



Leicester
City Council

WARDS AFFECTED
All wards

CABINET

25th January 2010

COLLECTION FUND SURPLUSES

REPORT OF THE CHIEF FINANCE OFFICER

1. Purpose of Report

- 1.1 The purpose of this report is to identify the estimated financial position of the Collection Fund Account as at 31 March 2010. Calculating the estimated surplus, or deficit, for this Account is a statutory requirement because the figure needs to be taken into account during the Council Tax setting process.
- 1.2 This report seeks the approval of the Cabinet to the estimated surplus figures and the amounts payable to the relevant authorities.

2. Summary

- 2.1 There is a statutory requirement for the Council to maintain a separate Collection Fund account. This Account contains the transactions of the Council in relation to collection of Non-Domestic Rates and Council Tax, and the distribution of the income received to the Government, the Police Authority, the Fire Authority and the authority's own General Fund.
- 2.2 By January each year, the authority has to estimate the surplus or deficit showing on the Collection Fund Account at the end of the financial year. The authority is also required to notify the Police Authority and Fire Authority of the estimate as it is entitled to receive a share of any surpluses or bear part of the deficit.
- 2.3 The authority's own share of the collection fund surplus or deficit contributes to the following year's budget.

3. Recommendations

3.1 The Cabinet is recommended to: -

- a) Approve the estimated collection fund surplus figure of £628,000 and
- b) Approve the estimated shares payable to the Police Authority, Fire Authority and the City Council as follows:

Precepting Authority	£'000
City share	529
Police share	75
Fire share	24
Total	628

4. Report

4.1 Background – The Collection Fund Account

- 4.1.1 It is a statutory requirement for billing authorities to establish and maintain a Collection Fund for the receiving and distribution of amounts due in respect of Council Tax and Non Domestic Rates (NNDR).
- 4.1.2 The transactions of the Collection Fund are wholly prescribed by legislation. Billing authorities have no discretion to determine which receipts and payments are accounted for within the Collection Fund and which are outside the fund.

4.2 Estimated Surplus 2009/10

4.2.1 The collection fund surplus for 2009/2010 is estimated as follows: -

Precepting Authority	£'000
City share	529
Police share	75
Fire share	24
Total	628

4.3 How Surpluses and Deficits Arise

4.3.1 The surpluses on the collection fund arise from Council Tax only. Any business rates collected are handed over in their entirety to central government.

4.4 Council Tax Surpluses

- 4.4.1 Council Tax surpluses arise for a variety of reasons. One reason is that the collection performance for the current and (principally) earlier years is exceeding the estimate made when the original budget was set. More significantly, however, regeneration in Leicester has led to increases in the numbers of properties liable to pay tax. This year's surplus reflects the completion of building work that largely commenced prior to the recent economic slowdown, the effect is also seen in the tax base for 2010/11, which is reported elsewhere on today's agenda. It is, however, smaller than in previous years.
- 4.4.2 The taxbase for any given year does not stop changing at the end of that year. Indeed, movement continues to be seen in many earlier years, often due to reclassification of liability for individual properties after the year-end. These earlier year changes also affect the levels of surplus.

4.5 Council Tax Collection Performance.

- 4.5.1 The in year collection rate for Council Tax (i.e. the amount collected within the year of charge) has generally increased year on year as shown in the table below:

Table 1 – In year Collection Rate for Council Tax

Year	In year Collection Rate %
2001/2002	89.0
2002/2003	92.0
2003/2004	90.2
2004/2005	92.3
2005/2006	93.8
2006/2007	95.4
2007/2008	95.7
2008/2009	96.0

- 4.5.2 Collection for the current year is currently similar to that at the same time last year and it is anticipated that the in year collection rate will be in excess of 96%.
- 4.5.3 Our in-year collection performance is again increasing. However, it is acknowledged that our in year collection performance is still slightly below the average of comparable unitary authorities.

5. Financial and Legal Implications

- 5.1 This report is concerned solely with financial issues.
- 5.2 As this report concerns the setting of next year's budget, S106 of the Local Government Finance Act applies to members in arrears of Council Tax.

Other implications	Yes / No
Equal Opportunities Policy	No
Sustainable and Environmental	No
Crime and Disorder	No
Human Rights Act	No
Elderly People / People on Low Income	No

6. **Risk Assessment Matrix**

Risk	Likelihood	Severity Impact L/M/H	Control Actions (If necessary/appropriate monitoring procedures.
Estimated Surpluses	L	H	Robust monitoring procedures.

7. **Background papers**

- 7.1 Local Government Act 1972.
- 7.2 Various collection fund directions made under the 1988 Act.

8. **Report Author**

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9. **Decision Status**

Key Decision	No
Reason	N/A
Appeared in Forward Plan	N/A
Executive or Council Decision	Executive (Cabinet)

Date: 16th December 2009.