

Leicester
City Council

WARDS AFFECTED
All wards

CABINET
FINANCE, RESOURCES AND EQUAL OPPORTUNITIES SCRUTINY

14 JANUARY 2002
24 JANUARY 2002

COLLECTION FUND SURPLUSES

Report of the CHIEF FINANCIAL 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 2002. 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 non-domestic rates and Council Tax, and distribution of the income received to the Police Authority and the authority's own General Fund.
- 2.2 By 15 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 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 helps to reduce Council Tax levels for the following financial year.
- 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 **£1.2m**
- 2) Approve the estimated shares payable to the Police Authority and the City Council as detailed in this report.

3.2 The Finance, Resources and Equal Opportunities Scrutiny Committee is asked to consider the overall position on the Collection Fund account and make any observations it sees fit.

4. Financial and legal Implications

4.1 This report is concerned solely with financial issues.

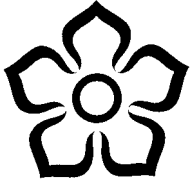
5. Report Author/Officers to contact:

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Principal Accountant

Alan Lemmon
Local Taxation Manager

Date: 27 November 2001.

**MARK NOBLE
CHIEF FINANCIAL OFFICER**



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COLLECTION FUND SURPLUSES SUPPORTING DETAIL

1 SUMMARY

- 1.1 This report gives information on the estimated collection fund surpluses for the end of the financial year. (31/03/2002)

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 2001/2002

- 3.1 The collection fund surplus for 2001/2002 is estimated as follows:-

	City Share £000	Police Share £000	Total £000
Poll Tax	8		8
Council Tax	1.102	98	1.200
Total	1.110	98	1.208

4. HOW SURPLUSES AND DEFICITS ARISE

- 4.1 The surpluses on the collection fund arise from Poll Tax and Council Tax. Each of these are explained below:

5. POLL TAX SURPLUSES

- 5.1 The Authority continues to receive payments of poll tax, which was abolished in 1993, but amounts are rapidly diminishing.
- 5.2 Cash is still continuing to be received where we have an attachment to wages or benefits and a number of committal orders are being maintained.
- 5.3 Currently there is £50,000 of Poll Tax outstanding. It is anticipated that most of this sum will be paid, although payments will be spread over a number of years.
- 5.4 Because there is a 100% provision for bad debts on Poll Tax, (i.e. we assume we will not collect any more) each £1 received creates a surplus to the collection fund. The estimated surplus at 31/3/02 is approximately £ 8,000.

6. COUNCIL TAX SURPLUSES

- 6.1 Council Tax surpluses arise from a variety of causes. This includes collection performance for the current (and earlier) years exceeding the estimate made when the original budget was set. Surpluses (or deficits) also arise due to changes in the tax base (e.g. new houses being built, or properties being demolished). Year on year, the provision we make for non-collection at budget time has been reducing. These factors are considered further in the following paragraphs.
- 6.2 The estimated surplus for Council Tax is still being confirmed. Exceptionally, this year, the reason for this surplus is an increase in the amount of tax payable compared with the amount payable when the taxbase for 2001/2002 was set in January 2001. This provides a surplus for one year only as the increased figure forms part of the Government's calculation of Revenue Support Grant entitlement in later years.

7. COUNCIL TAX DEBT MOVEMENT

- 7.1 Council Tax when set is not a static tax. The amount of tax collectable can change during the year because of two main factors – the number of properties and the nature of the occupation of the property.
- 7.2 The table below compares, for each year since Council Tax was introduced, the taxbase at the time it was set for budget purposes with the taxbase for that year as it now stands. Clearly the position will continue to move in respect of later years, but it is now more or less final in respect of the earlier years:-

TABLE 1 TAXBASE MOVEMENT PER YEAR

YEAR	Taxbase for RSG	Position at 30th November 2001	Variance % from original taxbase to 30/11/01
1993	73214.1	71451.7	-2.41%
1994	73945.3	72063.1	-2.55%
1995	73330.6	72123.6	-1.65%
1996	73175.4	72127.2	-1.43%
1997	72850.8	72117.8	-1.01%
1998	73071.3	72256.6	-1.11%
1999	72886.6	72478.8	-0.56%
2000	72553.4	73052.5	0.69%
2001	72609.3	73698.1	1.50%

7.3 Patterns appear to be discernible:-

- a) there was considerable loss of taxbase in the early years as the new system settled down and banding appeals were resolved;
- b) this appeared to settle down to a position whereby around 1% of the taxbase was "lost" each year.

7.4 This year, however, has seen a big increase in taxbase (and additionally an increase in the taxbase for 2000/2001 since the last calculation of collection fund surplus in January 2000). This is the key factor in the total surplus reported in this report.

7.5 Reasons for the changes in taxbase are:-

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 Kirby Frith. Old factories have been converted into apartments. At the same time a number of properties have been demolished, such as the Boot Houses, and 4 tower blocks owned by the Housing Department.

b) Nature of Occupation

In recent years the number of empty properties increased in line with overall growth in property numbers. Since January 2000, however, the number of empty properties has decreased by 16.1%.

7.6 During the tax setting last year, the taxbase took account of the pattern of movement in the taxbase as well as allowing for potential irrecoverable debts. However, the taxbase for this year has increased rather than decreased which gives a one off surplus greater than that normally anticipated.

7.7 Members are asked to note that, given the unusual nature of the changes to the taxbase I have made allowance for possible reversals in the calculation of the surplus (i.e. if I knew that the increase was a sustainable trend, I would have recommended a higher figure)

8. COUNCIL TAX COLLECTION PERFORMANCE.

8.1 The in year collection rate for Council Tax (i.e. the amount collected within the year of change) 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

The slight reduction in in-year collection for 2000/2001 is attributable to the issue of a large number of amended accounts towards the end of 2000 which were not collected during the financial year.

8.2 As can be seen from the above table the trend in in-year collection is generally improving. The earlier year performance was affected by the significant amount of uncollected Poll Tax, because of the number of individuals who cleared their Poll Tax arrears before paying the Council Tax debt This problem has now been overcome.

8.3 Although our in-year collection performance has been increasing, we do acknowledge that our performance is still below the average of comparable authorities.

9. ON GOING COUNCIL TAX COLLECTION

9.1 Members are reminded that collection against Council Tax due in a particular year continues to be pursued for many years afterwards. The table overleaf details the current collection position for each of the 8 previous years of Council Tax as at 30th November 2001.

TABLE 2 – ON GOING COUNCIL TAX COLLECTION

Year	Current Collection Levels
1993/94	97.9
1994/95	98.3
1995/96	98.5
1996/97	98.5
1997/98	98.4
1998/99	97.7
1999/2000	97.2
2000/2001	95.5

10. EQUAL OPPORTUNITY IMPLICATIONS

None arising as a result of this report.

11. POLICY IMPLICATIONS

None arising directly out of this report

12. LEGAL IMPLICATIONS

None arising directly out of this report

13. CRIME AND DISORDER IMPLICATIONS

None arising directly out of this report

14. IMPLICATIONS FOR ELDERLY PEOPLE AND PEOPLE ON LOW INCOMES

None arising directly out of this report

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