

DECISION-MAKER:	COUNCIL
SUBJECT:	COLLECTION FUND OUTTURN 2011/12
DATE OF DECISION:	11 JULY 2012
REPORT OF:	CABINET MEMBER FOR RESOURCES
STATEMENT OF CONFIDENTIALITY	
NOT APPLICABLE	

BRIEF 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 2011/12 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 £2.4M in 2011/12. This is a difference of £1.2M when compared to the revised estimated deficit of £3.6M (see Appendix 1). This reduction in the deficit is due to a decrease in the bad debt provision (£263,800) and increased income from Council Tax Payers (£952,400). 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:

It is recommended that Council:

- (i) Notes the accounts for the Collection Fund in 2011/12 as shown in Appendix 1.

REASONS FOR REPORT RECOMMENDATIONS

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

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

2. No alternative options are relevant to this report

DETAIL (Including consultation carried out)

CONSULTATION

3. Not Applicable.

FINANCIAL SUMMARY

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 Local Council Tax discounts have been approved. In 2011/12 these offer households where all occupants are over 65 a 10% discount and households where an occupant is a Special Constable serving in Southampton a 100% discount. The cost of these discounts is 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 2011/12.

OUTTURN POSITION 2011/12

7. The overall position on the Council Tax Collection Fund at 31 March 2012 is illustrated in Appendix 1. This shows that a deficit of £2.4M has been made in the year. After adjusting for the surplus brought forward from 2010/11 of £4.1M, a surplus of approximately £1.7M is to be carried forward.
8. When setting the Council Tax for 2012/13 in February 2011, it was estimated that there would be a surplus of £435,800 to be carried forward. This estimated surplus was taken into account in setting the 2012/13 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 2011/12.
9. This leaves a surplus of £1.2M that will be carried forward to 2012/13 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 2013/14 is set.

EXPLANATION OF VARIANCES

10. Income from NNDR payers shows a minor reduction of £81,000 (0.08%) compared to the revised estimate of £95.8M (see Appendix 1).

11. As previously stated, the overall effect on the Collection Fund of any changes in NNDR income and expenditure is neutral. This is illustrated by the corresponding decrease of £81,000 in Payments to the NNDR Pool in the expenditure section of the Collection Fund Account.
12. Income due from Council Tax payers has increased by £952,400 (0.97%) compared to the revised estimate of £98.2M. This increase is due primarily to a reduction in the level of exemptions and discounts granted than estimated earlier in the year, for example single person discount.
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 2012 suggests that the following provisions are required:

Year	£000's
Prior Years	262
2005/06	256
2006/07	369
2007/08	654
2008/09	867
2009/10	947
2010/11	1,177
2011/12	1,215
Total	5,747

14. The bad debt provision available at the end of the year was £4.3M after allowing for amounts that had been written off in respect of previous years' arrears. To achieve the suggested level of £5.7M a contribution of £1.4M needs to be made to the Provision for Bad Debts in the year, a decrease of £263,800 compared to the revised estimated provision. When setting the estimate a prudent assessment was made of the impact of the economic climate on the arrears position and the resulting bad debt provision required and the final position has been more favourable.
15. The bad debt provision of £5.7M compares to a total arrears figure of £8.0M which represents 72% of the total amount outstanding. The total level of arrears also needs to be seen in the context that over the last eight years total debts of around £712.1M have been raised.

FUTURE YEAR'S COUNCIL TAX

16. The surplus of £1.2M 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 2012/13. Southampton's share of this surplus, £1.0M will be taken into account when setting the 2013/14 Council Tax, although it should be noted that this will only provide a one off contribution.

RESOURCE IMPLICATIONS

Capital/Revenue

17. The revenue implications are contained in the main report and there are no capital implications.

Property/Other

18. None.

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

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

Other Legal Implications:

20. None.

POLICY FRAMEWORK IMPLICATIONS

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

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KEY DECISION? Yes/No

WARDS/COMMUNITIES AFFECTED:	
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SUPPORTING DOCUMENTATION

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

Appendices

1.	Collection Fund 2011/12
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Documents In Members' Rooms

1.	None
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Integrated Impact Assessment

Do the implications/subject of the report require an Integrated Impact Assessment (IIA) to be carried out.	Yes/No
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Other Background Documents

Integrated Impact Assessment and Other Background documents available for inspection at:

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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