

Leicester  
City Council

**WARDS AFFECTED**  
All wards

**CABINET**  
**FINANCE, RESOURCES and EQUAL OPPORTUNITIES**  
**SCRUTINY COMMITTEE**

**19 JANUARY 2004**

**22 JANUARY 2004**

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## **COLLECTION FUND SURPLUSES**

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### **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 2004. 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 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 can help 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 **£545,000**
- 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 recommended to note the 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. Details of Consultation

Financial Officer Consultation – Mark Noble  
Legal Officer Consultation – Peter Nicholls

### 7. Report Author/Officers to contact:

Devanshi Mavani  
Principal Accountant

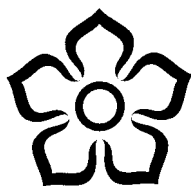
Alan Lemmon  
Acting Head of Local Taxation

Date: 3<sup>rd</sup> December 2003.

**MARK NOBLE**  
**CHIEF FINANCE OFFICER**

**DECISION STATUS**

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



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**COLLECTION FUND SURPLUSES**  
**SUPPORTING DETAIL**

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**1 SUMMARY**

- 1.1 This report gives information on the estimated collection fund surpluses as at 31<sup>st</sup> March 2004.

**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 2003/2004**

- 3.1 The collection fund surplus for 2003/2004 is estimated as follows: -

	£'000
City share	492
Police share	53
TOTAL	----- 545

The surplus is smaller than has been achieved in the last 2 years.

#### **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 has 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 Kirby Frith. Old factories have been converted into apartments and various “brown field sites” have been developed for residential accommodation. 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.

- 5.3 During the tax setting last year, the taxbase took account of the recent 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, resulting in a 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 change) has generally increased year on year as shown in the table overleaf.

**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

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. The impact of this has been overcome and this is demonstrated by an increase in the 2002/03 in year collection rate.

6.2 As can be seen from the above table the trend in in-year collection has improved since Council Tax was introduced. 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.

6.3 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 2002/03 the average unitary authority in year collection rate for Council Tax was 95.6%. New IT systems that have recently been introduced should result in real long-term improvement,

## **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 overleaf details the current collection position for each of the 9 previous years of Council Tax as at 18th November 2003.

**TABLE 2 – ON GOING COUNCIL TAX COLLECTION**

Year	Current Collection Levels
1993/94	98.2%
1994/95	98.4%
1995/96	98.6%
1996/97	98.6%
1997/98	98.5%
1998/99	98.4%
1999/2000	98.3%
2000/2001	97.9%
2001/2002	96.7%
2002/2003	95.6%

7.2 Although comparative statistics for local authorities are not published nationally, Leicester City Council is a member of the CIPFA Revenue Benchmarking Club. There are over 100 members in the club and the average cumulative collection rate for these authorities is 98.7% against 98.6% at Leicester.

**8. EQUAL OPPORTUNITY IMPLICATIONS**

None arising as a result of this report.

**9. POLICY IMPLICATIONS**

None arising directly out of this report

**10. LEGAL IMPLICATIONS**

None arising directly out of this report

**11. CRIME AND DISORDER IMPLICATIONS**

None arising directly out of this report

**12. IMPLICATIONS FOR ELDERLY PEOPLE AND PEOPLE ON LOW INCOMES**

None arising directly out of this report

**13. SUSTAINABLE AND ENVIRONMENTAL IMPLICATONS**

None arising directly out of this report.

**14. BACKGROUND PAPERS**

Local Government Act 1972

**15. CONSULTATIONS**

None

Devanshi Mavani – Ext 7421  
Principal Accountant

Alan Lemmon – Ext 7521  
Acting Head of Local Taxation

**MARK NOBLE – CHIEF FINANCE OFFICER**