
REPORT FOR: CABINET

Date of Meeting:	7 December 2017
Subject:	Estimated Surplus / (Deficit) on the Collection Fund 2017-18
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
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 2018 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 £13.382m on the Collection Fund as at 31st March 2018.

This includes a surplus of £3.936m on Council Tax (Harrow

share £3.259m) and £9.446m on Business Rates (Harrow share £2.834m).

- (b) Agree Harrow's share of £6.093m and this be transferred to the General Fund in 2018-19.

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 82.80% being retained by Harrow and 17.20% 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.

Options considered

2. The estimate of the surplus / (deficit) for the Collection Fund as at 31st March 2018 is made for the purpose of the 2018-19 budget. The estimated financial position of £13.382m as at 31st March 2018 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	82.80	3.259	30	2.834	6.093
Greater London Authority	17.20	0.677	37	3.495	4.172
Central Government			33	3.117	3.117
		3.936		9,446	13.382

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	138.077
Losses in Collection & Increase in Bad Debt Provision	0.496
Prior Year's Adjustment	1.274
Net Income	139.847
Precepts	
Harrow Council	-112.529
Greater London Authority	--23.382
Total Precepts	-135.911
Estimated Surplus / (Deficit)	3.936

4. This is the fifth 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 2017-18 is on profile and is expected to exceed 97% in year. The budgeted collection percentage is 98% in 2017-18 and it is proposed that it remains at 98% for the 2018-19 financial year
6. The table below summarises the total arrears position as at 31st October 2017 along with the bad debt provision required.

Table 1b

Council Tax	Arrears as at 31st October 2017 £m	BDP %	BDP requirement £m
Pre 2015-16	1.491	100	1.491
2015-2016	1.079	100	1.079
2016-2017	2.202	75	1.651
Total	4.772		4.221

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 currently pays 33% of its business rates income to Central government, 37% 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	53.958
Cost of Collection	-0.244
Losses in Collection & change in Bad Debt Provision	-0.455
Decrease in appeals provision	1.200
Prior Year's adjustment	3.140
Net Income	57.599
Precepts	
Central Government 33%	-15.890
Greater London Authority 37%	-17.817
Retained by Harrow 30%	-14.446
Total Precepts	-48.153
Estimated Surplus / (Deficit)	9.446

9. We are now in the fifth 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, and yield being lost due to the cost of dealing with Appeals.
10. However the national revaluation increased Harrow's rateable value which in turn increased Harrow's retention amount for 2017/18, creating a larger surplus than expected which was against expectations.
11. The table below shows the aged analysis of the debt as at 31st October 2017. 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.

Table 2b

Business Rates	Arrears as at 31st October 2017 £m	BDP %	BDP requirement £m
Pre 2016-2017	0.770	100	0.770
2016-17	1.253	100	1.253
Total	2.023		2.023

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.

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 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.

15. 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.

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: 09 November 2017

Name: Baljeet Virdee on behalf of the
Monitoring Officer

Date: 10 November 2017

Ward Councillors notified: NO

EqIA carried out: No

EqIA cleared by: N/A

Section 4 - Contact Details and Background Papers

Contact: Purvi Shah (Corporate Technical Accountant)
purvi.shah@harrow.gov.uk, Telephone 0208 736 6624

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 2015-16
http://www.harrow.gov.uk/download/downloads/id/8959/audited_statement_of_accounts_2015_16

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

NOT APPLICABLE

[Call-in applies]