



**Executive
12 December 2011**

**Report from the Director of
Finance and Corporate Services**

Wards Affected:
ALL

Collection Fund Surplus/Deficit at 31 March 2012

1.0 SUMMARY

- 1.1 As part of the Council Tax setting process for 2012/2013 the Council is required to estimate the amount of any surplus or deficit on the Collection Fund as at 31 March 2012. This must be done by the 15 January 2012 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 2012 as a surplus of £1.0million.

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 31/3/11 were £32.942m. The total bad debt provision (including the £1.3m deficit declared at 31/3/11 - the figure agreed in the equivalent report last year) was £29.141m. Therefore £3.801m 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 2012, there are a number of factors Members need to bear in mind, as follows:

- 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, and 95.6% in 2010/11. It is anticipated that the collection rate for 2011/12 will be maintained at a similar level, despite the effects of the current economic climate. 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 £56m in 2011/12.
- Collection of council tax arrears amounted to £2.1m in 2010/11. There were one-off factors that increased the total in 2010/11, and as collection levels have improved there are fewer arrears left to collect, so collection would be expected to decline slightly. In the current year the figure is around 17% lower than at the same stage in 2010/11. It is expected that the final 2011/12 total will be approximately £1.7m.
- Collection carries on for some years after the original debt arose. As an example, in 2010/11 £592k of arrears was collected in relation to years up to 2006/07 (i.e. for arrears which were already over three years old). In the current financial year £288k has been collected in respect of these arrears (up to October) which are now more than four years old. Over recent years the Council has increased the number of debts to be recovered through attachment of earnings, deduction from benefit and charging orders on properties. This means that these debts will be recovered over a longer period, but that the likelihood of eventually recovering the full debt is substantially increased. A programme of other recovery initiatives has also been implemented, including the early identification of, and support for, those experiencing financial difficulties. The council also continues to take action against those wrongly claiming the single person's discount.
- 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 £3.8m at 31 March 2011.

3.4 The shortfall as at 31 March 2011, as outlined in paragraph 3.2, was £3.8m. It is estimated that in the full 2011/12 financial year, around £1.7m of Council Tax arrears will have been collected in relation to earlier years, leaving a further £2.1m to collect. Based on projections of future years' collection of arrears, it is estimated that around a further £2.7m will eventually be collectable for years up to 2010/11, leaving a surplus of approximately £0.6m. This figure is dependent on the required collection level of 97.5% for 2011/2012 debts eventually being achieved. In addition, over the last year, there has been an increase in properties on the Council Tax valuation list, and a reduction in exemptions – this means that the total collectable from Council Tax is greater than assumed when the 2011/12 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 to £1.5m.

- 3.5. It is considered prudent, particularly given the current uncertain economic climate, to allow for some contingency for collection of both current year council tax and arrears to fall slightly. Therefore it is recommended that a surplus of £1.0m is declared as at 31/3/2012. The balance on the collection fund has to be reviewed each year, so if this contingency (£500,000) is not fully required, a further surplus could be declared next year.
- 3.6. The deficit on the Collection Fund as at 31 March 2012 will be split with the Greater London Authority. The GLA share (based on its share of the total precept in 2011/2012) would be 22.64% of any surplus. If a surplus of £1.0m is declared, the GLA share would be £226,000, leaving Brent's share as £774,000.

4. FINANCIAL IMPLICATIONS

- 4.1 The proposals in this report have a direct impact on the level of Council Tax in 2012/2013. 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 2012/13.

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, it is recommended that the projected balance on the Collection Fund as at 31 March 2012 be declared as a surplus of £1.0million (compared to a deficit of £1.3m at 31/3/2011). Brent's share of the £1.0m would be £776,000. This would mean Council Tax bills for 2012/2013 include a reduction of approximately £7.89 at Band D as a result of Brent's share of the surplus (compared to an addition of £10.34 in 2011/12 relating to the deficit of £1.3m declared last year). Therefore the net movement between the years is a reduction at Band D of approximately £18.23 (which can therefore be used to continue funding services which otherwise would have had to be cut to achieve any given level of Council Tax for 2012/13).

9. BACKGROUND INFORMATION

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

Council Tax Accounts 1993/94 onwards.

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

CLIVE HEAPHY

Director of Finance and Corporate Services