



Leicester
City Council

WARDS AFFECTED
All wards

CABINET

5th January 2009

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 2009. 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 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.

3. **Recommendations**

3.1 The Cabinet is recommended to: -

- a) Approve the estimated collection fund surplus figure of £1m and
- b) Approve the estimated shares payable to the Police Authority, Fire Authority and the City Council as follows:

Precepting Authority	£'000
City share	855
Police share	125
Fire share	38
Total	1,018

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.

4.2 **Estimated Surplus 2008/09**

4.2.1 The collection fund surplus for 2008/2009 is estimated as follows: -

	£'000
City share	855
Police share	125
Fire Share	38
TOTAL	<u>1,018</u>

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 is leading to increases in the numbers of properties liable to pay tax. This year's surplus reflects the completion of building work which largely commenced prior to the recent slowdown, the effect is also seen in the tax base for 2009/10, which is reported elsewhere on today's agenda.
- 4.4.2 Surpluses are, however, offset by changes in the sums due, specifically changes in exemptions. There have been some fairly significant retrospective reductions in sums due.
- 4.4.3 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
2007/08	95.7

- 4.5.2 Collection for the current year is already running ahead of that last year and it is anticipated that the in year collection rate will be 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)
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

Devanshi Mavani
 Principal Accountant
 Resources Department
 Extn: 29 7421

Alan Lemmon
 Quality and Performance Manager
 Revenues and Benefits
 Extn: 38 5102

9. Decision Status

Key Decision	Yes
Reason	Provides key element of information required in the annual budget cycle
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)

Date: 12th November 2008.

