

Leicester
City Council

WARDS AFFECTED
All wards

CABINET

27 JANUARY 2003

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 2003. 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 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.

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

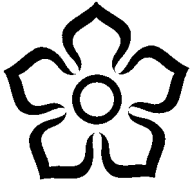
5. Report Author/Officers to contact:

Devanshi Mavani
Principal Accountant

Alan Lemmon
Control and Quality Manager

Date: 15 November 2002.

MARK NOBLE
CHIEF FINANCE OFFICER



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**COLLECTION FUND SURPLUSES
SUPPORTING DETAIL**

1 SUMMARY

- 1.1 This report gives information on the estimated collection fund surpluses as at 31st March 2003.

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 2002/2003

- 3.1 The collection fund surplus for 2002/2003 is estimated as follows: -

	City Share £000	Police Share £000	Total £000
Poll Tax	9		9
Council Tax	1,126	121	1,247
Total	1,135	121	1,256

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 A surplus of £9,000 is projected.

5.2 The Authority continues to receive payments of poll tax, which was abolished in 1993, but amounts are rapidly diminishing.

5.3 Cash is still being received where we have an attachment to wages or benefits and a number of committal orders are being maintained.

5.4 Currently there is £34,000 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.

6. COUNCIL TAX SURPLUSES

6.1 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. Much more significant, however, is the continual rise in sums due which has been experienced in recent years (i.e total Council Tax due at year end is greater than it was when the tax was set).

These factors are considered further in the following paragraphs.

6.2 This year, the main reason for the surplus is an increase in the amount of tax payable when compared with the amount payable when the tax base for 2002/2003 was set in January 2002. 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 and is taken into account when the new year tax base is calculated.

7. COUNCIL TAX DEBT MOVEMENT

7.1 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.

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 static in respect of the earlier years: -

TABLE 1 TAXBASE MOVEMENT PER YEAR

YEAR	Original taxbase	Position at 8th November 2002	Variance % from original taxbase to 8/11/02
1993/94	73,214.1	71,400.1	-2.48%
1994/95	73,945.3	72,055.7	-2.56%
1995/96	73,330.6	72,115.7	-1.66%
1996/97	73,175.4	72,110.9	-1.45%
1997/98	72,850.8	72,095.0	-1.04%
1998/99	73,071.3	72,221.9	-1.16%
1999/00	72,886.6	72,424.5	-0.63%
2000/01	72,553.4	72,965.3	0.57%
2001/02	72,609.3	73,454.1	1.16%
2002/03	73,820.0	74,052.7	0.32%

7.3 Patterns appear to be discernible: -

- a) there was considerable loss of taxbase in the early years as the new Council Tax 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 From 2000/2001 there has been an increase in taxbase which has given rise to significant surpluses both last year and this year.

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 has reduced. This then results in extra charges being payable and so increases the surpluses generated on the collection fund.

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, and assumed a small reduction in the amount of recoverable debt during the course of the year. However, the taxbase for this year has slightly increased and the increase in 2001/02 has not changed greatly over the past twelve months.

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
2001/2002	89.0

The main exception to this was in 2001/2002 when the in year collection rate was severely affected by the problems in the Housing Benefits section.

8.2 As can be seen from the above table the trend in in-year collection is generally improving. The earlier year’s performance was affected by a 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 9 previous years of Council Tax as at 8th November 2002.

TABLE 2 – ON GOING COUNCIL TAX COLLECTION

Year	Current Collection Levels
1993/94	98.2%
1994/95	98.4%
1995/96	98.5%
1996/97	98.6%
1997/98	98.5%
1998/99	98.2%
1999/2000	98.1%
2000/2001	97.4%
2001/2002	95.3%

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

15. SUSTAINABLE AND ENVIRONMENTAL IMPLICATONS

None arising directly out of this report.

Devanshi Mavani – Ext 7421
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Control and Quality Manager

MARK NOBLE
CHIEF FINANCE OFFICER