

Leicester  
City Council

**WARDS AFFECTED**  
All wards

**CABINET**

**24 JANUARY 2005**

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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 2005. 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 and Fire Authorities and the City Council'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 the Fire Authority of the estimate as they are 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. The surplus this year is unusually high, as it includes £0.9m from taxing empty properties following a decision of Council last year. In future years most of this benefit will go to the Government.
- 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 **£2,000,000**
- 2) Approve the estimated shares payable to the Police Authority, the Fire 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.

### **5. Background papers**

5.1 Local Government Act 1972.

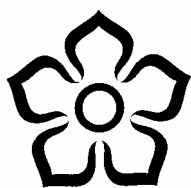
### **6. Report Author/Officers to contact:**

Devanshi Mavani  
Principal Accountant

Alan Lemmon  
Quality and Performance Manager  
Revenues and Benefits

Date: 12<sup>th</sup> January 2005.

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



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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 2005.

**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 2004/2005**

3.1 The estimated collection fund surplus as at 31 March 2005 comprises two main elements; a sum arising from the usual transactions of the Collection Fund, to be apportioned between the City Council, the Police and Fire authorities and a sum in respect of local exemptions and discounts granted during 2004/05 which is also to be apportioned between the 3 authorities. The figures for these elements are shown in the table below:

|                                | <b>City Share<br/>£'000</b> | <b>Fire Share<br/>£'000</b> | <b>Police Share<br/>£'000</b> | <b>Total<br/>£'000</b> |
|--------------------------------|-----------------------------|-----------------------------|-------------------------------|------------------------|
| Basic surplus                  | 913                         | 38                          | 112                           | 1,063                  |
| Local exemptions & discounts   | 805                         | 34                          | 98                            | 937                    |
| <b>TOTAL ESTIMATED SURPLUS</b> | <b>1,718</b>                | <b>72</b>                   | <b>210</b>                    | <b>2,000</b>           |

#### **4. HOW SURPLUSES AND DEFICITS ARISE**

- 4.1 In prior years the surpluses on the collection fund arose from Poll Tax and Council Tax. The Council continues to receive occasional payments for poll tax, which was abolished in 1993, but amounts paid are now very small (£3k was received during 2003/04). Council Tax surplus is detailed further below:

#### **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. 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).

#### **6. COUNCIL TAX DEBT MOVEMENT**

- 6.1 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.

- 6.2 An examination of the taxbases since 1993 identifies a number of patterns:

- a) there was considerable loss of taxbase in the early years as the new Council Tax settled down and banding appeals were resolved;
- b) and in recent years the taxbase has settled down to a position whereby the taxbase broadly remains the same or even increases during the course of a year. In practice, the position is more complicated as initial increases are sometimes reversed after the end of the year.

- 6.3 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 and various “brown field sites” have been developed for residential accommodation. During the same period a number of properties have been demolished, such as the Boot Houses, 4 tower blocks owned by the Housing Department and property in Beaumont Leys.

- 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.

- c) Changes in the Discounts Awarded

From 1<sup>st</sup> April 2004, the discount granted to property empty over 6 months was reduced from 50% to Nil. This has increased the taxbase by the equivalent of approximately 571 band D properties. Similarly, the reduction of the discount granted to furnished property from 50% to 10% has increased the tax base by the equivalent of approximately 200 band D properties. For 2004/05 this change is expected to generate net additional income of £937k. For subsequent years the changes will be absorbed into the Taxbase.

## 7. COUNCIL TAX COLLECTION PERFORMANCE.

- 7.1 The in year collection rate for Council Tax (i.e. the amount collected within the year of change) has generally increased year on year, except for two notable exceptions) as shown in the table below.

**TABLE – IN YEAR COLLECTION RATE FOR COUNCIL TAX**

| Year      | In year Collection Rate % | Reason for Change                           |
|-----------|---------------------------|---|
| 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                      | Insolvency of the Document Imaging Solution |
| 2002/2003 | 92.0                      |   |
| 2003/2004 | 90.2                      | Introduction of the New Open Revenue System |

- 7.2 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.
- 7.3 Although our in-year collection performance will again increase in 2004/05, it is acknowledged that our performance is still below the average of comparable authorities (95.5%) but will improve with the new Open Revenues System.

## 8. ON GOING COUNCIL TAX COLLECTION

- 8.1 Members are reminded that collection against Council Tax due in a particular year continues to be pursued for many years afterwards. The change to the new Open Revenues system has meant that, until some further work has been carried out, it is not possible to analyse the collection performance for each individual year as we have done in previous years. This is because the system was designed to facilitate reporting against the national Best Value Performance Indicator (BVPI19) which focuses on the in-year collection rate referred to in

paragraph 7 above. Prudent assumptions have therefore been made as a consequence, which could affect any surplus reported in 12 months time.

**9. Financial and legal Implications**

9.1 This report is concerned solely with financial issues.

**10. OTHER IMPLICATIONS**

| <b>Other implications</b>             | <b>Yes / No</b> |
|---------------------------------------|-----------------|
| 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            |

**11. BACKGROUND PAPERS**  
Local Government Act 1972

**12. CONSULTATIONS**  
None

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