

## ITEM NO:15

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	COLLECTION FUND OUTTURN 2009/10		
<b>DATE OF DECISION:</b>	14 JULY 2010		
<b>REPORT OF:</b>	CABINET MEMBER FOR RESOURCES AND WORKFORCE PLANNING PORTFOLIO		
<b>AUTHOR:</b>	Name:	Rob Carr	Tel: 023 8083 2708
	E-mail:	Rob.Carr@southampton.gov.uk	

### 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 2009/10 financial year, explaining any variations that affect the overall surplus or deficit on the account.

The Collection Fund was in surplus by £46,500 in 2009/10. This is an increase of £989,200 when compared to the revised estimated deficit (see Appendix 1). This increase is due partly to a decrease in the bad debt provision (£518,900) and partly due to increased income due from Council Tax Payers (£470,300). The variances in respect of National Non-Domestic Rate (NNDR) income and expenditure are neutral. A complete variance analysis is included in paragraphs 11 to 16.

In addition, this year a prior year adjustment has been made following the investigation of historic discrepancies which were noted during a final review of the 2009/10 accounts. These have now been fully resolved and the impact of this is to increase the surplus brought forward on the Collection Fund by £1,724,900. A full explanation is available in Appendix 2 which outlines how this occurred and also what measures have been taken to ensure it does not happen in the future.

The impact of any surpluses or deficits on future Council Tax calculations is outlined in paragraph 18.

### RECOMMENDATIONS:

That Council:

- (i) Notes the accounts for the Collection Fund in 2009/10 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. In addition a Local Council Tax discount has been approved which in 2009/10 offers households where all occupants are over 65 a 10% reduction. The costs of this are met by the General Fund.
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 2009/10.

### **OUTTURN POSITION 2009/10**

7. The overall position on the Council Tax Collection Fund at 31 March 2010 is illustrated in Appendix 1. This shows that a surplus of £46,500 has been made in the year. After adjusting for the surplus brought forward from 2008/09 of £4.0M, a surplus of £4.0M is to be carried forward.
8. When setting the Council Tax for 2010/11 in February 2010, it was estimated that there would be a surplus of £1.3M to be carried forward. This estimated surplus was taken into account in setting the 2010/11 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 year a prior year adjustment has been made following the investigation of historic discrepancies which were noted during a final review of the 2009/10 accounts. These have now been fully resolved and the impact of this is to increase the surplus brought forward on the Collection Fund by £1.7M.
10. This now leaves a surplus of £2,714,000 that will be carried forward to 2010/11 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 2011/12 is set.

### **EXPLANATION OF VARIANCES**

11. Income from NNDR payers shows a decrease of £4.5M (4.7%) compared to the revised estimate of £95.6M (see Appendix 1). This decrease is primarily due to the ongoing repercussions of the re-assessment of the docks

following changes in national legislation in 2008/09. Subsequently a historical rateable value reduction of the Southampton Container Terminals assessment has been affected, the result being a total refund due excluding any interest of just over £333M which will be payable in 2010/11.

12. 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 £4.5M in Payments to the NNDR Pool in the expenditure section of the Collection Fund Account.
13. Income due from Council Tax payers has increased slightly by £470,000 (0.5%) compared to the revised estimate of £95.5M. This increase is due primarily to a reduction in the level of exemptions granted for both student occupation and single person discount.
14. 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 2010 suggests that the following provisions are required:

<b>Year</b>	<b>£000</b>
Prior Years	58
2002/03	89
2003/04	198
2004/05	350
2005/06	567
2006/07	764
2007/08	1,082
2008/09	1,292
2009/10	1,223
<b>Total</b>	<b>5,623</b>

15. The bad debt provision available at the end of the year was £4.9M after allowing for amounts that had been written off in respect of previous years' arrears. To achieve the suggested level of £6.1M a contribution of £1.2M needs to be made to the Provision for Bad Debts in the year, a decrease of £391,000 compared to the revised estimated provision. This reduction has been due to the increased collection rate.
16. The bad debt provision of £5.6M compares to a total arrears figure of £8.3M which represents 68% 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 £644.1M have been raised.

17. This year a prior year adjustment has been made following the investigation of historic discrepancies which were noted during a final review of the 2009/10 accounts. These have now been fully resolved and the impact of this is to increase the surplus brought forward on the Collection Fund by £1,724,900. A full explanation is available in Appendix 2 which outlines how this occurred and also what measures have been put in place to ensure that this is not repeated.

#### **FUTURE YEAR'S COUNCIL TAX**

18. The surplus of £2,714,000 on the Collection Fund, as explained in paragraphs 7 to 10, 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 2010/11. Southampton's share of this surplus, £2,234,600 will be taken into account when setting the 2011/12 Council Tax, although it should be noted that this will only provide a one off contribution.

#### **FINANCIAL/RESOURCE IMPLICATIONS**

##### **Capital**

19. None.
20. As outlined in the main body of the report.

##### **Property**

21. None.

##### **Other**

22. None.

#### **LEGAL IMPLICATIONS**

##### **Statutory power to undertake proposals in the report:**

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

##### **Other Legal Implications:**

24. None.

#### **POLICY FRAMEWORK IMPLICATIONS**

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

## SUPPORTING DOCUMENTATION

### Appendices

1.	Collection Fund 2009/10
2.	Collection Fund Arrears

### Documents In Members' Rooms

1.	None
----	------

### 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	
----	------	--

**Background documents available for inspection at:** N/A

**FORWARD PLAN No:** N/A

**KEY DECISION?** N/A

**WARDS/COMMUNITIES AFFECTED:** NOT APPLICABLE