
REPORT FOR: CABINET

Date of Meeting:	10 December 2015
Subject:	Estimated Surplus / (Deficit) on the Collection Fund 2015-16
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
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 2016 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 £2.679m on the

Collection Fund as at 31 March 2016.

This includes a surplus of £5.304m on Council Tax (Harrow share £4.281m) and deficit of £2.625m on Business Rates (Harrow share £0.787m).

- (b) Agree Harrow's share of £3.5m and this be transferred to the General Fund in 2016-17.

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 non domestic rates (NNDR). The arrangement in respect of council tax is that of an agent with 80.71% being retained by Harrow and 19.29% 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, 20% to the Greater London Authority and 50% to Central Government.

Options considered

2. The estimate of the surplus / (deficit) for the Collection Fund as at 31st March 2016 is made for the purpose of the 2016/17 budget. The estimated financial position of £2.679m as at 31st March 2016 is shown in the table below with the allocation between the stakeholders for both council tax and NNDR :-

	Council Tax (Table 1a)		NNDR (Table 2a)		Total
	%	£m	%	£m	£m
Harrow Council	80.7109	4.281	30	-0.787	3.494
Greater London Authority	19.2891	1.023	20	-0.525	0.498
Central Government			50	-1.313	-1.313
		5.304		-2.625	2.679

Background

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 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).

Table 1a

Council Tax	Forecast £m
Net Yield	128.141
Losses in Collection & Increase in Bad Debt Provision	-1.968
Prior Year's Adjustment	1.167
Net Income	127.340
Precepts	
Harrow Council	-98.496
Greater London Authority	-23.540
Total Precepts	-122.036
Estimated Surplus / (Deficit)	5.304

4. This is the third year of the Local Council Tax Support Scheme. Claimants now all pay a minimum amount towards council tax or pay higher council tax due to lower financial awards.
5. The council tax collection rate for 2015-16 is on profile and is expected to exceed 97% in year which will be an excellent achievement. As the impact of localisation of Council Tax Support was not as high as originally expected, it is envisaged that a higher budgeted collection rate of 97.75% will be adopted for 2016/17 (97.5% previously).
6. The table below summarises the total arrears position as at 27th November 2015 along with the bad debt provision required.

Table 1b

Council Tax	Arrears as at 27th November 2015 £m	BDP %	BDP requirement £m
Pre 2012-13	1.499	100	1.499
2013-2014	1.035	75	0.776
2014-2015	1.864	65	1.211
Total	4.398		3.486

Business Rates Retention Scheme

7. 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 pays 50% of its business rates income to Central government, 20% to GLA and retains the remaining 30%.
8. 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.

Table 2a

Business Rates	Forecast £m
Net Yield	50.215
Cost of Collection	-0.254
Losses in Collection & Increase in Bad Debt Provision	-1.237
Losses on Appeals	-1.750
Prior Year's adjustment	-3.163
Net Income	43.811
Precepts	
Central Government 50%	-23.218
Greater London Authority 20%	-9.287
Retained by Harrow 30%	-13.931
Total Precepts	-46.436
Estimated Surplus / (Deficit)	-2.625

9. We are now in the third year of the retention scheme under localisation. Trends are now emerging and the key one is that Harrow is losing substantial rateable value every year. This is mainly due to commercial properties being converted to domestic hereditaments or being in favour of new residential housing developments. Another trend is the amount of yield lost due to Appeals against rateable values.
10. A combination of the above two factors has resulted in a loss of around £2m in terms of rateable value, and given rise to the deficit in table 2a.
11. The table below shows the aged analysis of the debt as at 27th November 2015. The collection rate is slightly below the profile as the Council'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.

Table 2b

Business Rates	Arrears as at 30th November 2015 £m	BDP %	BDP requirement £m
Pre 2014-2015	0.814	100	0.814
2014-15	1.581	50	0.790
Total	2.395		1.604

Performance Issues

12. There are challenges in achieving the collection target due to the make up and affordability power of a large percentage of our ratepayers. However Business Rates income is a key part of the Council's overall budget and maintaining and improving collection rates is crucial as other grant income decreases.

Risk Management Implications

13. In view of historic trends, there is a risk that the Council's Business Rates income could reduce further. This would have an adverse impact on the Collection Fund's financial position.

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

Legal Implications

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

15. 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 each year.

Financial Implications

16. Financial matters are integral to the report.

Equalities implications / Public Sector Equality Duty

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

Council Priorities

18. 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: Dawn Calvert

Chief Financial Officer

Date: 1 December 2015

Name: Caroline Eccles

on behalf of the
Monitoring Officer

Date: 18 November 2015

Ward Councillors notified:

**NO as it impacts on all
Wards**

EqIA carried out:

No

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

EqIA cleared by:

Section 4 - Contact Details and Background Papers

Contact: Paul Gower (Interim Technical Accounting Manager)
paul.gower@harrow.gov.uk, Telephone 0208 424 1335

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 2014/15
http://www.harrow.gov.uk/download/downloads/id/7354/audited_statement_of_accounts_2014_15

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

NOT APPLICABLE

[Call-in applies]