

LONDON BOROUGH OF HARROW

Meeting:	Cabinet
Date:	16 December 2003
Subject:	Estimated Collection Fund Deficit at 31 March 2004
Key decision:	No
Responsible Chief Officer:	Executive Director (Business Connections)
Relevant Portfolio Holder:	Finance and Human Resources and Performance Management
Status:	Part 1
Ward:	All
Enclosures:	None

1. Summary/ Reason for urgency (if applicable)

- 1.1 This is a technical report setting out the estimated deficit on the Collection Fund as at 31 March 2004 which the Council is legally required to approve.

2. Recommendations (for decision by Cabinet)

- 2.1 The Cabinet is asked to approve an estimated deficit of £ 21,330 on the Collection Fund as at 31 March 2004 and to note that an amount of £ 17,424 will be transferred from the General Fund in 2004-5

REASON:

To fulfil the Council's statutory obligation to make the estimate by 15 January 2004

3. Consultation with Ward Councillors

- 3.1 Not applicable

4. Policy Context (including Relevant Previous Decisions)

- 4.1 The Cabinet at its meeting on 17 December 2002 approved an estimated deficit as at 31 March 2003 of £ 388,000. The actual deficit was £ 396,046.

5. Relevance to Corporate Priorities

- 5.1 All

6. **Background Information and options considered**

- 6.1 The Council, as a billing authority for the Council Tax, is required to keep a special fund known as the Collection Fund. The Fund is credited with the amount of Council Tax, and Non Domestic Rates (NDR) it collects. The payments out of the Fund are in respect of the precept issued by the Greater London Authority and Harrows own local demand (i.e. General Fund expenditure net of Revenue Support Grant and share of NDR), and to the NDR Pool.
- 6.2. The Council is required by regulations under Section 99(3) of the Local Government Finance Act 1988 to make an estimate by 15 January 2004 of the amount of the deficit or surplus on this account as at 31 March 2004.
- 6.3. The Council's share (allocated pro rata to the call on the Collection Fund) must be transferred from or to the General Fund in the following year. This will affect the local demand on the Collection Fund for 2004-2005 and thus the level of the Council Tax.
- 6.4. Based on collections to date it is considered that a provision for non-collection for unpaid Council tax of £ 4,730,840 would now be prudent equivalent to approximately 1% of the total debit since the introduction of Council Tax at 1 April 1993 less write offs to date. This is a reduction of £ 869,000 on the total of the provision made to date including that implicit in the collection rate (£ 1.55m) used when calculating the Council Tax base for 2003-2004.

The amount to be collected from the Council Tax has however reduced by £ 882,000 from that estimated. This is mainly due to reductions that have been made for discounts and exemptions in respect of previous years. This results in the following estimated position.

	£
Deficit at 31 March 2003	396,046
Transfer in respect of estimated deficit at 31 March 2003	-387508
Change in collectable debit in 2003-2004	882,469
Reduction in provision for non collection	-869,677
Estimated deficit at 31 March 2004	21,330

- 6.5. Any variation in the collection rate and subsequent adjustments to the debit in respect of 2003-2004 and earlier years will be reflected in future years estimated deficit/surplus calculations.
- 6.6 The Council's share of this estimated deficit is £ 17,424 (allocated pro rata to call on the Collection Fund in 2003-2004) which will be charged to the General Fund in 2004-2005. This compares with a contribution to the Collection Fund of £ 321,000 in 2003-2004. This change in contribution of £ 303,576 is equivalent to a decrease in the Council Tax of £3.66 at Band D.

7. **Consultation**

- 7.1 None

8. **Finance Observations**

8.1 This is a report from the Director of Business Services and deals with financial matters.

9. **Legal Observations**

9.1 No comment

10. **Conclusion**

10.1 The Council is required by 15 January 2004 to anticipate what the balance on the Collection Fund will be at 31 March 2004. The latest position indicates that the Fund will be in a deficit of £ 21,330.

11. **Background Papers**

11.1 Regulations Under Section 99(3) of the Local Government Finance Act 1988
Cabinet 17 December 2002

12. **Author**

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