

Leicester
City Council

WARDS AFFECTED
All wards

CABINET

15th JANUARY 2007

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 2007. Calculating the estimated surplus or deficit for this Account is a statutory requirement, as 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 for 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 deficits in respect of Council Tax.
- 2.3 The authority's own share of the collection fund surplus can contribute to the following year's budget.
- 2.4 The attached supporting documentation gives more detailed information on the Collection Fund Account.

3. Recommendations

3.1 The Cabinet is recommended to:-

- 1) Approve the estimated collection fund surplus figure of **£1.761m**
- 2) Approve the estimated shares payable to the Police Authority, Fire Authority and the City Council as detailed in this report.

4. Financial and legal Implications

4.1 This report is concerned solely with financial issues.

Other implications	Yes / No
Equal Opportunities	No
Policy	No
Sustainable and Environmental	No
Crime and Disorder	No
Human Rights Act	No
Elderly People / People on Low Income	No
Consultations	None

5. Background papers

5.1 Local Government Act 1972.

6. Report Author/Officers to contact:

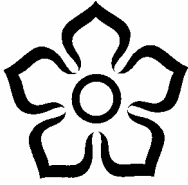
Devanshi Mavani
Principal Accountant
Manager

Alan Lemmon
Quality and Performance
Revenues and Benefits

MARK NOBLE
CHIEF FINANCE OFFICER

DECISION STATUS

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



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15 JANUARY 2007

**COLLECTION FUND SURPLUSES
SUPPORTING DETAIL**

1 SUMMARY

1.1 This report gives information on the estimated collection fund surpluses as at 31st March 2007.

2. BACKGROUND - THE COLLECTION FUND ACCOUNT

2.1 The account reflects the statutory requirement for billing authorities to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR).

2.2 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.

3. ESTIMATED SURPLUS 2006/2007

3.1 The collection fund surplus for 2006/2007 is estimated as follows: -

	£'000
City share	1,503
Police share	192
Fire Share	66

TOTAL	1,761

4. HOW SURPLUSES AND DEFICITS ARISE

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

5. COUNCIL TAX SURPLUSES

5.1 Council Tax surpluses arise from a variety of causes. 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 significant, however, is the continual rise in sums due which have been experienced in a number of recent years (i.e. total Council Tax due at year end is greater than it was when the tax was set).

5.2 Council Tax is not a static tax. The amount of tax collectable changes during the year because of two main factors – the number of properties in the City and the nature of the occupation of the property: -

a) Number of Properties.

Over the years there has been an overall increase in the numbers of properties in the city. New build has taken place in Hamilton, Bede Island and by the Riverside. Old factories have been converted into apartments and various “brown field sites” have been developed for residential accommodation.

b) Nature of Occupation

In recent years the number of empty properties has reduced. This then results in extra charges being payable and so increases the surpluses generated on the collection fund.

5.3 The taxbase for any given year does not cease 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.

6. COUNCIL TAX COLLECTION PERFORMANCE.

6.1 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 %
1993/94	82.5
1994/95	85.4
1995/96	88.5
1996/97	89.6
1997/98	92.7
1998/99	92.6
1999/2000	93.4
2000/2001	92.9
2001/2002	89.0
2002/2003	92.0
2003/2004	90.2
2004/2005	92.3
2005/2006	93.8

Collection for the current year is already running over 2.0% ahead of that last year and it is anticipated that the in year collection rate will exceed 94%.

6.2 Although our in-year collection performance is again increasing, it is acknowledged that our performance is still below the average of comparable unitary authorities. For 2005/2006 the average unitary authority in year collection rate for Council Tax was 96.48%. The new IT systems introduced are expected to lead to further improvements.

7. ON GOING COUNCIL TAX COLLECTION

7.1 Members are reminded that collection of Council Tax due in a particular year continues to be pursued for many years afterwards. The table below details the current collection position for each of the 5 previous years of Council Tax as at 30th September 2006.

TABLE 2 – ON GOING COUNCIL TAX COLLECTION

Year	Current Collection Levels
2001/2002	97.6%
2002/2003	97.6%
2003/2004	97.1%
2004/2005	96.7%
2005/2006	95.7%

8. FINANCIAL IMPLICATIONS

8.1 This report is wholly concerned with financial issues.

9. OTHER IMPLICATIONS

OTHER IMPLICATION:	Comment / reference
Equal Opportunities	None arising directly out of this report
Policy	
Legal	
Crime and disorder	
Sustainable and environmental	

10 **BACKGROUND PAPERS**
Local Government Act 1972

11. **CONSULTATIONS**
None

Devanshi Mavani
Principal Accountant

Alan Lemmon
Quality and Performance Manager
Revenues and Benefits

MARK NOBLE – CHIEF FINANCE OFFICER