



Leicester
City Council

WARDS AFFECTED
All wards

CABINET

17th January 2011

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 2011. 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 £107K and
- b) Approve the estimated shares payable to the Police Authority, Fire Authority and the City Council as follows:

Precepting Authority	£'000
City share	90
Police share	13
Fire share	4
Total	107

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 or outside of the Collection Fund.

4.2 Estimated Surplus 2010/11

4.2.1 The collection fund surplus for 2010/2011 is estimated as £107,000: -

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. New properties also result in additional tax revenues.
- 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, mainly as a result of an increasing number of properties occupied solely by students.

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 re-banding changes 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 %
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
2009/2010	96.3

4.5.2 Collection for the current year is similar to that last year and it is anticipated that the in year collection rate will be 96.5%.

4.5.3 Our in-year collection performance is again increasing. As a deprived, urban authority, we will never collect as much as more affluent districts. Our collection rate does, however, now exceed the average of metropolitan authorities.

5. Financial, Legal and Other Implications

5.1 Financial Implications

This report is concerned solely with financial issues.

5.2 Legal Implications

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.

5.3 Climate Change Implications

This report does not contain any significant climate change implications and therefore should not have a detrimental effect on the Council’s climate change targets.

(Helen Lansdown, Senior Environmental Consultant - Sustainable Procurement)

5.4 **Other Implications**

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
Corporate Parenting	No
Health Inequalities Impact	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.

7.3 Department of Communities and Local Government – Statistical Release dated 22nd June 2010 – Collection Rates for Council Tax and Non Domestic Rates 2009-10.

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: 01 December 2010