



Executive
9 December 2013

Report from the Chief Finance Officer

Wards Affected: ALL

Collection Fund Report

1.0 Summary

- 1.1 As part of the Council Tax setting process for 2014/2015 the Council is required to estimate the amount of any surplus or deficit on the Collection Fund as at 31 March 2014. This must be done by 15 January 2014 and this report asks Members to approve the estimated balance. In previous years this only related to Council Tax, but following changes to business rates (NNDR) legislation, a similar calculation is now required for NNDR as well.
- 1.2 As a result of consistently effective collection of amounts due to the council it is now possible to return the benefits of this as a one-off contribution to support the 2014/15 budget. This technical surplus relates to council tax due on or before 31 March 2013, where the council has been more effective than previously assumed in collecting arrears, and also reflects strong collection performance of debts relating to 2013/14.

2. Recommendations

- 2.1. To agree the estimated Collection Fund balance relating to Council Tax at 31 March 2014 as a surplus of £3.2m.
- 2.2. To agree the estimated Collection Fund balance relating to NNDR at 31 March 2014 as zero (no surplus or deficit).
- 2.3 To delegate to the Chief Finance Officer authority to amend these figures should material new information, such as debt collection performance, come to light in the intervening period.

3. Detail

3.1. Council Tax

- 3.1.1. Income from Council Tax is paid into the 'collection fund'. Brent and the Greater London Authority (GLA) make charges (formally known as 'precepts') on this fund to finance their budgets. If the eventual collection of Council Tax is greater than precepts on the collection fund, taking the cumulative position since the introduction of Council Tax in 1993, a surplus will be generated. If the reverse happens, there will be a deficit. Any surplus or deficit is shared between Brent and the GLA. It is normal and proper practice to estimate these surpluses or deficits in setting the budget and to make distributions to the preceptors, or to require contributions from them, according to those estimates.
- 3.1.2. Total arrears as at 31 March 2013 not covered by bad debt impairments were £0.8m. This means that unless the council estimates that debts of at least this amount will be collected the fund will be in deficit, and that if future collection is anticipated to exceed this figure, a surplus can be declared.
- 3.1.3. In considering the Collection Fund position at 31 March 2014, it should be noted that the in-year collection of council tax has improved in recent years. It increased from 93.2% in 2006/07 to 95.9% in 2012/13. However, it is anticipated that the collection rate for 2013/14 will be lower, following the introduction of the local Council Tax Support scheme. It is estimated that the final figure for 2013/14 will be in the region of 94.0%; broadly on the basis that as at 31 October 65.8% of the amount due for the year had been collected, compared with 67.3% at the same date in 2012.
- 3.1.4. The shortfall as at 31 March 2013, as outlined in paragraph 3.1.2, was £0.8m. It is estimated that in the full 2013/14 financial year, around £2.0m of Council Tax arrears will have been collected in relation to earlier years, leaving a surplus of £1.2m. Based on projections of future years' collection of arrears, it is estimated that around a further £3.0m will eventually be collectable for years up to 2012/13, leaving a surplus of approximately £4.2m. This figure is dependent on the required collection level of 96.0% for 2013/14 debts eventually being achieved. Due to the changes affecting people formerly receiving Council Tax Benefit (as outlined above) it is considered prudent to allow for a possible under recovery on this collection level. Until the new scheme has had time to bed in fully and likely eventual collection levels can be more accurately assessed officers consider it advisable to allow for a contingency of £1m for non collection. This would bring the total estimated surplus down to £3.2m.
- 3.1.5. The surplus on the Collection Fund as at 31 March 2014 will be split with the Greater London Authority. The GLA share (based on its share of the total precept in 2013/2014) would be 22.25% of any surplus. If a surplus of £3.2m is declared, the GLA share would be £712,000, leaving Brent's share as £2,488,000.

3.2. Business Rates (NNDR)

- 3.2.1. Until the 2012/13 financial year, all business rates collected by local authorities were paid over to the national pool administered by central government, and then redistributed back to local authorities according to assessed spending needs. From 2013/2014 local authorities retain a proportion of the income raised. For London, the local authority keeps 30% of the income, the GLA receives 20%, and the remaining 50% is paid to the national pool to be redistributed as before. Therefore London authorities benefit from 30% of any additional rates income, or bear 30% of the cost of any reduction.
- 3.2.2. If the year-end income from NNDR is higher than estimated at the start of the year, a surplus would be declared, which would be shared in the same ratios as above. Therefore, if Brent had a surplus it would keep 30% of this. If income was lower than anticipated, there would be a deficit to shared in the same proportion (i.e. Brent would bear 30% of the deficit).
- 3.2.3. The estimate for the income figure (or net rate yield) for 2013/14 was agreed by the General Purposes Committee on 22 January 2013. Estimating this is complex, as there are many factors which can significantly affect the overall figure, including entitlement to reliefs and properties coming on to, or being taken out, of rating. The biggest uncertainty concerns revaluations arising from appeals against the Valuation Office (VO) determinations. These are very common and can lead to large refunds being backdated several years. A significant contingency needs to be made for this as approximately 30% of the total rateable value is currently still subject to appeals. This compares to an allowance for revaluation losses of 5% within the original estimate agreed by the General Purposes Committee.
- 3.2.4. There will be additional income for 2013/14 from the new London Designer Outlet which opened in late October. The rateable values of these units have not yet been set, but will be backdated to the opening date, and the income involved will be substantial, despite only being for five months. However, given the uncertainties outlined above, it is recommended that no surplus or deficit is declared. The position should be somewhat clearer in a year's time (in terms of the actual income from the new Outlet, and the outcome of revaluation appeals), and the updated information will be used in deciding whether to declare a surplus or deficit as at 31 March 2015.

4. Financial Implications

- 4.1 The proposals in this report have a direct impact on the budget for 2014/2015, as any deficits or surpluses have to be taken into account in the calculation of the council tax requirement. The estimates set out in this report are similar to those set out previously to the Executive as part of the budget strategy and hence agreeing the recommendations of this report will not materially affect the overall budget position.

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 2014/15.

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

General Purposes Committee Report – 22 January 2013

Any person wishing to inspect the above should contact David Huberman, Finance Manager, Civic Centre, Engineers Way, Wembley HA9 0FJ. Telephone 020-8937-1478.

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