

22 January 2014		ITEM: 12
Council		
DETERMINATION OF THE COLLECTION FUND BALANCE 2013/14		
Report of: Councillor John Kent		
Wards and communities affected: All	Key Decision: Key	
Accountable Head of Service: Sean Clark, Head of Corporate Finance		
Accountable Director: Graham Farrant, Chief Executive		
This report is Public		
Purpose of Report: For Council to agree the estimated balance on the Council Tax Collection Fund and to delegate authority to the S151 Officer to finalise the estimated balance on the Business Rates Collection Fund.		

EXECUTIVE SUMMARY

The Collection Fund regulations require a local authority to estimate the balance on its Collection Fund as at 31 March each year. Any such balance relating to Council Tax is to be distributed to/borne by the Council and the Essex Police and Fire Authorities in proportion to the value of their respective precepts.

In addition, changes to the Business Rates system from 2013/14 now mean surpluses or deficits arise on the Collection Fund from these transactions. Any such balance relating to Business Rates is to be distributed to/borne by the Council, Central Government and Fire Authority in proportion to the agreed split under regulations.

1. RECOMMENDATIONS:

1.1 That the Council:

- (a) Determines the estimated 31 March 2014 balance of Thurrock Council's Council Tax Collection Fund to be a surplus of £1,343,104 (before distribution to major precepting authorities).**
- (b) Allocates the surplus to the three main precepting bodies in proportion to their precepts for 2013/14 as follows:**
 - 1.1.1. Thurrock Council £1,133,556;**
 - 1.1.2. Essex Police Authority £142,602; and**

1.1.3. Essex Fire Authority £66,947.

1.2 That the Council:

- (a) Notes that there are still changes being made to the accounting treatment of business rates and delegates the S151 Officer to finalise the estimate for budget purposes.**

2 INTRODUCTION AND BACKGROUND:

2.1 This report sets out the information required for Council to:

- determine the estimated balance of the Council Tax Collection Fund that will be apportioned between the Council and the major precepting authorities (the Police and Fire Authorities);
- note the estimated balance on the Business Rates Collection Fund under current accounting information; and
- delegate to the S151 Officer the final determination of the balance on the Business Rates Collection Fund due to the uncertainty of the final accounting treatment, yet to be announced by government.

2.2 Each billing authority is required to maintain a separate Collection Fund which shows its transactions in relation to business rates and council tax and illustrates the way that these have been distributed to preceptors and the General Fund.

2.3 The key reasons for balances arising on the Collection Fund are:

- The estimated Council Tax Base may differ from the actual position throughout the year. The Council Tax Base comprises of the number of properties, the number of voids and the various discounts and exemptions awarded, it is inevitable that these will change and that a difference will arise.
- The Business Rates estimated at the start of the year and any predicted growth in those rates may differ from the actual amounts collectable from business rate payers, mainly as a result of growth and business closures.
- The Collection Fund also includes contributions to the bad debt provisions for Council Tax and Business Rates which are reassessed each year.

2.4 Council Tax billing authorities are required by the local Authorities (Funds) (England) Regulations 1992 to estimate any surplus or deficit on their Council Tax Collection Fund for the year as at 15 January every year and, at the same time, apportion such amount between themselves and the major precepting authorities.

2.5 From 2013/14 Business Rate billing authorities are required by the Local Government Finance Act 2012 to estimate any surplus or deficit on their Business Rate Collection Fund for the year as at 15 January every year and, at the same time, apportion such amount between themselves and the major precepting authorities in accordance with regulations.

- 2.6 Based on the latest forecasts of collections and write offs the Council Tax Collection Fund is estimated to be a surplus of £1,343,104 as at 31 March 2014. This is apportioned to the major preceptors as follows:

Major Precepting Authority	£
Thurrock Council	1,133,556
Essex Police Authority	142,602
Essex Fire Authority	66,946
Total Allocated	1,343,104

- 2.7 The Council's share of the balance is a surplus of £1,133,556 which needs to be taken account of in the budget for 2013/14 and has been included in the MTFS.

- 2.8 Since Cabinet considered this report on 8 January 2014, draft guidance has been issued that may change the forecast below, the most notable change being linked to the treatment of appeals. As these changes could have a material effect on this calculation, it is recommended that the final determination be delegated to the S151 Officer.

- 2.9 Assuming no changes to the approach used in this report and based on the latest forecasts of collections and write offs the Business Rates Collection Fund is estimated to have a deficit of £4,236,649 as at 31 March 2014. This is apportioned under regulations as follows:

Major Precepting Authority	£
Thurrock Council	2,075,958
Government	2,118,325
Essex Fire Authority	42,366
Total Allocated	4,236,649

- 2.10 The Council's share of the balance is a deficit of £4,236,649 which needs to be taken account of in the budget for 2013/14 and has been included in the MTFS.

- 2.11 The main cause of the deficit is the impact of the closure of Tilbury power station and a revaluation of Lakeside businesses. There has also been a significant provision for the impact of appeals lodged with the Valuation Office.

3 ISSUES, OPTIONS AND ANALYSIS OF OPTIONS

- 3.1 A key issue in this calculation is the accounting for the levels of appeals that are with the Valuation Office. The calculation includes a provision for a reduction in business rates of £3.7m based on the levels of appeals waiting to be heard and historic success rates.

3.2 This figure could obviously change significantly and any variation would be accounted for in the setting of the 2015/16 budget.

4 REASONS FOR RECOMMENDATIONS

4.1 There is a legal requirement to agree this calculation and to include it within the budget setting process.

5 CONSULTATION (including Overview and Scrutiny, if applicable)

5.1 This report has been considered by Cabinet.

6 IMPACT ON CORPORATE POLICIES, PRIORITIES, PERFORMANCE AND COMMUNITY IMPACT

6.1 There is no direct impact from the content of this report that is not already being considered as part of the budget consultation.

7 IMPLICATIONS

7.1 Financial

Implications verified by: **Sean Clark, Head of Corporate Finance**
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The Council's share of the Council Tax Collection Fund surplus is £1,133,556 and the share of the Business Rates Collection Fund deficit is £2,075,958. This has been considered in setting both the budget and MTFS.

7.2 Legal

Implications verified by: **David Lawson**
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Council Tax billing authorities are required by the Local Authorities (Funds) (England) regulations 1992 to estimate any surplus or deficit on their Council Tax Collection Fund as at 15 January every year.

Business Rate billing authorities are required under the Local Government Finance Act 2012 to estimate any surplus or deficit on their Business Rate Collection Fund at 15 January every year.

7.3 Diversity and Equality

Implications verified by: **Samson DeAllyn**
Telephone and email: **01375 652472**
sdealyn@thurrock.gov.uk

There are no equalities issues arising from this report.

7.4 **Other implications** (where significant) – i.e. Section 17, Risk Assessment, Health Impact Assessment, Sustainability, IT, Environmental

In terms of risk, the estimated Council Tax Base includes prudent assumptions about the Tax Base and changes in exemptions, voids, discounts and the provision for bad debts.

The assumptions underpinning the amounts of business rate collectable and any associated bad debt provision are also considered to be prudent.

BACKGROUND PAPERS USED IN PREPARING THIS REPORT:

- Statement of Accounts 2012/13
- Working papers retained by Corporate Finance

APPENDICES TO THIS REPORT:

- There are no appendices to this report.

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