



Report for: Cabinet

Date of Meeting:	19 December 2023
Subject:	Estimated Surplus / (Deficit) on the Collection Fund 2023-24
Key Decision:	Yes
Responsible Officer:	Sharon Daniels – Interim Director of Finance and Assurance
Portfolio Holder:	Councillor David Ashton – Portfolio Holder for Finance and Human Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report sets out the estimated financial position on the Collection Fund as at 31st March 2024 and how it is shared amongst the constituent precepting bodies and Central Government.

Recommendations:

Cabinet is asked to:

- (a) Note an overall net estimated deficit of -£1.462m on the total Collection Fund as at 31st March 2024 as set out in the table in paragraph 2.
- (b) Agree Harrow's surplus share of £0.790m as set out in the table in paragraph 2 and this be transferred to the General Fund in 2024-25.

Reason: (For recommendations)

To report to Cabinet on the Council's statutory obligation to estimate the surplus or (deficit) on the Collection Fund for the year end. Approval to the recommendations set out is a major part of the annual budget review process.

Section 2 – Report**Introductory paragraph**

1. The Council is required by statute to maintain a separate fund called the Collection Fund for the collection and distribution of amounts due in respect of council tax and national nondomestic rates (NNDR / Business Rates). The arrangement in respect of council tax is that of an agent with 79.93% being retained by Harrow and 20.07% going to its preceptor Greater London Authority. For NNDR the Council is responsible for collecting and distributing the business rates they collect in the proportions 30% retained by Harrow, 37% to the Greater London Authority and 33% to Central Government.

2. Specific to 2023/24 - Surplus / Deficits

The estimate of the deficit for the Collection Fund as at 31st March 2024 is made for the purpose of the 2024-25 budget. The estimated financial position shows a £1.462m deficit as at 31st March 2024 as set out in the table below with the allocation between the stakeholders for both council tax and NNDR.

	Council Tax		NNDR		Total
	%	£m	%	£m	£m
Harrow Council	79.93	1.967	30	(1.177)	0.790
Greater London Authority	20.07	0.494	37	(1.452)	(0.958)
Central Government	-	-	33	(1.295)	(1.295)
		2.461		(3.923)	(1.462)

With regards to Council Tax, a surplus occurred due to Harrow's collection performance continuing to achieve top quartile status and Harrow reducing the bad debt provision, which had been increased previously due to the risk of the cost of living situation impacting collection performance. The risk did not fully materialise which allowed Harrow to release funds.

Additionally, the increase in Council Tax Support (CTS) over the last two years, (which decreased the tax base as more band D's were required to cover the cost) is now reducing, which has also contributed to the surplus available.

Notwithstanding the above, bad debt provisions (BDP) are still at a level which Officers believe will be more than adequate to cater for deteriorations in collection performance linked to the current and on-going cost of living situation.

The majority of the Business Rates deficit occurred due to the fact that the Government increased the reliefs to small businesses and this was not fully

reflected in the taxbase as some of the reliefs were announced very late in the year. As reliefs are offset by s31 compensation grants, the overall cost to Harrow regarding this is 100% mitigated. However, approximately £500k of the deficit is due to Harrow losing rateable value annually as more commercial properties are converted to domestic use. This is not mitigated and is a real loss to the taxbase.

General - Council Tax

3. There are four main factors in the calculation of the estimated surplus / (deficit) on Council Tax: -
 - Surplus / (deficit) brought forward from the previous financial year.
 - Change in the gross income due to variations in relation to council tax discounts, exemptions and the cost of Local Council Tax Support Scheme.
 - Increase to the tax base due to additional new properties being added to the Council Tax list; and
 - Increase / decrease in the level of bad debt provision (BDP).
4. The council tax in year collection rate for 2023-24 is on profile and is expected to exceed 96.7% in year. For 2023-24 the overall budgeted collection percentage over time is 98%, and it is proposed that it remains at 98% for the 2024-25 financial year.

General - Business Rates Retention Scheme

5. The Business Rate Retention Scheme (BRRS) was introduced on 1st April 2013, as part of the move to localise and stimulate business growth at a local level. Under the BRRS the Authority currently retains 30%, the GLA 37% and DLUHC (Department for Levelling Up, Housing & Communities) retains the remaining 33%.
6. There are six main factors in the calculation of the estimated surplus / (deficit) on BRRS:-
 - Surplus / (deficit) brought forward from the previous financial year;
 - Change in the gross income due to variations relating to reliefs and exemptions;
 - Change in the expenditure in relation to reliefs and exemptions;
 - Increase / decrease in the level of appeals against rateable values;
 - Increase / decrease in the level of bad debt provision (BDP); and
 - Increase / decrease in the tax base due to properties being added to or removed from the Business Rates valuation list.
7. The collection rate is slightly below the national trend but this is due to the fact that Harrow's predominant ratepayers (65%) are Small Medium Enterprises (SME). These small traders do not generally pay by the regular direct debit method of payment and as such this can cause collection challenges which contribute to Harrow's lower collection rates.

Performance Issues

8. There are challenges in achieving the collection target due to the make up and affordability power of a large percentage of our ratepayers.

Procurement Implications

9. There are no procurement implications arising from the Recommendations of this report.

Risk Management Implications

10. The outcome of the surplus or deficit estimated calculation impacts on the future financial year's budget as it is a first call on that future budget should there be a deficit which needs funding.

Risks included on corporate or directorate risk register? **No**

Separate risk register in place? **No** but part of overall budget risks

The following key risks should be taken onto account when agreeing the recommendations in this report:

Risk Identified	Mitigations	RAG
Non-compliance with legislative requirements to estimate the surplus or deficit on the Collection Fund	An overall surplus has been estimated for 2023/24 as per the main body of the report	Green
Any deficit identified in 2023/24 will detrimentally impact the MTFS.	There is an estimated surplus for the year 2023/24. As such there is no expected detrimental impact to the MTFS. The collection fund will continue to be monitored throughout the year so management reacts to any variance from the expected outcome at an early stage.	Green
Calculation is inaccurate	Processes in place to validate surplus or deficit calculations. Officers have estimated the surplus/(deficit) by adhering to provisions and appeals guidance regarding the amounts that are required, taking into account current level of arrears or appeals lodged or that may be lodged in future	Green
Potential unexpected increases in CTS caseload, both pensioner and working age, which may mean a bigger deficit on council tax if CTS support is above that budgeted for because of <ol style="list-style-type: none">1. On-going cost of living crisis2. Lower collection rates due to higher unemployment	The overall surplus simply represents the snapshot position expected as at 31 st March. Any differences would be accounted for once actuals are known, as part of the new financial year's calculation, therefore not affecting 2024/25 financial year, but 2025/26. This will mean that the collection fund would be adversely affected in the first instance, not the revenue budget, and there would be no immediate risk to the budget. This would allow the local authority an additional year to clear the collection fund deficit therefore giving Harrow time to plan to clear any shortfall without endangering the 2024/25 budget.	Green

Legal Implications

11. The Local Authorities (Funds) (England) Regulations 1992 (SI 2428) requires the billing authority to estimate each financial year the surplus or (deficit) on its Collection Fund for the preceding financial year by 15th January each year, or the first working day thereafter if the 15th falls on a weekend or bank holiday.
12. The Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 452) requires the billing authority to estimate, for the relevant year, the surplus or (deficit) for business rates on or before 31st January each year.
13. Article 6 of the Council's Constitution states a key decision is an executive decision which:
 - (i) is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the Council's budget for the service or function to which the decision relates; or
 - (ii) is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough.
14. A decision is significant for the purposes of (i) above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question.

Financial Implications

15. Financial matters are integral to the report. High collection rates feed into the budget and it is imperative that this level of performance continues, specifically regarding Council Tax as this is now the Council's largest income stream. Harrow's rates compare well with the national position and against London.

The surplus will impact the MTFs. For 2024/25, there will be a one off contribution of £0.790m to the general fund.

Equalities implications / Public Sector Equality Duty

16. There are no direct equalities impacts arising from the decisions within this report.
17. This report deals with the Collection Fund which is a key part of the budget setting process and therefore helps deliver the Council's vision and priorities.

Council Priorities

Agreeing the surplus or deficit amount in the Collection Fund allows the Council to work out its available income. As such it is an essential part of the Council's budget process and helps to support corporate priorities. It therefore supports;

1. A council that puts residents first
2. A borough that is clean and safe

3. A place where those in need are supported

Section 3 - Statutory Officer Clearance

Statutory Officer: Sharon Daniels
Signed off by Chief Financial Officer
Date: 07 December 2023

Statutory Officer: Paresh Mehta
Signed on behalf of the Monitoring Officer
Date: 16 November 2023

Chief Officer: Sharon Daniels
Signed by Director
Date: 07 December 2023

Head of Procurement: Nimesh Mehta
Signed by the Head of Procurement
Date: 15 November 2023

Head of Internal Audit: Tracy Barnett
Signed on behalf of the Head of Internal Audit
Date: 17 November 2023

Has the Portfolio Holder(s) been consulted? Yes

Mandatory Checks

Ward Councillors notified: NO, as it impacts on all Wards

EqlA carried out: NO

This is a technical financial report which does not require an EqlA.

EqlA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact:

Fern Silverio (Head of Service – Collections & Housing Benefits),
Tel: 020-8736-6818 / email: fern.silverio@harrow.gov.uk

Background Papers:

- The Local Authorities (Funds) (England) Regulations 1992
<http://www.legislation.gov.uk/ukpga/1992/14/contents>

- The Non-Domestic Rating (Rates Retention) Regulations 2013
<http://www.legislation.gov.uk/ukdsi/2013/9780111532959/contents>

**Call-in waived by the Chair of Overview and Scrutiny
Committee: No**