



RESOURCES OVERVIEW AND SCRUTINY PANEL

Panel Report

Public

Date of Meeting: 14 June 2012

Title: PROVISIONAL OUTTURN POSITION 2011/12 FOR COUNCIL
TAX AND NATIONAL NON DOMESTIC RATES

Report of: Director of Resources

Report reference: RD13/12

Summary:

This report summarises the provisional outturn and performance position for Council Tax, NNDR and was considered by Executive on 1 June 2012.

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 consider this report.

Contact Officer: Peter Mason

Ext: 7270

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

REPORT TO EXECUTIVE

PORTFOLIO AREA: FINANCE, RESOURCES & GOVERNANCE

Date of Meeting: 1 June 2012

Public

Key Decision: Yes

Recorded in Forward Plan: Yes

Inside Policy Framework

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TAX AND NATIONAL NON DOMESTIC RATES

Report of: DIRECTOR of RESOURCES

Report reference: RD 13/12

Summary:

This report summarises the 2011/12 provisional outturn and performance position for Council Tax and NNDR.

Recommendations:

Members are asked to note the provisional outturn position at 31 March 2012 for Council Tax and NNDR and also note the position with regard to write offs and bad debt trends.

Contact Officer: Peter Mason

Ext: 7270

CITY OF CARLISLE

To: The Executive
1 June 2012

RD13/12

PROVISIONAL OUTTURN POSITION 2011/12 FOR COUNCIL TAX AND NATIONAL NON DOMESTIC RATES

1. INTRODUCTION

1.1 The aim of this report is to:

- i) Advise Members of the current position on the 2011/12 Council Tax and Business Rates Accounts i.e. the total value of accounts raised and how much has been collected in the 2011/12 financial year.
- ii) Highlight and explain any variances against the expected (or budgeted) position.

2. COUNCIL TAX PROVISIONAL OUTTURN AS AT 31 MARCH 2012

2.1 **Appendix 1** details the provisional outturn position for Council Tax for 2011/12.

2.2 The estimated outturn of 98.71% suggests that, overall liability raised and Council Tax collected will again exceed the budgeted projections of 98.5% (if the collection pattern for recovering 2011/12 arrears follows that of previous years), as shown in the table below.

	<u>Budgeted</u> <u>£000</u>	<u>%</u>	<u>Estimated (31/3/12)</u> <u>£000</u>	<u>%</u>
Council Tax Liability	54,985	100	54,985	100
Losses on liability e.g. additional discounts	} 825	1.5	406	0.73
Losses on collection i.e. potential bad debt	}		306	0.56
Eventual Net Collection	54,160	98.5	54,273	98.71

2.3 The impact of increased collection performance is an overall surplus on collection fund of £443,395, the City Council's share of the surplus being £58,513.

3. COUNCIL TAX COLLECTION PERFORMANCE

3.1 The Council has maintained collection performance so that for the third year running Carlisle is in the 3rd quartile when compared to districts nationally. The Council will never be in a position to move into the higher collection quartiles due to:

- (i) Most district councils we have to compare ourselves with are small affluent rural authorities without the same deprivation issues as Carlisle;
- (ii) The Council follows a robust anti-poverty strategy. Under the strategy the Council allows residents in financial difficulties to spread their payments via special weekly or fortnightly instalments (most paying by local post office). Whilst this 'good practice' affects in-year collection rates (due to payments being spread sometimes over several years) in the past it has enabled the Council to collect over 99% of Council Tax demanded with write-off trends being under 0.3% (0.2% in 2011/12). (National Figures being 0.9% source CIPFA Benchmarking Statistics).
- (iii) Many Authorities allocate remittances to the current year's liability to maximise 'in year' collections rather than oldest debt which in the past has been considered good practice.

3.2 Carlisle's collection rates compared to Cumbria are detailed below. Copeland, Barrow and South Lakeland have seen a small increase in collection rates with Carlisle, staying the same and Allerdale and Eden reporting slight decreases.

<u>Council</u>	<u>In-Year Collection Rates - Council Tax (%)</u>		
	2009/10	2010/11	2011/12
Eden	98.8	99.1	98.6
South Lakeland	98.5	98.0	98.2
Copeland	97.9	98.0	98.2
Carlisle	97.6	97.6	97.6
Allerdale	97.4	97.6	97.5
Barrow	96.6	96.6	96.8

3.3 Due to collection performance being stable, the Council has remained in the 3rd Quartile based on National Benchmarks for 'in-year' collection performance.

Council Tax	%
Top Quartile	98.6 and above
2 nd Quartile	98.2 to 98.5
3 rd Quartile	97.4 to 98.1
4 th Quartile	97.3 and below
Carlisle	97.6

4. NNDR PROVISIONAL OUTTURN AS AT 31 MARCH 2012

4.1 **Appendix 2** details the NNDR provisional outturn for 2011/12.

4.2 Year-end arrears at £939,794 equating to 2.2% of the 'in year' debit collectable is up on 2010/11 of £736,159 (1.9%).

4.3 Most Councils are reporting reduced collection rates in recent years partly due to the recession and partly due to the introduction of increased empty rates liability from 1 April 2008. Until the Government release national collection rate performance the Council will not know whether the 0.3% reduction in collection performance mirrors the position nationally. As the Council operates as a collection agency on behalf of the Government in collecting and recovering NNDR, i.e. the Government meets the costs of bad debt write-offs, there is no financial impact on the Council of increased collection performance.

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

5.1 In accordance with the Director of Resources delegated authority for the write-off of outstanding debts, without limit, the Executive is asked to note that debts totalling £79,684.71 have been written off for the period 1st March 2012- 31st March 2012; such bad debts are summarised for the Executive's information in Table 1 of this report.

5.2 The 'write-ons itemised in Table 2 totalling £4,523.75 are in respect of balances originally written off that have since been paid and credit write-offs for the period 1st March 2012 to 31st March 2012.

5.3 Also noted in Table 1 are the cumulative write offs 1st April 2011- 31st March 2012 and in Table 2 the cumulative write ons.

TABLE 1 Type of Debt	<u>Write offs</u> <u>1st April 2011 to</u> <u>31st August 2011</u>		<u>Write offs</u> <u>1st September</u> <u>2011 to 29th</u> <u>February 2012</u>		<u>Write offs</u> <u>1st March 2012 to</u> <u>31st March 2012</u>		<u>Total Write offs</u> <u>2011-12</u>	
	No.	£	No.	£	No	£	No.	£
NNDR	37	89,918.15	14	27,004.34	5	65,826.58	56	182,749.07
Council Tax	30	8,528.73	141	55,240.10	44	13,858.13	215	77,626.96
Debtors								
Private Tenants	121	70,454.74	86	25,739.06			207	96,193.80
Housing Benefit			1	982.84			1	982.84
Overpayments								
General Fund	41	1,846.77	45	1,301.52			86	3,148.29
Penalty Charge								
Notices								
On Street	236	21,191.33	383	35,485.44			619	56,676.77
Off Street	13	1,070.00	40	3,407.00			53	4,477.00
Ex FTA Benefit	1	48.00	1	713.78			2	761.78
TOTAL	479	193,057.72	711	149,874.08	49	79,684.71	1,239	422,616.51

TABLE 2 Type of Debt	Write ons 1 st April 2011 to 31 st August 2011	Write ons 1 st September 2011 to 29 th February 2012	Write ons 1 st March 2012 to 31 st March 2012	Total Write ons 2011-12
	£	£	£	£
NNDR	(7,049.27)	(172.97)	(2,575.04)	(9,797.28)
Council Tax	(7,957.61)	(2,171.87)	(1,948.71)	(12,078.19)
Debtors				
Private Tenants	(11,783.52)	(6,206.02)		(17,989.54)
Housing Benefit				
Overpayments		(4,106.29)		(4,106.29)
General Fund	(5.18)	(736.95)		(742.13)
Ex FTA Benefit	(6,755.86)			(6,755.86)
TOTAL	(33,551.44)	(13,394.10)	(4,523.75)	(51,469.29)

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

6.1 The outturn position in respect of 2011/12 on a cumulative basis by fund indicates total debts written off of £422,616.51 for financial year 2011/12

6.2	Council Tax (Collection Fund)	-	£ 77,626.96
	NNDR Pool	-	£ 182,749.07
	General Fund	-	<u>£ 162,240.48</u>
	Total	-	£ 422,616.51

6.3 'Write-ons' were credited as follows:

Council Tax (Collection Fund)	-	£ 12,078.19
NNDR Pool	-	£ 9,797.28
General Fund	-	<u>£ 29,593.82</u>
Total	-	£ 51,469.29

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. Note HRA debts and provisions have been transferred to the General

Fund. 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	756,508	1,155,278	163,875	2,075,661
Write Offs in Year	(82,749)	(65,548)	(227,093)	(375,390)
Losses on collection	0	(6,485)	248,858	242,373
Additional Charge to General Fund**	168,472	0	0	168,472
Closing Bad Debt Provision	842,231	1,083,245	185,640	2,111,116

**Mainly in relation to Housing Benefit Payments

7. WRITE OFF TRENDS

- 7.1 As demonstrated on the attached analysis (**Appendix 3**), year on year write off trends suggest that 2011/12 write offs (except NNDR) mirror those of 2010/11. Also long term trends indicate that write offs are still reducing with no evidence of any adverse impact due to the downturn the economy has experienced since 2008.
- 7.2 Business Rate write offs remain high mainly due to high profile bankruptcies in businesses that support the night time economy.
- 7.3 The figures suggest excellent debt recovery success particularly on Council Tax recovery with write offs at 0.2% being well below the national average at 0.9%.

8. SUMMARY

- 8.1 Overall, the provisional outturn suggests that 2011/12 has been a satisfactory year for Council Tax collection, with the slight dip in performance in NNDR collection likely to be due to economic factors outside the Council's control.

9. IMPLICATIONS

Staffing/Resources - Not Applicable

Financial Comments - As stated in 2.3 of the report the impact on the council's finances of the surplus on the collection fund of £443,395 is £58,513. This will be distributed in 2013/14.

Legal Comments - Not Applicable

Risk Assessment - Not Applicable

Equality Issues - Not Applicable

Environmental Implications - Not Applicable

10. IMPACT ASSESSMENTS

Does the change have an impact on the following?

Equality Impact Screening	Impact Yes/No?	Is the impact positive or negative?
Does the policy/service impact on the following?		
Age	No	N/A
Disability	No	N/A
Race	No	N/A
Gender/ Transgender	No	N/A
Sexual Orientation	No	N/A
Religion or belief	No	N/A
Human Rights	No	N/A
Social exclusion	No	N/A
Health inequalities	No	N/A
Rurality	No	N/A

If you consider there is either no impact or no negative impact, please give reasons:

This report summarises the 2011/12 provisional out-turn for council tax and NNDR and provides reasons for variances and has no direct impact on the above.

11. RECOMMENDATIONS

Members are asked to note the provisional outturn position at 31 March 2012 for Council Tax and NNDR and also note the position with regard to write offs and bad debt trends.

12. REASONS FOR RECOMMENDATIONS

To advise the Executive of Council Tax and Business Rates Collection Performance.

PETER MASON
Director of Resources

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APPENDIX 1

COUNCIL TAX OUTTURN 2011/12

1993/94 to 2010/11

Council Tax

Costs

£

£

Arrears b/f at 01.04.2011	2,078,087.76	197,591.69	2,275,679.45
Net changes in Debit	-162,758.47		
Costs Raised (Net of Write Offs)		5,255.42	
Net Debit	<u>1,915,329.29</u>	<u>202,847.11</u>	
Write Offs	-57,010.13		
Cost Write off Adjustment			
Payments Net of Refunds	-817,532.93	-71,826.60	
Payments posted after 01/04/2012	-1,046.70		
Arrears c/f 1993/94 to 2010/11	<u>1,039,739.53</u>	<u>131,020.51</u>	1,170,760.04

2011/12

Opening Debit	62,507,562.46		
MOD Contributions in Lieu	47,809.90		
<u>Changes in Liability</u>			
Costs Raised (Net of Write Offs)		172,419.64	
General	442,092.47		
Exemptions	-2,506,625.81		
Disabled Relief	-54,217.40		
Discounts	-5,859,387.26		
Net Debit	<u>54,577,234.36</u>	<u>172,419.64</u>	

Income

Rebates	-7,389,226.51		
Payments Net of Refunds	-46,036,788.63	-102,982.20	
MOD Contributions in Lieu	-47,809.90		
Payments posted after 01/04/2012 (pr	-52,254.22		
Prepayments 2011-12	-829,598.79		
Prepayments 2012-13	827,729.89		
Prepayments 2012-13 - posted after 0	52,254.22		
Payments posted after 01/04/2012	-9,381.57		
Total Income	<u>-53,485,075.51</u>	<u>-102,982.20</u>	

Write Offs	-8,044.44		
Arrears c/f	<u>1,084,114.41</u>	<u>69,437.44</u>	1,153,551.85
Total arrears c/f 1993/94 to 2011/12	<u>2,123,853.94</u>	<u>200,457.95</u>	2,324,311.89

Council Tax Bad Debt Provision

**Bad Debt Provision as at 15.01.2012
calculated on arrears of**

1,042,374	b/f
<u>1,321,000</u>	current
2,363,374	

**Bad Debt provision was
plus**

833,899	b/f
<u>249,346</u>	current
1,083,245	

Net Collectable after bad debt provision **£1,280,129**

**Bad Debt
Provision as at
31.03.2012
calculated on
arrears of**

1,039,740
<u>1,084,114</u>
2,123,854

**Bad Debt provision
plus ***

833,899
<u>249,349</u>
1,083,248

£1,040,606

* Bad Debt Provision Year End

Current years pro rata bad debt provision based on surplus calculation

Costs Bad Debt Provision

**Bad Debt Provision as at 31.03.2012
calculated on arrears of**

131,021	b/f
<u>69,437</u>	current
200,458	

**Bad Debt provision is
plus ***

	b/f
<u>112,256</u>	current
112,256	

Net Collectable costs **88,202**
44% of arrears was paid based on 2010/11 collection of arrears

APPENDIX 2**NNDR FINAL ACCOUNTS 2011/12****% COLLECTED =****97.8****DEBIT****DEBIT****COSTS**

Debit raised net of transition, suppl + adj

44108813.37

Empty Property Relief

0.00

Empty Exempt Relief

1390920.15

42717893.22

Costs raised in current year

13180.00

Arrears b/fwd

1104737.65

Plus Costs b/fwd

6500.46

Total

43822630.87

19680.46

ALLOWANCES**POOL CONTRIBUTION**

Small Business Rate Relief

1888858.15

Charity, CASC, Disc & Rural Relief

2876640.33

Bad debt write off

227092.93

Hardship (S49)

0.00

Partial Occupation (S44a)

11667.75

Total

5004259.16

GENERAL FUND

Charity Relief

74054.15

Hardship (S49)

0.00**Total**

74054.15

Collectable Debit

38744317.56

19680.46

INCOME

Current year

39251406.50

Plus Prepayments 2011/12

628899.83

Plus costs paid

11865.06

Plus costs written off

2446.26

Less refunds

1653653.03

Less future year payments

918649.75

Plus net interest

25624.06

37333627.61

ARREARS CARRIED FORWARD1410689.955369.14**Balance at 31.03.12**

Arrears

1437445.10

Credits carried forward

21386.01

Net balance at 31.03.12

1416059.09

For information

Gross interest awarded: £

25687.54

Tax deducted

63.48

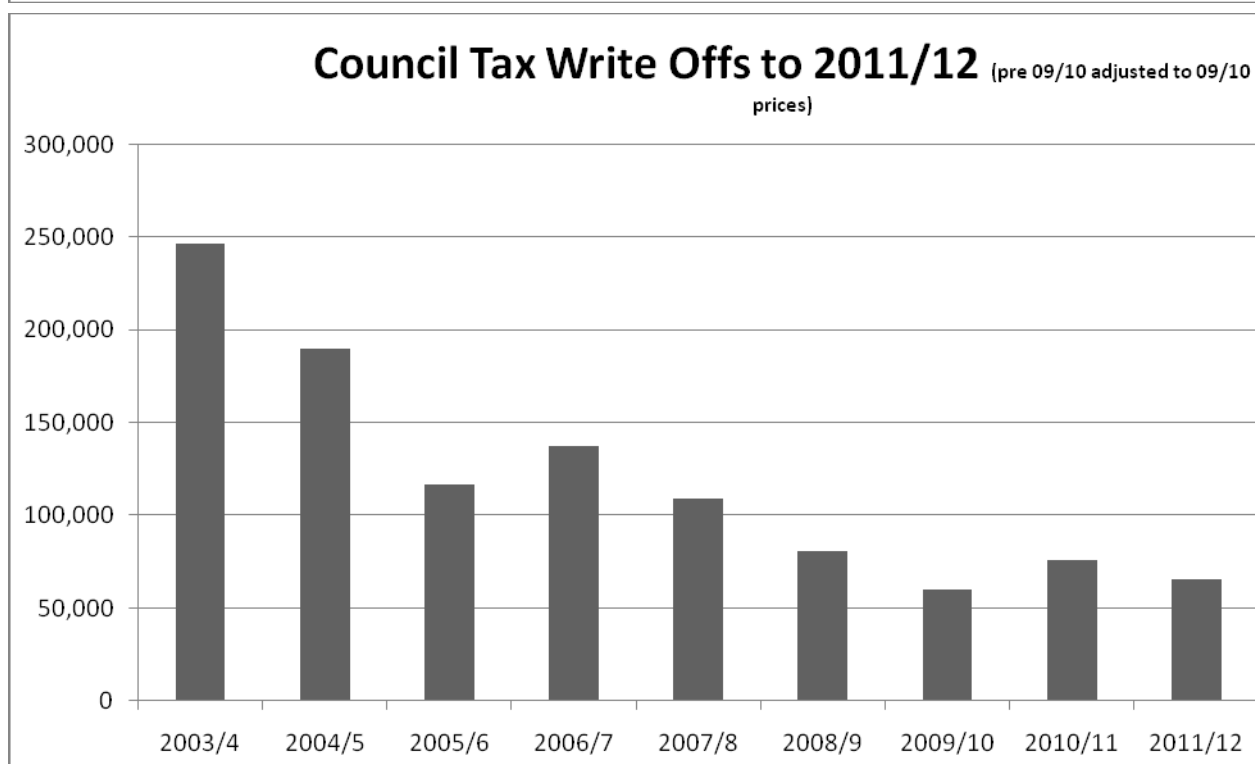
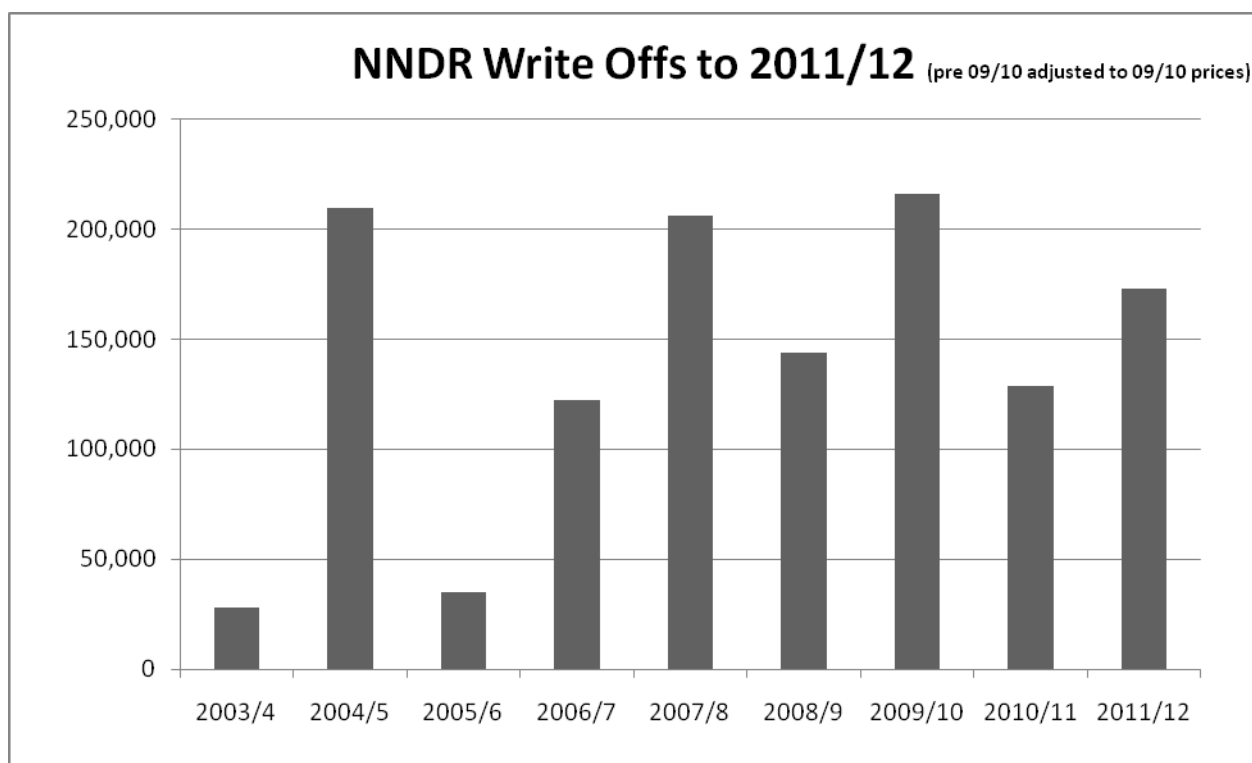
Bad Debt provision 2011/12

163874.54

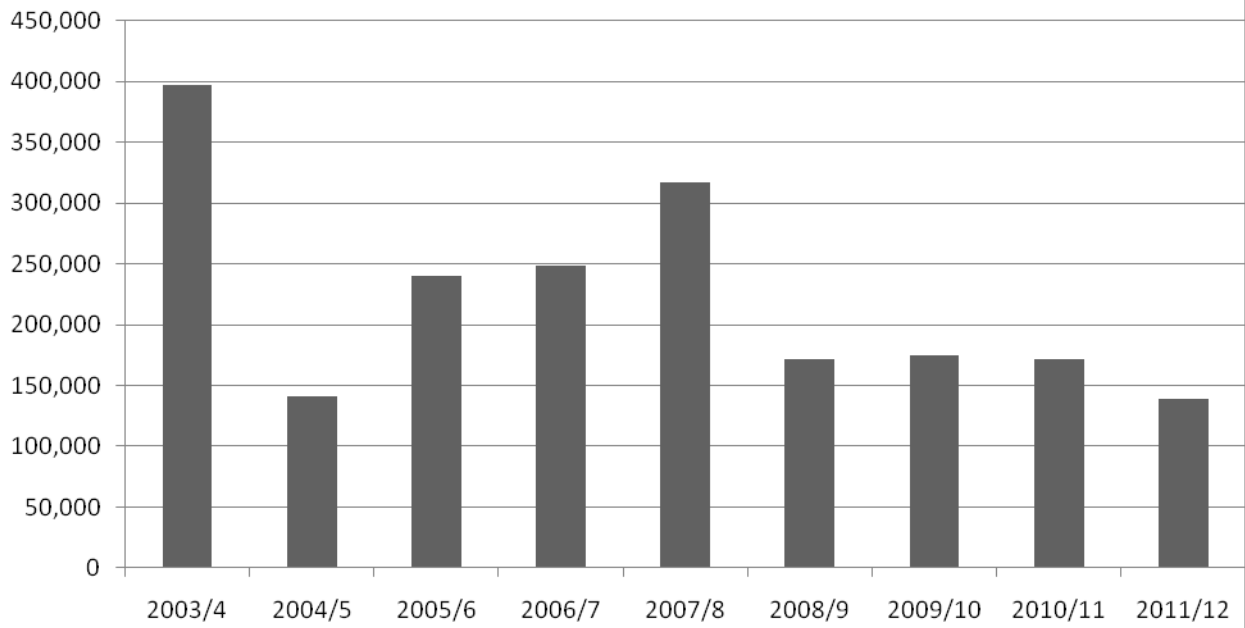
Bad Debt provision 2012/13

185639.62

Pool contribution estimate



Debtors Write Offs to 2011/12 (pre 09/10 adjusted to 09/10 prices)



Write Off Totals (pre 09/10 adjusted to 09/10 prices)

