
REPORT FOR: CABINET

Date of Meeting:	6 December 2018
Subject:	Estimated Surplus / (Deficit) on the Collection Fund 2018-19
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and 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 2019 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 £2.465m on the Collection Fund as at 31st March 2019.

This includes a surplus of £3.635m on Council Tax (Harrow share £3.002m) and a deficit of (£1.170m) on Business Rates (Harrow share (£0.779m)).

- (b) Agree Harrow's share of **£2.223m** and this be transferred to the General Fund in 2019-20.

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

- 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 82.58% being retained by Harrow and 17.42% 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 64% retained by Harrow, 36% to the Greater London Authority.

Options considered

- The estimate of the surplus / (deficit) for the Collection Fund as at 31st March 2019 is made for the purpose of the 2019-20 budget. The estimated financial position of £2.3m as at 31st March 2019 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	82.58	3.002	64	(0.779)	2.223
Greater London Authority	17.42	0.633	36	(0.420)	0.213
Central Government			0	0.029	0.029
		3.635		(1.170)	2.465

Background

Council Tax

- 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).
4. The council tax in year collection rate for 2018-19 is on profile and is expected to exceed 97% in year. For 2018-19 the overall budgeted collection percentage over time is 98%, and it is proposed that it remains at 98% for the 2019-20 financial year

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 pays 36% to GLA and retains the remaining 64%.
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.

Risk Management Implications

9. 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

10. 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.

11. 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

12. 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, and are set out below for information.

	Council Tax			
	Amount collected by 31 March 2017	Amount collected by 31 March 2017 as a % of amount collectable	Amount collected by 31 March 2018	Amount collected by 31 March 2018 as a % of net collectable debit
	£000s	%	£000s	%
Harrow	129,466	97.4	137,072	97.7
Outer London	2,496,094	97.0	2,618,155	97.1
All England	26,038,596	97.2	27,501,263	97.1

• Data from MHCLG published LA taxation rates 2017/18

Equalities implications / Public Sector Equality Duty

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

Council Priorities

14. 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: 03 December 2018

Name: Baljeet Virdee on behalf of the Monitoring Officer

Date: 03 December 2018

Procurement Clearance

Name: Nimesh Mehta

Head of Procurement

Date: 03 December 2018

Ward Councillors notified:

NO

EqIA carried out:

No

EqIA cleared by:

N/A

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 2017-18
http://www.harrow.gov.uk/info/200110/council_budgets_and_spending/698/statement_of_accounts/2

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

NO – CALL IN APPLIES