

ITEM NO:9(vi)

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| DECISION-MAKER: | COUNCIL | | | |
| SUBJECT: | COLLECTION FUND OUTTURN 2008/09 | | | |
| DATE OF DECISION: | 15 JULY 2009 | | | |
| 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 2008/09 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 surplus by £1.737M in 2008/09. This is an increase of £485,000 when compared to the revised estimated surplus (see Appendix 1). This increase is due partly to a decrease in the bad debt provision (£216,000) and partly due to increased income due from Council Tax Payers (£269,000). The variances in respect of National Non-Domestic Rate (NNDR) 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 2008/09 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, NNDR and Council Tax. Income received from NNDR payers is paid in full to the Central Government NNDR Pool after a contribution has been made to the City Council's General Fund to meet the costs of collection. The net effect of NNDR 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. The cost of Council Tax Benefit is met in full 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 2008/09.

OUTTURN POSITION 2008/09

7. The overall position on the Council Tax Collection Fund at 31 March 2009 is illustrated in Appendix 1. This shows that a surplus of £1.737M has been made in the year. After adjusting for the surplus brought forward from 2007/08 of £538,000, a surplus of £2.276M is to be carried forward.
8. When setting the Council Tax for 2009/10 in February 2009, it was estimated that there would be a surplus of £1.79M to be carried forward. This estimated surplus was taken into account in setting the 2009/10 Council Tax and was shared by the City Council, Hampshire Police Authority and the Hampshire Fire and Rescue Authority in proportion to the precepts levied by each authority in 2008/09.
9. This leaves a surplus of £485,000 that will be carried forward to 2009/10 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 2010/11 is set.

EXPLANATION OF VARIANCES

10. Income from NNDR payers shows a decrease of £1.683M (1.9%) compared to the revised estimate of £89.437M (see Appendix 1). This decrease is due to the re-assessment of the docks following changes in national legislation. Previously Associated British Ports (ABP) paid the annual rates for the docks, which were classed as a single assessment, and included the cost in annual charges to the port companies. The docks have now been split into more than 25 separate assessments backdated to 2005 and port companies have been sent individual bills. Consequently, ABP have received large refunds but have not reimbursed the port companies who are now liable for rates for 2008/09 and back dated payments. The port companies have been given up to eight years to pay these rates, resulting in a fall in income.
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 £1.683M in Payments to the NNDR Pool in the expenditure section of the Collection Fund Account.

12. Income due from Council Tax payers has increased slightly by £269,000 (0.3%) compared to the revised estimate of £92.4M. This is in part due to the increased collection rate and in part to the single person discount transformation project which took place in 2008/09. In year collection rates have also increased from 95.2% in 2007/08 to 95.5% in 2008/09
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 2009 suggests that the following provisions are required:

| Year | £000 |
|--------------|--------------|
| Prior Years | 38 |
| 2001/02 | 73 |
| 2002/03 | 138 |
| 2003/04 | 289 |
| 2004/05 | 505 |
| 2005/06 | 818 |
| 2006/07 | 1,141 |
| 2007/08 | 1,394 |
| 2008/09 | 1,167 |
| Total | 6,013 |

14. The bad debt provision available at the end of the year was £4.578M after allowing for amounts that had been written off in respect of previous years' arrears. To achieve the suggested level of £6.013M a contribution of £1.434M needs to be made to the Provision for Bad Debts in the year, a decrease of £216,000 compared to the revised estimated provision. This reduction has been due to the increased collection rate.
15. The bad debt provision of £6.013M compares to a total arrears figure of £9.258M which represents 65% of the total amount outstanding. The total level of arrears also needs to be seen in the context that over the last 8 years total debts of around £598M have been raised.
16. **FUTURE YEAR'S COUNCIL TAX**
 The surplus of £485,000 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 2009/10. Southampton's share of this surplus, £412,000 will be taken into account when setting the 2010/11 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

Non-confidential appendices are in the Members' Rooms and can be accessed on-line

Appendices

| | |
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| 1. | Collection Fund 2008/09 |
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Documents In Members' Rooms

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| 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)

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|----|------|--|
| 1. | None | |
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Background documents available for inspection at: N/A

FORWARD PLAN No: N/A **KEY DECISION?** N/A

WARDS/COMMUNITIES AFFECTED: N/A