

<b>DECISION-MAKER:</b>	COUNCIL		
<b>SUBJECT:</b>	COLLECTION FUND OUTTURN 2015/16		
<b>DATE OF DECISION:</b>	20 JULY 2016		
<b>REPORT OF:</b>	SECTION 151 OFFICER		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Sue Poynter	<b>Tel:</b> 023 8083 4153
	<b>E-mail:</b>	<a href="mailto:Sue.Poynter@southampton.gov.uk">Sue.Poynter@southampton.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	Mel Creighton	<b>Tel:</b> 023 8083 4897
	<b>E-mail:</b>	<a href="mailto:Mel.Creighton@southampton.gov.uk">Mel.Creighton@southampton.gov.uk</a>	

#### 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 financial year 2015/16, explaining any variations that affect the overall surplus or deficit on the account.

From 1 April 2013 the arrangements in respect of Non Domestic Rates (NDR) changed from a position where the Authority purely collects business rates on behalf of Central Government to one where this income is shared between Central Government, Local Authorities and major Precepting bodies (Hampshire Fire and Rescue Authority (HFRA)). This requires the Collection Fund (Surplus)/ Deficit to be split between that arising from Council Tax and that arising from NDR.

The 2015/16 Collection Fund Outturn was a surplus of £0.9M. The overall position is set out in the table below:

	<b>Council Tax £M</b>	<b>NDR £M</b>	<b>Total Collection Fund £M</b>
(Surplus)/Deficit 2015/16	1.1	(2.0)	(0.9)
(Surplus)/Deficit B/Fwd. 2014/15	(3.3)	(5.8)	(9.1)
<b>(Surplus)/Deficit C/Fwd. 2016/17</b>	<b>(2.2)</b>	<b>(7.8)</b>	<b>(10.0)</b>

The impact of any surplus or deficit on future Council Tax calculations is outlined in paragraphs 24 and 25.

The Collection Fund was in surplus by £10.0M by the close of 2015/16. This is an increase of £2.8M when compared to the revised estimate which anticipated a surplus of £7.2M (see Appendix 1). The slight increase in the surplus compared to the estimate is due to:

- a decrease in the Council Tax bad debt provision (£0.5M);
- increased income from Council Tax Payers (£0.7M);
- decreased income from NDR Ratepayers £0.3M;
- decreased in transitional payments to DCLG (£0.4M); and

- a decrease in the NDR the appeals provision of (£1.6M).
- A complete variance analysis is included in paragraphs 15 to 24.

## **RECOMMENDATIONS:**

- (i) Notes the accounts for the Collection Fund in 2015/16 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)**

3. Not Applicable.

## **FINANCIAL SUMMARY**

4. Income received into the Collection Fund comes from two sources, NDR and Council Tax. Until 2013/14 income received from NDR payers was paid in full to the Central Government NDR Pool after a contribution had been made to the City Council's General Fund to meet the costs of collection. The net effect of NDR on the Collection Fund was therefore neutral. However, from 2013/14, due to the localisation of Business Rates under the Business Rate Retention (BRR) Scheme, NDR variances now have an impact on the Collection Fund Outturn.
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. Until 2013/14 the cost of Council Tax Benefit was met in full by Government subsidy. However, from 2013/14 onwards this is no longer the position due to ending of Council Tax Benefit and the introduction of a Local Council Tax reduction scheme.
6. No local Council Tax discounts have applied in 2015/16.
7. 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, the Hampshire Police Authority and the Hampshire Fire and Rescue Authority (HFRA) levied a precept on the Fund in 2015/16.

## **OUTTURN POSITION 2015/16**

8. The overall position on the Collection Fund at 31 March 2016 is illustrated in Appendix 1. This shows that a surplus of £0.9M has been made in the year. After adjusting for the surplus brought forward from 2014/15 of £9.1M, a surplus of approximately £10.0M is to be carried forward i.e. a Council Tax Surplus of £2.2M and an NDR Surplus of £7.8M.

Council Tax

9. When setting the Council Tax for 2016/17 in February 2016, it was estimated that there would be a Council Tax surplus of £1.0M to be carried forward. This estimated surplus was taken into account in setting the 2016/17 Council Tax and was shared by the City Council, the Police & Crime Commissioner for Hampshire and the HFRA in proportion to the precepts levied by each authority in 2016/17, the actual surplus was £2.2M.
10. This leaves a surplus of £1.2M that will be carried forward to 2016/17 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 2017/18 is set.

NDR

11. The changes explained previously affect the retention of the income collected and also carries a risk to the Council for failure to collect rates in comparison with a predetermined "Start-Up" funding assessment. Risks of non-collection include rates billed from 1 April, those not yet collected from prior years and appeals that were not resolved before that date.
12. When setting the Council Tax for 2016/17 in February 2016, it was estimated that there would be an NDR surplus of £6.1M to be carried forward. This estimated surplus was taken into account in setting the 2016/17 Council Tax and was shared by the City Council, Central Government, and the HFRA, in the following proportions 49%, 50%, and 1% respectively, the Council's share was £3.0M.
13. NDR income collected was £0.3M less than expected but this was offset by reduced expenditure compare to that estimated of £2.0M. This leaves a surplus of £1.7M that will be carried forward to 2016/17 and Southampton City Council's element will then be taken into account when setting the 2017/18 Council Tax.

EXPLANATION OF VARIANCES

Council Tax

14. Net income due from Council Tax payers increased slightly by £0.7M (0.7%) compared to the revised estimate of £93.3M which is not material.
15. The other variance on Council Tax 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 2016 suggests that the following provisions are required:

Year	£M
Prior Years	0.8
2009/10	0.5
2010/11	0.5
2011/12	0.7
2012/13	1.0
2013/14	1.4
2014/15	2.0

2015/16	1.8
Total	8.7

16. The bad debt provision available at the end of the year was £7.3M after allowing for amounts that had been written off in respect of previous years' arrears. To achieve the suggested level of £8.7M a contribution of £1.4M needed to be made to the Provision for Bad Debts in the year, a decrease of £0.5M compared to the revised estimate. 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 has been more favourable.
17. The bad debt provision of £8.7M compares to a total arrears figure of £11.7M which represents 74% 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 £761.6M have been raised.

#### NDR

18. Income due from NDR Ratepayers decreased by £0.3M (0.3%) compared to the revised estimate of £103.3M which is not material.
19. There was also a variance on the NDR Bad Debt Provision. All authorities are required to make provision for NDR rate payer's 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 2016 suggests that the following provisions are required:

Year	£M
Prior Years	0.3
2012/13	0.2
2013/14	0.4
2014/15	0.4
2015/16	0.6
Total	1.9

20. The bad debt provision available at the end of the year was £0.9M after allowing for amounts that had been written off in respect of previous years' arrears. To achieve the suggested level of £1.9M a contribution of £1.0M needed to be made to the Provision for Bad Debts in the year, which compared to the revised estimate.
21. In addition to the Bad Debt Provision all authorities are required to make a provision for NDR Appeals for the current and prior years. Appeals lodged before 31 March 2015 can be backdated to April 2010. Those lodged after that can only be backdated to 1 April 2015. The level of provision is still based on historic levels of refunds made as a proportion of the net rate yield per the NNDR1 i.e. Business Rates estimate for the year. An analysis of the appeals provision as at 31 March 2016 suggests that the following provisions are required:

Year	£M
------	----

2010/11	1.9
2011/12	1.7
2012/13	1.8
2013/14	2.3
2014/15	4.7
2015/16	4.7
Total	17.1

22. The appeals provision available at the year end was £9.5M after allowing for in year refunds of £8.1M. To achieve the historic level of refunds of £17.1M a contribution of £7.6M was required, a net reduction of £0.5M. This gives favourable variance of £1.6M when compared to the revised estimates for in year settlement of Appeals.

**FUTURE YEAR'S council Tax**

23. The surplus of £1.2M on the Council Tax element of the Collection Fund, as explained in paragraphs 9 to 10 will be shared between Southampton City Council the Police & Crime Commissioner for Hampshire and the HFRA, based on the precepts levied on the Fund in 2016/17. Southampton's share of this surplus which amounts to £1.0M will be taken into account when setting the 2017/18 Council Tax.
24. The surplus of £1.7M on the NNDR element of the Collection Fund, as explained in paragraphs 11 to 13 will be shared between Southampton (49%), Central Government (50%) and Hampshire Fire and Rescue Authority (1%). Southampton's share £0.8M of this surplus will be taken into account when setting the 2017/18 Council Tax.

**RESOURCE IMPLICATIONS**

**Capital/Revenue**

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

**Property/Other**

26. None.

**LEGAL IMPLICATIONS**

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

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

**Other Legal Implications:**

28. None.

**POLICY FRAMEWORK IMPLICATIONS**

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

<b>KEY DECISION?</b>	Yes/No
<b>WARDS/COMMUNITIES AFFECTED:</b>	

<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	Collection Fund Outturn 2015/16
<b>Documents In Members' Rooms</b>	
1.	
2.	
<b>Equality Impact Assessment</b>	
Do the implications/subject of the report require an Equality and Safety Impact Assessments (ESIA) to be carried out.	Yes/No
<b>Privacy Impact Assessment</b>	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	Yes/No
<b>Other Background Documents</b>	
<b>Equality Impact Assessment and Other Background documents available for inspection at:</b>	
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.	
2.	