

ITEM NO: 19 (vi)

DECISION-MAKER:	COUNCIL		
SUBJECT:	COLLECTION FUND OUTTURN 2007/08		
DATE OF DECISION:	16 JULY 2008		
REPORT OF:	CABINET MEMBER FOR RESOURCES AND WORKFORCE PLANNING PORTFOLIO		
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

The purpose of this report is to inform Council of the actual payments that have been made to and from the Collection Fund during the 2007/08 financial year, explaining any variations that affect the overall surplus or deficit on the account.

The impact of any surpluses or deficits on future Council Tax calculations is outlined in paragraph 16.

The Collection Fund was in deficit by £49,000 in 2007/08. This is a decrease of £0.539M when compared to the revised estimated deficit (see Appendix 1). This decrease is due partly to a decrease in the bad debt provision (£0.381M) and partly due to increased income due from Council Tax Payers (£0.158M). The variances in respect of Non-Domestic Rate (NDR) income and expenditure are neutral. A complete variance analysis is included in paragraphs 10 to 15.

RECOMMENDATIONS:

- (i) To note the accounts for the Collection Fund in 2007/08 as shown in Appendix 1.

REASONS FOR REPORT RECOMMENDATIONS

1. The report and recommendations have been prepared as part of the statutory accounts.

CONSULTATION

2. Not Applicable.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3. No alternative options are relevant to this report.

DETAIL

4. Income received into the Collection Fund comes from two sources; NDR and Council Tax. Income received from NDR payers is paid in full to the Central

Government NDR Pool after a contribution has been made to the City Council's General Fund to meet the costs of collection. The net effect of NDR on the Collection Fund is therefore neutral.

5. The remainder of the income received by the Collection Fund is the income due from Council Tax Payers. Some households are entitled to various allowances to the standard rate including the Single Person Discount and Council Tax Benefit that reduce the amount that they are required to pay. 100% of the cost of Council Tax Benefit is met by Government subsidy.
6. The income due from Council Tax Payers is intended to match the expenditure on the Collection Fund. Expenditure consists of the amounts that are paid to those bodies that are entitled to make a demand (precept) on the Fund, together with a provision for bad debts. For Southampton, the City Council, Hampshire Police Authority and the Hampshire Fire and Rescue Authority levied a precept on the Fund in 2007/08.

7. **OUTTURN POSITION 2007/08**

The overall position on the Council Tax Collection Fund at 31 March 2008 is illustrated in Appendix 1. This shows that a deficit of £49,000 has been made in the year. After adjusting for the surplus brought forward from 2006/07 of £0.588M, a surplus of £0.539M remains to be carried forward.

8. When setting the Council Tax for 2008/09 in February 2008, it was estimated that there would be a nil surplus to be carried forward. Therefore there was no estimated surplus or deficit taken into account in setting the 2008/09 Council Tax.
9. The surplus of £0.539M will be carried forward to 2008/09 to be shared between the precepting authorities in proportion to the precepts levied in this year. Southampton City Council's element will then be taken into account when the Council Tax for 2009/10 is set.

10. **EXPLANATION OF VARIANCES**

Income from Non-Domestic Rate payers shows a decrease of £0.846M (1.1%) compared to the revised estimate of £80.414M (see Appendix 1). This decrease is largely explained by the following factors:

- i) A decrease in the Rateable Value has resulted in a reduction in NDR income of £2.124M;
- ii) A reduction in Transitional Relief has resulted in an increase in NDR income of £1.131M; and
- iii) A reduction in the number of exemptions granted for empty or partly empty properties has led to an increase in NDR income of £0.260M.

11. As previously stated the overall effect on the Collection Fund of any changes in NDR income and expenditure is neutral. This is illustrated by the corresponding decrease of £0.846M in Payments to the NDR Pool in the expenditure section of the Collection Fund Account.
12. Income due from Council Tax payers has increased slightly by £0.158M (0.2%) compared to the revised estimate of £87.3M.
13. The remaining item of expenditure is the Bad Debt Provision. All authorities are required to make provision for Council Tax bills that may have to be written off if full payment is not received. The level of provision required is reviewed each year based on the total level of arrears outstanding. An analysis of the status of the arrears as at 31 March 2008 suggests that the following provisions are required:

Year	£000
1993/94 – 2000/01	82
2001/02	118
2002/03	193
2003/04	374
2004/05	662
2005/06	1,129
2006/07	1,399
2007/08	1,563
Total	5,519

14. The bad debt provision available at the end of the year was £4.534M after allowing for amounts that had been written off in respect of previous years' arrears. To achieve the suggested level of £5.519M a contribution of £0.985M needs to be made to the Provision for Bad Debts in the year, a decrease of £0.381M compared to the revised estimated provision. This reduction has been due to an increased collection rate. Collection rates have increased from 94.5% in 2006/07 to 95.2% in 2007/08.
15. The bad debt provision of £5.519M compares to a total arrears figure of £8.617M which represents 64% of the total amount outstanding. The total level of arrears also needs to be seen in the context that over the last 7 years total debts of around £505M have been raised.
16. **FUTURE YEAR'S COUNCIL TAX**
The surplus of £0.539M on the Collection Fund, as explained in paragraphs 7 to 9, will be shared between Southampton City Council, Hampshire Police Authority and the Hampshire Fire and Rescue Service, based on the precepts

levied on the Fund in 2008/09. Southampton's share of this surplus, £0.463M will be taken into account when setting the 2009/10 Council Tax.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

17. None.

Revenue

18. As outlined in the main body of the report.

Property

19. None.

Other

20. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

21. The Collection Fund Outturn Report is prepared in accordance with the Local Government Acts 1972 – 2003.

Other Legal Implications:

22. None.

POLICY FRAMEWORK IMPLICATIONS

23. The report has been prepared as part of the statutory accounts.

SUPPORTING DOCUMENTATION

Appendices

1.	Collection Fund 2007/08
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Documents In Members' Rooms

1.	None
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Background Documents

Title of Background Paper(s)

Relevant Paragraph of the
Access to Information
Procedure Rules / Schedule
12A allowing document to be
Exempt/Confidential (if
applicable)

1.	None	
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Background documents available for inspection at:

E-mail:

FORWARD PLAN No:

N/A

KEY DECISION?

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WARDS/COMMUNITIES AFFECTED:

NOT APPLICABLE
