



Actual Penny Product Forecast	21/11/2017
Corporate, Policy and Resources Committee – For information	

Linkage to Council Strategy (2015-19)	
Strategic Theme	Innovation and Transformation
Outcome	The Council will continuously examine and introduce ways to provide services in more accessible and efficient ways
Lead Officer	Chief Finance Officer
Cost: (If applicable)	N/A

1.1 Background

Land and Property Services (LPS) who issue bills and collect rates on behalf of Councils issue in year forecasts on the Actual Penny Product (APP) and projected outturns with regards the amount of rates actually collected.

1.2 Detail

LPS has issued to Councils the second in year forecast for the APP based on figures at 30 September 2017. The forecast for Causeway Coast and Glens Borough Council indicates that we are on course to receive a positive finalisation in terms of rates income amounting to approximately £785k. The figure has been calculated on the basis of a number of assumptions which are detailed below:

The Assumptions

- Gross Rate Income (GRI) calculated as at 30th September 2017. An examination of the

tax base for Causeway Coast and Glens Borough Council shows that there has been growth in both the domestic and non-domestic sectors of £110K and £300K respectively (in regional and district rate terms) during the quarter. No further adjustment has been made to the GRI to account for expected reductions as a result of valuation activity throughout the rest of the year. There remains approximately £9 million of NAV under challenge and there will be reductions as a result of this, the majority of which will be increased by a factor of three due to backdating to April 2015 when the 7th List went live.

- Rates foregone from vacant property in the non-domestic sector for the initial three month exemption period have been calculated based on the monetary value of losses used in the EPP, at 31st March 2017 or 30th September 2017 whichever is the higher. In the case of Causeway Coast and Glens Borough Council the forecast has calculated these based on losses used in the EPP. Losses in the “50%” and “Exempt” categories were calculated based on the actual loss at 30th September 2017 plus a 2% uplift. In this regard losses built into the forecast exceed actual losses in the LPS accounting system at 30th September 2017 by £127K inclusive of district and regional rates. Accordingly unless losses in those categories increase by that amount between now and year end then there is the potential for further improvement in the forecast. We will look at this in more detail in the third quarter.
- Rates foregone (exclusions including developer) from REH have been calculated based on the monetary value of losses at 30th September 2017.
- Discount by way of landlord allowances has been calculated based on the monetary value of losses used in the EPP, at 31st March 2017 or 30th September 2017 whichever is the higher.
- Write-offs based on losses of £24.4 million used in the estimates including irrecoverables arising from REH. We are currently undertaking some detailed analysis of write-off and Laura Mooney can discuss this with you at the meeting scheduled for 7 November 2017. As at the end of the quarter there is a cushion of £951k in relation to the write off balance for the year.
- Cost of Collection estimated at £20.1 million for the rating year apportioned across the 11 Councils on the basis of statutory formula. Rateable Values used were the average of those in the Valuation Lists at 31st March 2017 and 30th September 2017.
- The CAP based on losses in the system at 30th September 2017.

This is an encouraging indication of the strength of our rates base as we now appear to be gaining the benefit of many of the recent increased planning applications with these now beginning to appear as properties on the ground. There is however caution continuing to be expressed around ongoing challenges to the non-domestic revaluation. Many of these challenges have been settled and their effect of the penny product has been dealt with but there are still a number of high value challenges with the added impact due to these potentially being backdated thereby impacting on more than one year's rates.

This encouraging news is doubly welcome when we consider that the benefit will translate into a strong Estimated Penny Product (EPP) which is used for the striking of the rate. At a recent meeting with LPS officials officers were further encouraged to hear that here may still be one or two significant developments not yet included in the valuation list which will be complete on or before 1 April 2018 and therefore could further strengthen our EPP position. In addition LPS has worked extremely hard in reducing "losses" to the extent that the assumption regarding write-offs which currently provides a cushion of £951k is being reduced by around £200k for the purposes of the EPP.