



**Executive
10 December 2012**

**Report from the
Deputy Director of Finance**

Wards Affected:
ALL

Collection Fund Surplus/Deficit at 31 March 2013

1.0 SUMMARY

- 1.1 As part of the Council Tax setting process for 2013/2014 the Council is required to estimate the amount of any surplus or deficit on the Collection Fund as at 31 March 2013. This must be done by the 15 January 2013 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 31 March 2013 as a surplus of £2.34 million.

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, 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 31/3/12 not covered by bad debt provisions were £2.459m. Therefore £2.459m of debts to this date need to be collected to avoid the necessity for further provisions. If collection is anticipated to exceed this figure, a surplus can be declared.

3.3 In considering the Collection Fund position at 31 March 2013, there are a number of factors Members need to bear in mind:

- In-year collection of council tax has improved in recent years. It increased from 93.2% in 2006/07 to 95.0% in 2009/10, 95.6% in 2010/11, and reached 96.0% in 2011/12. It is anticipated that the collection rate for 2012/13 will be maintained at a similar level, despite the effects of the current economic climate (at 31 October 67.2% of the debit for the year had been collected, compared to 67.1% at the same date in 2011). One of the main reasons for the increased collection has been a very significant increase in payments by direct debit, from £43.6m in 2006/07 to an estimated £59m in 2012/13.
- Collection of council tax arrears amounted to £1.8m in 2011/12. As collection levels have improved there are fewer arrears left to collect, so collection would be expected to decline slightly. However in the current year the figure is fairly comparable to the same stage in 2011/12, and it is expected that the final 2012/13 total will again be approximately £1.8m.
- Collection carries on for some years after the original debt arises. As an example, in 2011/12 £711k of arrears was collected in relation to years up to 2007/08 (i.e. for arrears which were already over three years old). In the current financial year £374k has been collected in respect of these arrears (up to October) which are now more than four years old.
- As a result of improvements in collection, and increases in the level of provision, there has been a reduction in the overall level of un-provided arrears from £12.5m at 31 March 2007 to £2.5m at 31 March 2012, so the Collection Fund is now on a much more stable footing.

3.4 The shortfall as at 31 March 2012, as outlined in paragraph 3.2, was £2.46m. It is estimated that in the full 2012/13 financial year, around £1.8m of Council Tax arrears will have been collected in relation to earlier years, leaving a further £0.66m to collect. Based on projections of future years' collection of arrears, it is estimated that around a further £2.5m will eventually be collectable for years up to 2011/12, leaving a surplus of approximately £1.84m. This figure is dependent on the required collection level of 97.5% for 2012/2013 debits eventually being achieved. In addition, over the last year, there has been an increase in properties on the Council Tax valuation list. This means that the total collectable from Council Tax is greater than assumed when the 2012/13 budget was set, and this amount can be added to the surplus. This is partly offset by adjustments reducing Council Tax Benefit for prior years. The combined effect of these factors is to increase the estimated surplus by a further £1.1m (to £2.94m)

3.5. Given the uncertainties relating to the continuing difficult economic climate, it is considered prudent to allow for some contingency (£0.6m) for collection of both in year council tax and arrears to fall. Therefore it is recommended that a surplus of £2.34m is declared as at 31/3/2013. The balance on the collection fund has to be reviewed each year, so if this contingency is not fully required a

further surplus could be declared next year.

- 3.6. The deficit on the Collection Fund as at 31 March 2013 will be split with the Greater London Authority. The GLA share (based on its share of the total precept in 2012/2013) would be 22.46% of any surplus. If a surplus of £2.34m is declared, the GLA share would be £525,552, leaving Brent's share as £1,814,448.

4. FINANCIAL IMPLICATIONS

- 4.1 The proposals in this report have a direct impact on the level of Council Tax in 2013/2014. 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 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 2013/14.

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. BACKGROUND INFORMATION

Collection Fund Accounts 2011/12.

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

Mick Bowden
Deputy Director of Finance