



**Executive
14th December 2009**

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

Wards Affected:
ALL

Collection Fund Surplus/Deficit at 31st March 2010

Forward Plan Ref:

1.0 SUMMARY

- 1.1 As part of the Council Tax setting process for 2010/2011 the council is required to estimate the amount of any surplus or deficit on the Collection Fund as at 31st March 2010. This must be done by the 15th January 2010 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 2010 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 31/3/09 were £41.091m. The total bad debt provision (including the £1.5m deficit declared at 31/3/09) was £31.328m. Therefore £9.763m 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 2010, 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 92.7% in 2005/06, to 93.2% in 2006/07, 94.6% in 2007/08, and 94.7% in 2008/09. It is anticipated that collection will be similar in 2009/10, despite the worsening economic climate. One of the main reasons for the improvement has been a very significant increase in payments by direct debit, from £43.6m in 2006/07 to an estimated £59m in 2009/10.
- Collection of council tax arrears amounted to £1.4m in 2008/09. In the current year figure is higher than at the same stage in 2008/09, and it is expected that the final 2009/10 total will be higher.
- Collection carries on for some years after the original debt arose. As an example, since April 2005, £1.8m has been collected for arrears relating to 2002/03 or earlier. Over the last year the Council has increased the number of debts to be recovered through attachment of earnings (up by 72), deduction from benefit (up by 317) and charging orders on properties (a further £143k secured from 27 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 is also taking action against those wrongly claiming the single person's discount and this has recovered more than £250,000 so far this year.
- As a result of improvements in collection, there has been a reduction in the overall level of un-provided arrears from £12.5m at 31st March 2007 to £9.8m at 31st March 2009.

3.4 The shortfall as at 31st March 2009, as outlined in paragraph 3.2, was £9.8m. It is estimated that in the full 2009/10 financial year, £1.7m of Council Tax arrears will have been collected in relation to earlier years, leaving a further £8.1m to collect. Based on projections of future years' collection of arrears, it is estimated that around a further £5.6m will eventually be collectable for years up to 2008/09, leaving a shortfall of approximately £2.5m. This figure is dependent on the required collection level of 97.5% for 2009/2010 debits eventually being achieved. In addition, over the last year, there has been a large increase in properties on the Council Tax valuation list – this means that the total take from Council Tax is greater than assumed when the 2009/10 budget was set. This will provide approximately another £1m which reduces the shortfall to £1.5m.

3.5 The deficit on the Collection Fund as at 31st March 2010 will be split with the Greater London Authority. The GLA share (based on their share of the total precept in 2009/2010) would be 22.51% of any deficit. If a deficit of £1.5m is declared, the GLA share would be £338,000, leaving Brent's share as £1,162,000.

4. FINANCIAL IMPLICATIONS

- 4.1 The proposals in this report have a direct impact on the level of Council Tax in 2010/2011. 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 2010/11.

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 2010 be declared as a deficit of £1,500,000. This would mean Council Tax bills for 2010/2011 include an element of approximately £12.05 at Band D to meet Brent's share of this deficit (compared to £12.11 in 2009/10).

9. BACKGROUND INFORMATION

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

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.

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