

**COLLECTION FUND OUTTURN – 2016/17****1. Background**

- 1.1. The Council is required to establish and maintain a Collection Fund under the Local Government Finance Acts 1988 and 1992. The Fund represents the collection of Council Tax and Business Rates or National Non-Domestic Rates (NNDR) and the distribution of sums received to relevant authorities. These amounts are kept separate from the main activities of the Council which are accounted for in the General Fund. Transfers from the Collection Fund to the General Fund are made at a planned level and, therefore, if the actual position is better or worse than planned leading to a surplus/deficit, this will be rolled forward to be taken into account in the next budget setting round; which will be 2018/19 in this instance.

**2. Council Tax****2.1. Council Tax Summary**

The Collection Fund position for 2016/17 applicable to the Council Tax element of the Fund is summarised below:

<b>Table 1</b>	<b>£m</b>	<b>£m</b>
Income:		
Council Tax Income due in 2016/17	(344.516)	
Adjustment to sums due for prior years	1.485	
Contribution to Bad Debt Provision	9.096	
<b>Total Income</b>		<b>(333.935)</b>
Budgeted Precepts 2016/17		
Birmingham City Council	287.962	
New Frankley in Birmingham Parish	0.044	
Sutton Coldfield Town Council	1.824	
West Midlands Police & Crime Commissioner	26.665	
West Midlands Fire and Rescue Authority	13.393	
<b>Total Expenditure</b>		<b>329.888</b>
<b>2016/17 In Year Surplus</b>		<b>(4.047)</b>
<b>2015/16 Surplus b/fwd</b>		<b>(1.519)</b>
<b>Cumulative Council Tax Surplus c/fwd</b>		<b>(5.566)</b>

- 2.2. The actual in-year surplus on the Council Tax element of the Collection Fund for 2016/17 was £4.1m. The cumulative balance brought forward from 2015/16 amounted to a surplus of £1.5m, giving a closing cumulative surplus at the end of 2016/17 of £5.6m.

2.3. A £5.8m cumulative surplus was forecast when setting the 2017/18 budget, resulting in a small deficit of £0.2m to be carried forward into future years. The make-up of this is summarised in table 2:

<b>Table 2</b>	<b>£m</b>	<b>£m</b>
<b>Forecast Cumulative Surplus for 2017-18 Budget Setting</b>		<b>(5.750)</b>
Decreased in year net growth after exemptions and discounts	1.292	
Improvement for reduced prior year adjustments	(1.108)	
		0.184
<b>Cumulative Council Tax Surplus c/fwd</b>		<b>(5.566)</b>

2.4. The Council's share of the surplus is £4.9m, which compares to a £5.1m surplus anticipated when the Council Tax for 2017/18 was set. This is a reduction of £0.2m which will be taken into account when setting the budget for 2018/19. The allocation of the total accumulated surplus, from Council Tax at 31 March 2017 is outlined in Table 3:

<b>Table 3</b>	<b>Forecast</b>	<b>Outturn</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Council	(5.052)	(4.890)	0.162
Police & Crime Commissioner	(0.465)	(0.450)	0.015
Fire & Rescue Authority	(0.233)	(0.226)	0.007
<b>Total Surplus</b>	<b>(5.750)</b>	<b>(5.566)</b>	<b>0.184</b>

### 2.5. Council Tax Arrears

A summary of the Council Tax Arrears position for the end of 2016/17 is shown in Table 4.

<b>Table 4</b>	<b>Prior Years</b>	<b>2016/17</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Balance b/f prior years	96.707		96.707
Adjustments	(1.485)		(1.485)
Due in year		344.516	344.516
Collected	(13.539)	(317.610)	(331.149)
Amounts Written Off	(11.289)	0.000	(11.289)
Credits Written On	1.062	0.005	1.067
<b>Council Tax Arrears</b>	<b>71.456</b>	<b>26.911</b>	<b>98.367</b>

A summary of the Council Tax Arrears position for 2016/17 compared with 2015/16 is shown in Table 5.

Table 5	31 March 2016	31 March 2017	Change
	£m	£m	£m
Council Tax Arrears Prior Years	71.568	71.456	(0.112)
Council Tax Arrears In Year	25.139	26.911	1.772
<b>Council Tax Debtors</b>	<b>96.707</b>	<b>98.367</b>	<b>1.660</b>

## 2.6. Provision for Doubtful Debts

The provision for bad and doubtful debts stands at £37.4m as at 31 March 2017, a slight decrease from the £38.5m set aside at the end of 2015/16. The 2016/17 year end provision is compared in Table 6 to the prior year:

Table 6	31 March 2016	31 March 2017	Change
	£m	£m	£m
Council Tax Arrears Debtors (Gross)	96.707	98.367	1.660
Less Provision for Bad or Doubtful Debts	(38.491)	(37.360)	1.131
<b>Council Tax Debtors (Net)</b>	<b>58.216</b>	<b>61.007</b>	<b>2.791</b>
Bad Debt Provision as % of Gross Debtors	39.8%	38.0%	-1.8%

During the year there has been a net amount of £10.2m written off relating to Council Tax debts (£11.3m debt write offs less £1.1m of credits written on) compared with £11.1m net write-offs in 2015-16. After making a further contribution to the provision for bad and doubtful debts of £9.1m in 2016/17, the overall provision has decreased by £1.1m.

## 2.7. Collection Performance

Set out below is the in-year collection performance for the past three years. This shows the in-year collection rates as reported to the Department for Communities and Local Government (DCLG) as required by the Final Quarterly Return for Collection of Council Tax and Business Rates (QRC4).

The adjusted actual in year collection rate was 94.6% which includes adjustments as per DCLG guidelines.

Table 7 shows the comparative prior year rates:

Table 7	Actual In Year Council Tax Collection Rates		
	2014/15	2015/16	2016/17
QRC4 Base	94.6%	94.6%	94.6%

## 3. Business Rates - National Non-Domestic Rates (NNDR)

3.1. Business Rates Summary

The Collection Fund position for 2016/17 applicable to the Business Rates element of the Fund excluding the Enterprise Zone is summarised below:

<b>Table 8</b>	<b>£m</b>	<b>£m</b>
Business Rates Income due for 2016/17	(443.725)	
Adjustments for Prior Years	4.071	
Contribution to Appeals Provision	17.792	
		(421.862)
Contribution to Bad Debt Provision	8.531	
Cost Of Collection Allowance	1.924	
		10.455
Total Income		(411.407)
Expenditure:		
Budgeted Proportionate Shares 2016/17:		
Central Government	210.042	
Birmingham City Council	205.842	
West Midlands Fire and Rescue Authority	4.201	
Total Expenditure		420.085
2016/17 In Year Deficit		8.678
2015/16 Deficit b/fwd	5.531	
Back Dated Appeals Spread Adjustment	9.698	
		15.229
Cumulative Business Rates Deficit c/fwd		23.907

3.2. The actual in-year deficit on the Business Rates element of the Collection Fund for 2016/17 was £8.7m. The cumulative balance brought forward from 2015/16 amounted to a deficit of £15.2m after allowing for the annual impact of spreading the backdated appeals element of the deficit that was forecast in January 2014. The closing deficit at the end of 2016/17 is, therefore, £23.9m. A £20.2m cumulative deficit was forecast when setting the 2017/18 budget. The additional £5.0m over and above the £15.2m deficit brought forward was mainly due to a prudent assumption of additional anticipated reductions expected for back dated appeals in the city centre based upon previous experience. The final outturn position now includes a further deficit of £3.7m that will be carried forward into future years, of which the City Council's share is £1.8m.

3.3. The main reasons for the additional further deficit can be explained as follows:

- In January 2017 the valuation office indicated that as a result of the Grand Central development a number of rating agents representing hereditaments in the City Centre, in particular those in and around the immediate development area, had lodged appeals against their rateable values (RV) due to the potential loss of income as a result of the development. Based upon similar developments in other Cities in the UK the VOA indicated that the loss in RV could be between 0 and 25%. Adopting a prudent approach, our own analysis indicates a further provision required of £5.8m. However, in the event that actual appeal reductions are lower than anticipated, the provision will be released, all else being equal and taken as a surplus in future years.
- Analysis of the end of year arrears position and associated provision for doubtful debts has resulted in a decrease required in the provision for older years debts outstanding rather

than an anticipated increase resulting in an improvement of £2.4m compared with the forecast position.

- An aggregate of other adverse variations relating to net growth after reliefs of £0.3m over and above the forecast position has been realised.

Table 9 shows the movement between the forecast and outturn deficit positions:

<b>Table 9</b>	<b>£m</b>	<b>£m</b>
<b>Forecast Cumulative Deficit for 2017-18 Budget Setting</b>		<b>20.227</b>
Forecast Deficit due to Appeals	3.022	
Actual Deficit due to Appeals	8.792	
		5.770
Forecast Deficit due to increase in provision for doubtful debts	1.125	
Actual Surplus due to decrease in provision for doubtful debts	(1.294)	
		(2.419)
Forecast Deficit due to reduced Net Growth after Reliefs	0.843	
Actual Deficit due to reduced Net Growth after Reliefs	1.172	
		0.329
<b>Cumulative Business Rates Deficit c/fwd</b>		<b>23.907</b>

- 3.4. The following table shows the proportionate shares of the 2016/17 Business Rates deficit compared with the forecast for the 2017/18 budget setting process:

<b>Table 10:</b>	<b>Forecast</b>	<b>Outturn</b>	<b>(Improvement)/ Decline</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Central Government	10.114	11.954	1.840
Fire	0.202	0.239	0.037
BCC	9.911	11.714	1.803
<b>Total</b>	<b>20.227</b>	<b>23.907</b>	<b>3.680</b>

### 3.5. Business Rates Arrears 2016/17

A summary of the Business Rates Arrears position for the end of 2016/17, including the element attributable to the Enterprise Zone, is shown in Table 11:

<b>Table 11</b>	<b>Prior Years</b>	<b>2016-17</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
NNDR Arrears b/fwd	97.661		97.661
Prior Year Adjustments/Net of Refunds	(4.071)		(4.071)
Due in year:			
Non EZ		443.725	443.725
Enterprise Zone (EZ)		3.677	3.677
Collected	(10.826)	(424.176)	(435.002)
Amounts Written Off	(12.212)	(0.011)	(12.223)
Credits Written On	1.465		1.465
<b>Business Rates Arrears</b>	<b>72.017</b>	<b>23.215</b>	<b>95.232</b>

A summary of the Business Rates Arrears position for 2016/17 compared with 2015/16 is shown in Table 12:

Table 12	31 March 2015	31 March 2016	Change
	£m	£m	£m
Business Rates Arrears Prior Years	74.229	72.017	(2.212)
Business Rates Arrears In Year	23.432	23.215	(0.217)
<b>Business Rates Debtors</b>	<b>97.661</b>	<b>95.232</b>	<b>(2.429)</b>

### 3.6. Provision for Doubtful Debts

The Business Rates Bad Debt provision has moved from £55.3m to £53.2m, a decrease of £2.1m. The 2016/17 year end provision is compared in Table 13 to the previous year:

Table 13	31 March 2016	31 March 2017	Change
	£m	£m	£m
Business Rates Arrears (Gross)	97.661	95.232	(2.429)
Less Provision for Bad or Doubtful Debts	(55.348)	(53.194)	2.154
<b>Business Rates Debtors (Net)</b>	<b>42.313</b>	<b>42.038</b>	<b>(0.275)</b>
Bad Debt Provision as % of Gross Debtors	56.7%	55.9%	(0.8%)

During the year there has been a net amount of £10.7m written off relating to Business Rates debts (£12.2m debt write offs less £1.5m of credits written on) compared with £10.9m net write-offs in 2015-16. After making a further contribution to the provision for bad and doubtful debts in 2016/17 of £8.6m, including £0.1m relating to the Enterprise Zone, the overall provision has decreased by £2.1m.

### 3.7. Collection Performance

For Business Rates the adjusted actual in year collection rate calculated was 97.2% (2015/16: 96.7%). This is the in-year collection rate as reported to the Department for Communities and Local Government as required by the Final Quarterly Return for Collection of Council Tax and Business Rates (QRC4) and is inclusive of allowable adjustments. Set out below is the QRC4 in-year collection performance for the past three years.

Table 14	Actual In Year Business Rates Collection Rates		
	2014/15	2015/16	2016/17
QRC4 Base	96.7%	96.7%	97.2%