summarised for the Executive's information in Table 1 of this report. The total amount written off in 2021/22 of £564,125.07 compares to total write-offs in 2020/21 of £630,397.33.
- 5.2 The write-ons itemised in Table 1 totalling £30,701.56 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 2022 to 31<sup>st</sup> March 2022.
- 5.3 Also noted in Table 1 are the cumulative write offs and write-ons 1<sup>st</sup> April 2021- 31<sup>st</sup> March 2022. Total write-ons for 2021/22 were £48,231.59 compared to £15,549.36 in 2020/21.

**Table 1**

<u>Type of Debt</u>	Write offs 01/04/21 - 30/06/21 Quarter 1				Write offs 01/07/21 - 30/09/21 Quarter 2				Write offs 01/10/21 - 31/12/21 Quarters 3				Write offs 01/01/22 - 31/03/22 Quarter 4				Total Write offs 2021/22			
	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>	20	394,188.42	8	3,223.13	1	3,427.20	4	118.38	8	7,269.74	10	1,728.54	5	23,317.75	3	267.17	34	428,203.11	25	5,337.22
<b>NNDR ( PSC)</b>																	0	0.00	0	0.00
<b>Council Tax</b>	31	37,602.05	16	2791.91	33	24,903.73	22	3,799.99	62	62,761.23	23	5,654.67	15	3,461.69	48	30,102.58	141	128,728.70	109	42,349.15
<b>Debtors</b>																	0	0.00	0	0.00
<b>Private</b>																	0	0.00	0	0.00
<b>Tenants</b>	14	2,133.13					11	28.73			43	182.89			14	249.49	14	2,133.13	68	461.11
<b>Housing</b>																	0	0.00	0	0.00
<b>Benefit</b>																	0	0.00	0	0.00
<b>Overpayments</b>	11	105.18	3	0.67	12	771.84	2	1.12	11	454.50			10	1344.61	11	82.32	44	2,676.13	16	84.11
<b>General Fund</b>																	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>	23	1969.00			4	332.00							1	83.00			28	2,384.00	0	0.00
																	0	0.00	0	0.00
<b>TOTAL</b>	<b>99</b>	<b>435,997.78</b>	<b>27</b>	<b>6,015.71</b>	<b>50</b>	<b>29,434.77</b>	<b>39</b>	<b>3,948.22</b>	<b>81</b>	<b>70,485.47</b>	<b>76.00</b>	<b>7,566.10</b>	<b>31</b>	<b>28,207.05</b>	<b>76</b>	<b>30,701.56</b>	<b>261</b>	<b>564,125.07</b>	<b>218</b>	<b>48,231.59</b>

## 6. Outturn position, Write-Offs/Write-ons via Debtor type

6.1 The outturn position in respect of 2021/22 on a cumulative basis by fund indicates total debts written off amount to £564,125.07.

6.2 Write offs were debited as follows:

	£
Council Tax (Collection Fund	128,728.70
NNDR	428,203.11
General Fund	7,193.26
<b>Total</b>	<b>564,125.07</b>

6.3 Write-ons were credited as follows:

	£
Council Tax (Collection Fund	42,349.15
NNDR	5,337.22
General Fund	545.22
<b>Total</b>	<b>48,231.59</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	Total
Opening Bad Debt Provision	1,326,778	2,711,505	4,038,283
<b>Closing Bad Debt Provision</b>	<b>1,336,646</b>	<b>3,010,562</b>	<b>4,347,208</b>

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

## 7. Risks

7.1 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 People Panel will consider the report on 9 June 2022.

## **9. Conclusion and reasons for recommendations**

- 9.1 The provisional outturn position and comments on performance will feed into the overall Revenue accounts for 2021/22.

## **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.

### **Contact details:**

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### **Appendices attached to report:**

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Note: in compliance with section 100d of the Local Government Act 1972 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 Services – 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