

REPORT FOR: **CABINET**

Date of Meeting:	11 December 2014
Subject:	Collection Fund 2014-15
Key Decision:	Yes
Responsible Officer:	Simon George, Director of Finance and Assurance
Portfolio Holder:	Councillor Sachin Shah, Portfolio Holder for Finance and Major contracts
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 31 March 2015 and how it is shared amongst the constituent precepting bodies and Central Government.

Recommendations:

Cabinet is asked to:

- (a) Note an overall net estimated surplus of £1.533m on the Collection Fund as at 31 March 2015.

This includes a surplus of £2.869m on Council Tax (Harrow share £2.301m) and deficit of £1.336m on Business Rates (Harrow share £0.401m).

- (b) Agree Harrow share of £1.9m and this be transferred to the General Fund in 2015-16.

Reason: (For recommendations)

To report to Cabinet on the Council’s statutory obligation to make an estimate of the surplus or deficit on the Collection Fund. Approval to the recommendations set out is a major part of the annual budget review process.

Section 2 – Report

Introductory paragraph

1. The Collection Fund account reflects the statutory requirements for the Council to maintain a separate Fund, in relation to the operation of the Business Rates Retention Scheme (BRRS) and Council Tax. The Fund records all the transactions for billing in respect of Non Domestic Rates (NDR) and Council tax, exemptions and discounts granted, provision for bad debts and appeals and payments to the precept authorities Greater London Authority (GLA), Council’s own demand and Central Government.

Options considered

2. At the end of each year the overall surplus/deficit on the Collection Fund is subsequently borne by, or distributed to, the billing authority (i.e. Harrow), the preceptor (i.e. GLA) and Central Government. The estimated financial position on the Collection Fund as at 31 March 2015 and the share of surplus/deficit for each stakeholders are summarised below:-

	Council Tax (Table 1a)		BRRS (Table 2a)		Total
	%	£m	%	£m	£m
Harrow Council	80.1892	2.301	30	-0.401	1.9
Greater London Authority	19.8108	0.568	20	-0.267	0.301
Central Government			50	-0.668	-0.668
		2.869		-1.336	1.533

Background

Council Tax

3. There are mainly four factors in the calculation of the estimated surplus/deficit on Council Tax:-
 - Surplus or deficit brought forward from the previous financial year;
 - Change in the gross income;
 - Change in the expenditure in relation to discounts, exemptions and Local Council Tax Support Scheme; and

- Increase or Decrease in the level of bad debt provision (BDP).

Table 1a

	Forecast £m
Net Yield	123.544
Losses in Collection & Increase in Bad Debt Provision	-2.494
Prior Year's Adjustment	0.372
Net Income	121.422
Precepts	
Harrow Council	-95.067
Greater London Authority	-23.486
Total Precepts	-118.553
Estimated Surplus/(Deficit)	2.869

- This is the second year of the Welfare Reform Scheme which has resulted in claimants having to pay more council tax.
- The collection rate for 2014-15 is on profile, which is an excellent achievement considering that the Council Tax Support Scheme (CTS) parameters changed for the second year resulting in working age claimants having to pay much higher council tax than in the previous year. The arrears position for these debts is being monitored and recovery processes are in place to ensure compliance with payment plans. Expected losses are within the 2.5% factored into the taxbase.
- The table below summarises the total arrears position as at 30th November 2014 along with the provision requirement.

Table 1b

	Arrears as at 30 November 2014 £m	BDP %	BDP requirement £m
Pre 2011-12	1.511	100	1.511
2012-2013	0.811	100	0.811
2013-2014	1.813	75	1.359
Total	4.134		3.681

Business Rates Retention Scheme

- From the 1st April 2013 the Business Rate Retention Scheme (BRRS) was introduced, as part of the move to localise and stimulate business growth at a local level. Under the BRRS the Authority pays 50% of its business rates income to Central government, 20% to GLA and retains the remaining 30%.
- There are mainly five factors in the calculation of the estimated surplus/deficit on BRRS:-
 - Surplus or deficit brought forward from the previous financial year;
 - Change in the gross income;

- Change in the expenditure in relation to reliefs and exemptions;
- Increase or Decrease in the level of bad debt provision (BDP); and
- Increase or Decrease on the losses of appeals provision.

Table 2a

	Forecast £m
Net Yield	50.401
Cost of Collection	-0.258
Losses in Collection & Increase in Bad Debt Provision	-1.094
Losses on Appeals	-1.100
Prior year's adjustment	-0.974
Net Income	46.975
Precepts	
Central Government 50%	-24.156
Greater London Authority 20%	-9.662
Retained by Harrow 30%	-14.493
Total Precepts	-48.311
Estimated Surplus/-Deficit	-1.336

9. As this is the second year of the new scheme, estimates have had to be used for provisions for appeals and properties being removed from the valuation list. The number of properties that have been removed from the valuation list, due to having received planning permission to convert to residential properties, have exceeded expectations.
10. In additions, the Valuation Office's project to clear appeals has had an impact on compressing reductions achieved over a shorter period of time.
11. A combination of the above two factors have resulted in a loss of around £2m in terms of rateable value, and have resulted in the deficit in Table 2a.
12. The table below shows the aged analysis of the debt as at 30th November 2014. The collection rate is slightly below the profile as the Council's predominant ratepayers are Small Medium Enterprises (SME), who are still being affected by the economic climate which is having an impact on their ability to pay.

Table 2b

	Arrears as at 30 November 2014 £m	BDP %	BDP requirement £m
Pre 2013-2014	0.531	100	0.531
2013-14	1.060	100	1.060
Total	1.591		1.591

Performance Issues

13. There are challenges in achieving the collection target due to economic climate and the new Council Tax Support Scheme. Performance data is shown in the separate reports on Calculation of Council Tax Base for 2014 – 2015 and Calculation of Business Rates Income for 2014 – 2015 on the Cabinet agenda.

Risk Management Implications

14. In the current economic climate there is a risk that the Council's collection performance could decline. This would have an adverse impact on the Collection Fund financial position.

- Risk included on Directorate risk register? Yes
- Separate risk register in place? No

Legal Implications

15. The Local Authorities (Funds) (England) Regulations 1992 (SI 2428) requires the billing authority to estimate the surplus or deficit in its Collection Fund by 15th January.

16. The Non-Domestic Rating (Rates Retention) Regulations 2013 (SI 452) requires the billing authority to estimate the surplus or deficit for business rates on or before 31st January.

Financial Implications

17. Financial matters are integral to the report.

Equalities implications / Public Sector Equality Duty

18. There are no direct equalities impacts arising from the decisions within this report.

Council Priorities

19. 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.

Section 3 - Statutory Officer Clearance

Name: Simon George Chief Financial Officer

Date: 17 November 2014

Name: Caroline Eccles on behalf of the Monitoring Officer

Date: 14 November 2014

Ward Councillors notified: NO as it impacts on all Wards

EqIA carried out: No
EqIA cleared by: There are no direct equalities impacts arising from the decisions within this report.

Section 4 - Contact Details and Background Papers

Contact: Hasina Shah (Head of Technical Finance and Accountancy)
hasina.shah@harrow.gov.uk, Telephone 0208 424 1573

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>

- Statement of Accounts 2013/14
<http://moderngov:8080/documents/s116417/SoA%202013-2014%2010.09.14%20GARMS%20without%20password.pdf>

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]