
REPORT FOR: CABINET

Date of Meeting:	9 January 2020
Subject:	Estimated Surplus / (Deficit) on the Collection Fund 2019-20
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance, Resources Directorate
Portfolio Holder:	Adam Swersky Finance & 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 2020 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 **£2.638m** on the Collection Fund as at 31st March 2020.

This includes a surplus of **£2.510m** on Council Tax (Harrow

share £2.059m) and a surplus of £0.128m on Business Rates (Harrow share £0.61m).

- (b) Agree Harrow's share of £2.120m and this be transferred to the General Fund in 2020-21.

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 82.04% being retained by Harrow and 17.96% 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 48% retained by Harrow, 27% to the Greater London Authority and 25% to Central Government (MHCLG).

Options considered

2. The estimate of the surplus / (deficit) for the Collection Fund as at 31st March 2020 is made for the purpose of the 2020-21 budget. The estimated financial position of £2.638m as at 31st March 2020 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	82.04	2.059	48	0.061	2.120
Greater London Authority	17.96	0.451	27	0.035	0.486
Central Government			25	0.032	0.32
		2.510		0.128	2.638

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 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 2019-20 is on profile and is expected to exceed 97% in year. For 2019-20 the overall budgeted collection percentage over time is 98%, and it is proposed that it remains at 98% for the 2020-21 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 27% to GLA, 25% to MHCLG and retains the remaining 48%.
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. 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

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 13 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.

Equalities implications / Public Sector Equality Duty

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

Council Priorities

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.

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels



on behalf of the *
Chief Financial Officer

Date: 25 November 2019

Name: Beljeet Virdee on behalf of the *
Monitoring Officer
Date: 25 November 2019

Name: Nimesh Mehta on behalf of the *
Head of Procurement
Date: 25 November 2019

Name: Charlie Stewart Corporate Director
Date: 19 December 2019

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 &
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>
- Statement of Accounts 2018-19

- www.harrow.gov.uk/downloads/file/26425/audited-statement-of-accounts-2018-19

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

NO