

COLLECTION FUND OUTTURN – 2015/16**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 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 2017/18 in this instance.

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

The Collection Fund position for 2015/16 applicable to the Council Tax element of the Fund is summarised below:

Table 1	£m	£m
Income:		
Council Tax Income due in 2015/16	(324.347)	
Adjustment to sums due for prior years	1.382	
Contribution to Bad Debt Provision	9.462	
Total Income		(313.503)
Budgeted Precepts 2015/16		
Birmingham City Council	271.175	
New Frankley in Birmingham Parish	0.043	
West Midlands Police & Crime Commissioner	24.942	
West Midlands Fire and Rescue Authority	12.860	
Total Expenditure		309.020
2015/16 In Year Surplus		(4.483)
2014/15 Surplus b/fwd		(3.623)
Cumulative Council Tax Surplus c/fwd		(8.106)

- 2.2. The actual in-year surplus on the Council Tax element of the Collection Fund for 2015/16 was £4.483m. The cumulative balance brought forward from 2014/15 amounted to a surplus of £3.623m, giving a closing cumulative surplus at the end of 2015/16 of £8.106m.

2.3. A £6.587m cumulative surplus was forecast when setting the 2016/17 budget, resulting in an improvement of £1.519m to be carried forward into future years. This improvement is mainly as a result of the final estimate of the provision for bad and doubtful debt required. The make-up of this improvement is summarised in table 2:

Table 2	£m	£m	£m
Forecast Cumulative Surplus for 2016-17 Budget Setting			(6.587)
Forecast Provision for Bad and Doubtful Debts	(39.697)		
Actual Provision for Bad and Doubtful Debts	38.491		
		(1.206)	
Other Improvements		(0.313)	
			(1.519)
Cumulative Council Tax Surplus c/fwd			(8.106)

2.4. The Council's share of the surplus is £7.116m, which compares to a £5.781m surplus anticipated when the Council Tax for 2016/17 was set. This is an improvement of £1.335m. The additional surplus of £1.335m will be taken into account when setting the budget for 2017/18. The allocation of the total accumulated surplus, from Council Tax at 31 March 2016 is outlined in Table 3:

Table 3	Forecast	Outturn	Improvement
	£m	£m	£m
Council	(5.781)	(7.116)	(1.335)
Police & Crime Commissioner	(0.532)	(0.654)	(0.122)
Fire & Rescue Authority	(0.274)	(0.336)	(0.062)
Total Surplus	(6.587)	(8.106)	(1.519)

2.5. Council Tax Arrears

A summary of the Council Tax Arrears position for the end of 2015/16 is shown in Table 4.

Table 4	Prior Years	2015/16	Total
	£m	£m	£m
Balance b/f prior years	97.638		97.638
Adjustments	(1.382)		(1.382)
Due in year		324.347	324.347
Collected	(13.635)	(299.152)	(312.787)
Write offs	(11.053)	(0.056)	(11.109)
Council Tax Arrears	71.568	25.139	96.707

A summary of the Council Tax Arrears position for 2015/16 compared with 2014/15 is shown in Table 5.

Table 5	31 March 2015	31 March 2016	Change
	£m	£m	£m
Council Tax Arrears Prior Years	72.984	71.568	(1.416)
Council Tax Arrears In Year	24.654	25.139	0.485
Council Tax Debtors	97.638	96.707	(0.931)

2.6. Provision for Doubtful Debts

The provision for bad and doubtful debts stands at £38.491m as at 31 March 2016, a slight decrease from the £40.138m set aside at the end of 2014/15. The 2015/16 year end provision is compared in Table 6 to the prior year:

Table 6	31 March 2015	31 March 2016	Change
	£m	£m	£m
Council Tax Arrears Debtors (Gross)	97.638	96.707	(0.931)
Less Provision for Bad or Doubtful Debts	(40.138)	(38.491)	1.647
Council Tax Debtors (Net)	57.500	58.216	0.716
Bad Debt Provision as % of Gross Debtors	41.1%	39.8%	-1.3%

During the year a total value of £11.109m of Council Tax debts, relating to both current and prior years, have been written off as irrecoverable.

After making a further contribution to the provision for bad and doubtful debts of £9.462m in 2015/16, the overall provision has, therefore, decreased by £1.647m.

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		
	2013/14	2014/15	2015/16
QRC4 Base	95.3%	94.6%	94.6%

3. NNDR - National Non-Domestic Rates (Business Rates)**3.1. Business Rates Summary**

The Collection Fund position for 2015/16 applicable to the Business Rates element of the Fund excluding the Enterprise Zone is summarised below:

Table 8	£m	£m
Business Rates Income due for 2015/16	(429.178)	
Adjustments for Prior Years	(3.165)	
Contribution to Appeals Provision	37.500	
		(394.843)
Contribution to Bad Debt Provision	12.598	
Cost Of Collection Allowance	1.942	
		14.540
Total Income		(380.303)
Expenditure:		
Budgeted Proportionate Shares 2015/16:		
Central Government	202.437	
Birmingham City Council	198.389	
West Midlands Fire and Rescue Authority	4.049	
Total Expenditure		404.875
2015/16 In Year Deficit		24.572
2014/15 Deficit b/fwd	7.910	
Back Dated Appeals Spread Adjustment	9.698	
		17.608
Cumulative Business Rates Deficit c/fwd		42.180

3.2. The actual in-year deficit on the Business Rates element of the Collection Fund for 2015/16 was £24.572m. The cumulative balance brought forward from 2014/15 amounted to a deficit of £17.608m 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 2015/16 is, therefore, £42.180m. A £36.648m cumulative deficit was forecast when setting the 2016/17 budget, a significant proportion of which was due to additional substantial reductions for back dated appeals in the city centre. The further deficit of £5.532m will be carried forward into future years, of which the City Council's share is £2.710m.

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

- Analysis of the latest appeals information available from the valuation office (VOA) has resulted in an increase in the provision set aside for losses over and above those previously forecast due to some additional anticipated downwards adjustments to rateable values by the VOA of certain properties.
- Analysis of the end of year arrears position and associated provision for doubtful debts has resulted in an increase in the specific provision relating to the larger debtors. In addition the increase includes further movement of other debtors through the enforcement process that require a higher provision than anticipated when setting the budget for 16/17, such as those that have entered into administration, those that have been returned from the enforcement agents with no effects or where the council are considering enforcing bankruptcy.
- An increase in unoccupied property relief for several large assessments during March 2016.
- An element of anticipated growth has not yet materialised as at 31st March 2016. However, it is expected that this will be forthcoming early in the new financial year including an adjustment for backdated liabilities.

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

Table 9	£m	£m
Forecast Cumulative Deficit for 2016-17 Budget Setting		36.648
Forecast Deficit due to Appeals	(17.742)	
Actual Deficit due to Appeals	18.916	
		1.174
Forecast Deficit due to increase in provision for doubtful debts	(2.011)	
Actual Deficit due to increase in provision for doubtful debts	3.916	
		1.905
Forecast Deficit due to Unoccupied Property & Mandatory Reliefs	(0.021)	
Actual Deficit due to Unoccupied Property & Mandatory Reliefs	2.133	
		2.112
Forecast Deficit due to anticipated Growth	(2.370)	
Actual Deficit due to anticipated Growth	2.795	
		0.425
Other Improvements for other Reliefs		(0.084)
Cumulative Business Rates Deficit c/fwd		42.180

3.4. The following table shows the proportionate shares of the 2015/16 Business Rates deficit compared with the forecast for the 2016/17 budget setting process:

Table 10:	Forecast	Outturn	(Improvement)/ Decline
	£m	£m	£m
Central Government	18.324	21.090	2.766
Fire	0.366	0.422	0.056
BCC	17.958	20.668	2.710
Total	36.648	42.180	5.532

3.5. Business Rates Arrears 2015/16

A summary of the Business Rates Arrears position for the end of 2015/16, including the element attributable to the Enterprise Zone, is shown in Table 11:

Table 11	Prior Years	2015-16	Total
	£m	£m	£m
NNDR Arrears b/fwd prior years	93.904		93.904
Adjustments/Net of Refunds	3.165		3.165
Due in year:			
Non EZ		429.178	429.178
Enterprise Zone (EZ)		1.229	1.229
Collected	(12.033)	(406.921)	(418.954)
Amounts Written Off	(12.129)	(0.054)	(12.183)
Credits Written On	1.322		1.322
Business Rates Arrears	74.229	23.432	97.661

A summary of the Business Rates Arrears position for 2015/16 compared with 2014/15 is shown in Table 12:

Table 12	31 March 2015	31 March 2016	Change
	£m	£m	£m
Business Rates Arrears Prior Years	72.518	74.229	1.711
Business Rates Arrears In Year	21.386	23.432	2.046
Business Rates Debtors	93.904	97.661	3.757

3.6. Provision for Doubtful Debts

The Business Rates Bad Debt provision has moved from £53.535m to £55.348m, an increase of £1.813m. The 2015/16 year end provision is compared in Table 13 to the previous year:

Table 13	31 March 2015	31 March 2016	Change
	£m	£m	£m
Business Rates Arrears (Gross)	93.904	97.661	3.757
Less Provision for Bad or Doubtful Debts	(53.535)	(55.348)	(1.813)
Business Rates Debtors (Net)	40.369	42.313	1.944
Bad Debt Provision as % of Gross Debtors	57.0%	56.7%	(0.3%)

During the year there has been a net amount of £10.861m written off relating to Business Rates debts (£12.183m debt write offs less £1.322m of credits written on) compared with £10.980m net write-offs in 2014-15. After making a further contribution to the provision for bad and doubtful debts in 2015/16 of £12.674m, including £0.076m relating to the Enterprise Zone, the overall provision has, therefore, increased by £1.813m.

3.7. Collection Performance

For Business Rates the adjusted actual in year collection rate calculated was 96.7% (2014/15: 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		
	2013/14	2014/15	2015/16
QRC4 Base	95.5%	96.7%	96.7%