
Report to: Overview and Scrutiny Committee (Performance and Corporate Services)

Date of Meeting: 10 September 2014

Subject: Council Tax and Business Rates Collection

Report of: Margaret Rawding

Wards Affected: All

Is this a Key Decision? No

Is it included in the Forward Plan? No

NoExempt/Confidential

No

Purpose/Summary

This report provides the Overview and Scrutiny Committee with an update on the collection of Council Tax and Business Rates for 2013/14. Also included is an update on the introduction of the Council Tax Reduction Scheme.

Recommendation(s)

Overview and Scrutiny are recommended to note :-

- 1) The financial position on the collection of Council Tax for 2013/14, as at the end of July 2013;
- 2) The forecast financial position of the Council Tax Reduction Scheme for 2013/14;
- 3) The financial position on the collection of Business Rates as at the end of July 2013.

How does the decision contribute to the Council's Corporate Objectives?

<u>Corporate Objective</u>		<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Jobs and Prosperity		✓	
3	Environmental Sustainability		✓	
4	Health and Well-Being		✓	
5	Children and Young People		✓	
6	Creating Safe Communities		✓	
7	Creating Inclusive Communities		✓	
8	Improving the Quality of Council Services and Strengthening Local Democracy		✓	

Reasons for the Recommendation:

The Government changes to the Council Tax and Business Rates Schemes in 2013/14, mean that there is a greater financial risk to the Authority should income levels reduce, and financial targets not achieved. Consequently, it is important that Members are kept informed of the financial position for the Authority, on these issues throughout the year.

What will it cost and how will it be financed?

(A) Revenue Costs

Should the Authority not collect income from Council Tax and Business Rates in line with the 2013/14 Budget, this will result in a shortfall, which will need to be recovered in the Collection Fund for 2014/15

(B) Capital Costs

None

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal - None	
Human Resources - None	
Equality	<input type="checkbox"/>
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

What consultations have taken place on the proposals and when?

The Head of Corporate Finance (FD 2538.) has been consulted and any comments have been incorporated into the report.

Head of Corporate Legal Services (LD1843.) has been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

No. The Council is currently following the agreed recovery procedures to collect the income due.

Implementation Date for the Decision

Following the expiry of the "call-in" period for the Minutes of the Cabinet

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Background Papers:

There are no background papers available for inspection.

1. Background

- 1.1. The Council Tax Reduction Scheme (CTRS) introduced in April 2013 requires working age residents to pay an increased amount of Council tax, and in many cases an amount payable for the first time, where they had previously been entitled to the full amount to be met from Council Tax Benefit. The Council, from April 2013, bears the full financial impact of changes in the number and the value of Council Tax reductions which residents can apply for.
- 1.2. This report gives the overview of the collection rates for 2013/14 as at the end of July 2013. Where any updated figures are available for the year to 31st August these will be presented to the Committee as a verbal update.
- 1.3. In summary the Council is achieving a level of collection which is slightly below that of 2012/13 is forecast to achieve an outturn of around 96.4%. The cash value collected is greater than 2012/13 because of the replacement of Council Tax Benefit of which approximately 205 is now paid by working age households. There was a requirement to protect pensioners under the Council Tax Reduction Scheme which means that those attracting full benefit continue to pay no Council Tax contribution.
- 1.4. In addition to information on Council Tax, this report also gives an update on the collection of Business Rates. This income to the Council is a key financial risk and early indications show that the Council may not achieve its budgeted level of Business Rates due to the revaluation of some properties since April 2013 and also the level of doubtful debt on some liabilities. The Council, from April 2013 bears 49% of the loss of Business Rate receipts, the remainder being funded by Government.

2) CTRS Forecast Financial Position

- 2.1. The net budget position for the CTRS reflected in the budget monitoring statement is shown in the table below:

Council Tax Reduction Scheme (July 2013)	<u>Note</u>	Budget £m	Actual £m	Variation £m
Council Tax Benefit Payments 2012/13		27.6	27.2	-0.4
Caseload Growth in 2013/14		0.4	-0.3	-0.7
Scheme Savings		-3.1	-3.3	-0.2
Impact of Band D increase 2013/14		0.1	0.1	0.0
Cost of CTRS Discounts		25.0	23.7	-1.3

<u>Adjustments</u>				
Provision for Bad Debts	(a)	0.8	1.2	0.4
Forecast Growth	(b)	n/a	0.3	0.3
Net Position: Surplus (-) / Deficit (+)		25.8	25.2	-0.6

Notes

- (a) The council tax base calculation assumed £0.8m (25%) of CTRS bills would not be recoverable. However, the provision included in the budget monitoring statement has been increased to £1.2m (36%) based on the level non-payment on CTRS accounts at the end of July. **This is for monitoring purposes only – the Council will continue to follow its recovery procedures for all income due to the Council. The Committee should note that overall Council Tax payment levels remain within the top quartile for all Metropolitan Authorities with less than 3% not being collected in year.**
- (b) The council tax base calculation assumed growth of £400k in the level of CTRS discounts during 2013/14. This is being unwound at a rate of £35k per month.

3. Council Tax Collection 2013/14.

- 3.1. The amount to be collected has increased with the introduction of the new CTRS scheme. A comparison of the debt collection position is shown below:-

2012				
<u>Date</u>	<u>Liability</u>	<u>Credits</u>	<u>Balance</u>	<u>%</u>
31.03.2012	115,070,139	843,457	114,226,681	0.73
30.04.2012	115,188,708	12,817,985	102,370,722	11.13
31.05.2012	114,872,958	23,585,105	91,287,852	20.53
29.06.2012	114,844,165	34,389,247	80,494,918	29.94
31.07.2012	114,585,445	45,109,211	69,476,234	39.37
2013				
<u>Date</u>	<u>Liability</u>	<u>Credits</u>	<u>Balance</u>	<u>%</u>
31.03.2013	120,264,751	1,063,584	119,201,166	0.88
30.04.2013	120,581,747	12,960,099	107,621,648	10.75
31.05.2013	120,556,647	23,931,857	96,624,790	19.85
28.06.2013	120,435,179	34,926,522	85,628,873	29.00
31.07.2013	120,414,725	46,138,993	74,275,732	38.32

4. Collection Against Working Age CTRS Cases

	<u>Passported</u>	<u>Non-Passported</u>	<u>Total</u>
Liability Raised	£1,977,002	£3,154,816	£5,131,818
Amount Paid	£469,402	£849,815	£1,319,217
Percentage Collected	23.74%	26.94%	25.71%

5) Council Tax Reduction Scheme Discounts

Value of CTRS Discounts at 31 July 2013	£23,707,159
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6) CTB / CTRS Caseload Comparison

Year		Pensioners	Working Age	Total
2011/12	CTB	15,823	17,321	33,144
2012/13 (Nov 2012)	CTB	15,566	17,757	33,323
2013/14 (12.08.13)	CTRS	15,047	16,744	31,791

Caseload figures are now being taken from Northgate CTR304 Report. The reduction in the number cases reported this month is largely due to the fact that zero assessed cases have now been stripped out.

7) Summary of Working Age Claimants at 31.07.2013

Number of affected cases	17,657
Paying by direct debit - total	3,429
Paying by direct debit over 12 months	1,040
Paying by cash/cheque over 12 months	1,393
Instalments not yet due (includes some direct debit accounts)	983
Accounts with payments made since annual bills issued	11,659
Accounts with instalments overdue and no payments made	5,015

8) Exceptional Hardship Fund

- 8.1. The following table shows the amount of expenditure committed against the budget at the end of July. A further update will be presented to the Committee when the August figures are available.

Budget	£143,000
Total paid/committed	£55,937
Unallocated	£87,063

9) Council tax Arrears

The level of Council tax arrears and the number of cases is shown below. This should be seen in the context of current annual billing is for £118m and therefore arrears of £3m is less than 3% of the total.

Council Tax Arrears by Year

Year	01.04.2013	01.08.13	Cases O/S
1997/98	£ 3,776.52	£ 3,879.18	10
1998/99	£ 5,661.15	£ 5,198.22	19
1999/00	£ 13,533.99	£ 11,998.06	47
2000/01	£ 24,627.70	£ 23,767.95	87
2001/02	£ 56,926.36	£ 53,383.71	184
2002/03	£ 123,575.53	£ 116,869.02	376
2003/04	£ 183,134.60	£ 177,731.24	571
2004/05	£ 282,841.39	£ 273,145.54	768
2005/06	£ 414,600.15	£ 399,954.67	1048
2006/07	£ 586,789.34	£ 565,400.80	1463
2007/08	£ 841,328.74	£ 806,530.02	1966
2008/09	£ 1,084,880.27	£ 1,042,118.17	2422
2009/10	£ 1,272,856.56	£ 1,219,488.87	3092
2010/11	£ 1,582,925.16	£ 1,497,385.35	4333
2011/12	£ 2,191,050.42	£ 2,007,833.73	5892
2012/13	£ 3,785,149.97	£ 3,215,632.84	10986
	£ 12,453,657.85	£ 11,420,317.37	33264

10. Budget Monitoring Update: Business Rates 2013/14

10.1. In summary the income from Business Rates to the Council is below the budget level by £1.235m. The following tables provide an analysis of the variations. The Table 2 shows that whilst the number of Business rates properties in the Borough has increased the overall tax base has reduced because of the number of appeals being successful in reducing the rateable value.

MONTH: JULY 2013

TABLE 1: Business Rates Income (Based on NNDR Relief Tracker)	(a) Budget NNDR1	(b) Forecast (01/08/13)	(c) Variation ‘= b - a
<u>Current Year</u>	£000	£000	£000
Gross Charge	-83,811	-83,523	288
Mandatory Relief: Small Business	4,781	5,139	358
Mandatory Relief: Charities	4,254	4,384	130
Mandatory Relief: Empty Premises	3,878	4,328	450
Mandatory Relief: Sports & Rural	34	39	5
Discretionary Reliefs	283	287	4
	-70,581	-69,346	1,235
<u>Previous Year Adjustments (Note 2)</u>			
Gross Rates Payable	n/a	1,405	1,405
Reliefs	n/a	-755	-755
	n/a	650	650
<u>Provisions & Allowances</u>			
Bad Debt Provision	1,143	1,143	0
Cost of Collection Allowance	322	322	0
Cost of Appeals Provision (Note 1)	3,571	2,921	-650
	5,036	4,386	-650
Net Rate Yield (Note 1)	-65,545	-64,310	1,235

10.2. Cost of Appeals Provision (Table 1): At the end of March 2013 the rateable value of properties subject to appeal was £53.217m. As part of the accounts closure process an exercise was undertaken to estimate the size of provision that would be required. See calculation below:

A. Rateable Value of properties subject to appeal	£53,218,000
B. Weighted RV based on the effective date of the appeal	£169,960,000
C. Estimated reduction in RV on appeal	4.25%
D. Standard Multiplier for 2012/13	45.8p
E. Cost of Appeals Provision Required @ 1 April 2013 (= A x B x C x D)	£3,308,000

10.3. The provision required at 1 April 2013 is higher than the amount currently available to be set-aside. The short-fall will result in either an increase in the Collection Fund Deficit or will need to be made up in future years. The DCLG have indicated that local authorities will be allowed to spread the cost of making refunds in respect of years prior to 1 April 2013 over the five years 2013/14 to 2018/19, instead of being accounted for in their entirety in 2013/14 (Business Rates Information Letter 1/2013).

10.4. The NNDR1 forecast is based on the Rateable Value of businesses at 30 September 2012. The change in rateable value recorded on the Valuation Office Agency List since that date is shown in Table2.

TABLE 2 : Change in Rateable Value on VOA List	Properties	£	%
30 September 2012 (NNDR1 Line 2)	7,539	180,255,141	100
Amendments (Including appeals)	251	-1,830,640	-1.02
Net Additions / Deletions	89	-652,340	-0.36
Net Change	89	-2,482,980	-1.38
31 July 2013	7,628	177,772,161	98.62

10.5. NNDR Collection (Table 3): This table provides a comparison of monthly NNDR collection rates between 2012/13 and 2013/14.

TABLE 3: NNDR Collection				
2012				
Date	Liability	Credits	Balance	%
31.03.2012	71,750,743	264,362	71,486,381	0.37
30.04.2012	71,526,314	12,974,268	58,552,046	18.14
31.05.2012	71,231,405	19,856,962	51,374,443	27.88
29.06.2012	71,273,072	25,747,379	45,525,693	36.12
31.07.2012	71,024,685	31,529,745	39,494,940	44.39
2013				
Date	Liability	Credits	Balance	%
31.03.2013	71,007,249	1,160,348	69,846,901	1.63
30.04.2013	70,218,631	12,812,611	57,406,020	18.25
31.05.2013	69,667,467	20,566,816	49,100,651	29.52
28.06.2013	69,716,959	26,126,639	43,590,320	37.48
31.07.2013	69,676,040	31,845,912	37,830,128	45.71