

REPORT FOR: CABINET

Date: 14 January 2010

Subject: Collection Fund 2010/11

Key Decision: Yes

Responsible Officer: Myfanwy Barrett, Corporate Director Finance

Portfolio Holder: David Ashton (Leader and Portfolio Holder for Strategy, Partnership and Finance)

Exempt: No

Decision subject to Call-in: Yes

Enclosures: None

Section 1 – Summary and Recommendations

This report sets out the estimated financial position on the Collection Fund as at 31 March 2010.

Recommendations:

Cabinet is asked to:

- (a) Note an estimated surplus of £1,825,964 on the Collection Fund as at 31 March 2010 of which £1,447,989 is the Harrow share; and
- (b) Agree that an amount of £1,447,989 be transferred to the General Fund in 2010/11.

Reason: (For recommendation)

To report to Cabinet on the Council's statutory obligation to make an estimate of the surplus or deficit on the Collection Fund by 15 January 2010. Approval to the recommendations set out is a major part of the annual budget review process. If the recommendations are not approved statutory requirements will not be met.

Section 2 – Report

1. The Council, as a billing authority for 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 Harrow's own local demand (i.e. General Fund expenditure net of Revenue Support Grant and share of NDR) and to the National NDR Pool, and the precept issued by the Greater London Authority (GLA).
2. If a surplus, or deficit, remains in the Collection Fund at the year-end it is subsequently borne by, or distributed to, the billing authority (i.e. Harrow) and the preceptor (i.e. GLA). Billing authorities are required to estimate the expected Collection Fund surplus, or deficit, for the year to 31 March in order that the sum can be taken into account by billing authorities and preceptors in calculating the amounts of Council Tax for the coming year. The difference between the estimate and the actual surplus, or deficit, at 31 March will be taken into account in the following financial year.
3. The estimated financial position on the Collection Fund at 31 March 2010 is set out below.

	£
Collection Fund Surplus at 31 March 2009	-355,443
Transfer in respect of estimated surplus at 31 March 2009	380,779
Increase in collectable debit in 2009/10	-1,125,747
Reduction in provision for non-collection (BDP)	-725,553
Estimated surplus at 31 March 2010	-1,825,964

4. There are three factors in the calculation – any surplus or deficit brought forward from the previous financial year, the change in the collectable debit, and changes to the appropriate level of bad debt

provision (BDP). The estimated surplus set out in the above table includes both Harrow's and the GLA's share.

- The Collection Fund surplus at the end of 2008/09 was £355k. This was £24k lower than the anticipated surplus of £380k when the 2009/10 budget and Council Tax was set;
- Due to continued stricter policing of discounts and exemptions, the amount to be collected from Council Tax has increased by £1,126k against the budgeted requirement of £128,321k for 2009/10; and
- The bad debt provision is calculated using the following rates agreed by the Cabinet in 2008/09.

	%
Previous year debt	54
Debt over 2 years	73
Debt over 3 years	86
Debt over 4 years	100

This calculation has resulted in a reduction in provision of £726k.

5. The Regulations provide for the Council's share of the estimated surplus to be transferred to the General Fund. The transfer of £1,447,989 (Harrow Council's share) will reduce the amount required from the Collection Fund to fund the budget requirement and will be taken into account in the calculation of the 2010/11 Council Tax. The remaining sum of £377,975 will be payable to the GLA.
6. Council tax collection has held up regardless of the recession and wider discretion given on payment arrangements for residents suffering genuine hardship. This was possible due to a strict recovery timetable being adhered to. A lot of work collecting arrears and clearing bad debt occurred in recent years which put Harrow in an excellent position to concentrate its collection on current year debt. This supported collection rates which last year were top quartile for London. Current year collection rates for the third quarter [to Dec 2009] are 0.68% above profile which is excellent considering the economic climate. This will ensure that no deficit will occur in the coming year.

Financial Implications

7. This is a report from the Corporate Director of Finance and deals with financial matters throughout.

Performance Issues

8. There are no direct implications for individual performance indicators as the Collection Fund does not form part of the General Fund finance of the Council. The completion of statutory requirements as described contributes to a favourable audit opinion in the context of the

Environmental Impact

9. There are none directly related to this report.

Risk Management Implications

10. In the current economic climate there is a risk that the Council's collection performance could decline. This would have an adverse impact on the Collection Fund financial position.

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

Corporate Priorities

10. This report deals with the Collection Fund which is a key part of the budget funding and therefore helps deliver the Council's corporate priorities.

Section 3 - Statutory Officer Clearance

Name: Myfanwy Barrett



Chief Financial Officer

Date: 10 December 2009

Name: Hugh Peart



Monitoring Officer

Date: 10 December 2009

Section 4 - Performance Officer Clearance

Name: Martin Randall



on behalf of the
Divisional Director
Partnership,
Development and
Performance

Date: 11 December 2009

Section 5 – Environmental Impact Officer Clearance

Name: John Edwards



Divisional Director
Environmental Services

Date: 10 December 2009

Section 6 - Contact Details and Background Papers

Contact: Jennifer Hydari (Divisional Director, Finance & Procurement)
Tel: 020-8424-1393 / Email: jennifer.hydari@harrow.gov.uk

Background Papers:

- The Local Authorities (Funds) (England) Regulations 1992
- Statement of Accounts 2008/09

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

NOT APPLICABLE

*(for completion by Democratic
Services staff only)*