



**Cabinet**  
**15 December 2014**

**Report from the Chief Finance  
Officer**

Wards Affected:  
ALL

**Collection Fund Report**

Forward Plan Ref:

**1.0 SUMMARY**

- 1.1 As part of the Council Tax setting process for 2015/2016 the Council is required to estimate the amount of any surplus or deficit on the Collection Fund as at 31 March 2015. This must be done by 15 January 2015 in relation to Council Tax, and this report asks Members to approve the estimated balance for both Council Tax and Business Rates (NNDR).
- 1.2 For Council Tax, as a result of continued 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 2015/16 budget. Brent Council's share of the total surplus is £3.9m. This technical surplus relates to council tax due on or before 31 March 2014, where the council has been more effective than previously assumed in collecting arrears, and also reflects strong collection performance of debts relating to 2014/15, and increases in the net collectable figure.

**2. RECOMMENDATIONS**

- 2.1. To agree the estimated Collection Fund balance relating to Council Tax at 31 March 2015 as a surplus of £5.0m.
- 2.2. To note the current estimated balance relating to NNDR at 31 March 2015 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 2014 not covered by bad debt impairments were £1.5m. This means that if the council estimates that debts of less than this amount will eventually 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 2015, 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. It had been anticipated that the collection rate for 2013/14 would be lower, following the introduction of the local Council Tax Support scheme, but there was only a slight reduction to 95.7%. It is estimated that the final figure for 2014/15 will again be in the region of 95.7%. This is on the basis that as at 31 October 65.5% of the amount due for the year had been collected, compared with 65.8% at the same date in 2013, but with a slightly higher sum to be recovered from monthly instalments for the remainder of this financial year.
- 3.1.4. The shortfall as at 31 March 2014, as outlined in paragraph 3.1.2, was £1.5m. It is estimated that in the full 2014/15 financial year, around £2.0m of Council Tax arrears will have been collected in relation to earlier years, leaving a surplus of £0.5m. 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 2013/14, leaving a surplus of approximately £3.0m. This figure is dependent on the required collection level of 96.25% for 2014/15 debits eventually being achieved, which would seem likely.
- 3.1.5. In addition there has been an improvement to the taxbase, due largely to an increase in full or part-time employment, which has led to a reduction in council tax support. There has also been a reduction in the level of exemptions and discounts. The overall impact of this is estimated to increase the surplus available by a further £2m, bringing the total to £5m.
- 3.1.5. The surplus on the Collection Fund as at 31 March 2015 will be split with the Greater London Authority. The GLA share (based on its share of the total precept in 2014/2015) would be 22.02% of any surplus. If a surplus of £5.0m is declared, the GLA share would be £1,101,000, leaving Brent's share as

£3,899,000.

### **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 2015/16, and the surplus or deficit figure as at 31 March 2015 will be taken from the NNDR1 return to be submitted in January. The Non Domestic Rating (Rates Retention) Regulations 2013 require that these figures be calculated and notified to preceptors (central government and the GLA) by 31 January, and the NNDR1 return is used to calculate the figures.
- 3.2.4. Estimating what the figures will be 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. At the end of 2013/14 a provision for the cost of backdated appeals to 31/3/2014 of £6.1m was included in the year end accounts. The overall reductions in cases that have been finalised to date indicates that this provision was fairly accurate, but appeals outstanding still account for approximately £50m of Rateable Value (18% of the total), so this position could potentially still change significantly by the end of January, which would have an impact on the surplus/deficit position at that date.
- 3.2.5. There may also be other changes relating to new or demolished buildings, or changes in exemptions such as empty or charity relief. Given the uncertainties outlined above, it is recommended that a forecast of no surplus or deficit is assumed at present. As outlined above, the final figure will be taken from the NNDR1 form in January. The figures taken from this will have a direct impact on the 2015/16 budget, as Brent will have a 30% share of any surplus or deficit.

#### **4. FINANCIAL IMPLICATIONS**

- 4.1 The proposals in this report have a direct impact on the budget for 2015/2016, as any deficits or surpluses have to be taken into account in the calculation of the council tax requirement.

#### **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 (Council Tax) 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 2015/16.

#### **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 Reports – 21 January 2014: Calculation of Council Tax Base 2014/15 and Calculation of Business Rates Income 2014/15

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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