

	<p style="text-align: center;">Executive 16th January 2006</p> <p style="text-align: center;">Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: ALL
Collection Fund Surplus/Deficit at 31st March 2006	

Forward Plan Ref: F&CR 05/06-14

1. SUMMARY

- 1.1 As part of the Council Tax setting process for 2006/2007, the council is required to estimate the amount of any surplus or deficit on the Collection Fund as at 31st March 2006. This must be done by the 15th January 2006 (or first working day thereafter), and this report asks Members to approve the balance projected.

2. RECOMMENDATIONS

- 2.1 To agree the calculation of the estimated Collection Fund balance as at the 31st March 2006 as a deficit of £1,500,000.

3. DETAIL

- 3.1 Income from Council Tax is used to fund budget precepts on the Fund from Brent and the Greater London Authority (GLA), which levies a precept on London's local authorities. If the eventual collection of Council Tax is estimated to be greater than precepts on the Fund (taking the cumulative position since the introduction of Council Tax in 1993), a surplus occurs. If the reverse happens, as is the case in Brent, there is a deficit. Any surplus or deficit is shared between Brent and the GLA in its role as a preceptor.
- 3.2 Total arrears as at 31/3/05 were £32.901m. The total bad debt provision (including the £1.5m deficit declared at 31/3/05) was £19.849m. Therefore £13.052m of debts to this date need to be collected to avoid the necessity for further provisions.
- 3.3 In considering the Collection Fund position at 31st March 2006, there are a number of factors Members need to bear in mind, as follows:

- In-year collection of council tax is improving – 90.6% in 2003/04, 92.7% in 2004/05, and likely to exceed 93% in 2005/06¹ - and the result is that the level of arrears outstanding at the end of each year is reducing;
- Collection of council tax arrears has also been improving. It is estimated that council tax arrears collected (excluding backdated benefits claims) will be £3.1m in 2005/06, which is in line with collection over the past two years. This compares with £2.0m and £2.5m in the final two years of the EDS contract (2001/02 and 2002/03);
- Collection carries on for some years after the original debt arose. In the case of community charge debts, for example, substantial amounts were still being collected several years after it ended in 1993 (the total for the four years 1997/98 to 2000/01 was £1.934m);
- As a result of these improvements, there has been a reduction in the overall level of un-provided arrears from £14.1m in 2004/05 to £13.1m

3.4 The shortfall as at 31st March 2005, as outlined in para. 3.2, was £13.1m. It is estimated that in the full 2006/07 financial year, £3.2m of Council Tax arrears will have been collected in relation to earlier years (including around £0.1m of backdated benefits), leaving a further £9.9m to collect. Based on projections of future years' collection of arrears, it is estimated that a further £8.0m will eventually be collectable for years up to 2004/2005. In addition assessments for new properties in 2005/2006 (including backdated assessments for previous years) are estimated to raise a further £0.4m, leaving a shortfall of approximately £1.5m. This figure is dependent on the required collection level of 97.5% for 2005/2006 debits eventually being achieved. CAPITA are obliged under the terms of the contract to indemnify the Council for any shortfall in the targets for 2003/2004 onwards, up to a specified level of £1m.

3.5 The deficit on the Collection Fund as at 31st March 2006 will be split with the Greater London Authority. The GLA share (based on their share of the total precept in 2005/2006) would be 21.50% of any deficit. If a deficit of £1.5m is declared, the GLA share would be £322,500, leaving Brent's share as £1,177,500.

4. FINANCIAL IMPLICATIONS

4.1 The proposals in this report have a direct impact on the level of Council Tax in 2006/2007. Any deficit or surplus has to be taken into account in the calculation of next year's Council Tax.

5. LEGAL IMPLICATIONS

5.1 Regulation 10 of the Local Authority (Funds) Regulation 1992, made under Section 99 of the Local Government Finance Act 1988, requires an estimate of

¹ Percentage collection rates quoted exclude recovery of court costs.

the surplus or deficit on the Council's collection fund to be made by 15 January each year (or the next working day). This estimate is one of the figures to be used in the budget and council tax setting process for 2006/07.

6. DIVERSITY IMPLICATIONS

- 6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications arising from it.

7. STAFFING IMPLICATIONS

- 7.1 None directly.

8. SUMMARY

- 8.1 In view of the factors outlined above, we recommend that the projected balance on the Collection Fund as at 31st March 2006 be declared as a deficit of £1,500,000. This would leave Council Tax bills for 2006/2007 including an element of approximately £12.52 at Band D to meet Brent's share of this deficit (compared to £12.74 in 2005/06).

9. BACKGROUND INFORMATION

Revenue and Benefits Monthly Progress Reports - Council Tax Collection Statement.

Council Tax Accounts 1993/94 onwards.

10. CONTACT OFFICER

Any person wishing to inspect the above should contact David Huberman, Finance Manager, Town Hall, Forty Lane, Wembley HA9 9ED. Telephone 020-8937-1478.

DUNCAN McLEOD
Director of Finance and Corporate Resources