

COUNCIL ASSEMBLY

(ORDINARY MEETING)

WEDNESDAY 25 JANUARY 2012

QUESTION ON REPORT

ITEM 6.1: COUNCIL TAX BASE 2012/13

1. QUESTION TO THE CABINET MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY FROM COUNCILLOR TOBY ECKERSLEY

Would the cabinet member for finance, resources and community safety please advise why the collection fund is expected to be in deficit (paragraph 25 of the report) when the projected final collection levels for all years since 2007/08 onwards (Appendix C) are equal to or in excess of collection rates used for tax setting (Appendix B)?

RESPONSE

The reason why the collection fund is expected to be in deficit when the final projected collection levels are equal to or in excess of collection rates used for council tax setting is due primarily to:

- a) Differences between the estimated collection fund balance made in January each year compared to the actual balance at year-end
- b) The basis on which income from council tax papers is recognised in the collection fund account.

Differences between the estimated and actual collection fund balance

By 15 January each year (or the next working day), the council is required by law to make an estimate of the collection fund surplus or deficit for that year. This estimate is used when setting the council tax base. The estimate for 2010/11 was a deficit of £87,260 and the actual deficit was £142,383. The difference between the actual and estimated deficit will be a contributory factor because the council would have needed to plan to collect an additional £55,123 to break-even.

Basis on which income from council tax papers is recognised in the collection fund account

For accounting purposes, income from council tax payers is the amount billed rather than the amount collected. Therefore, the balance on the collection fund is determined by the income due from council tax payers rather than the income collected. There are many reasons why the actual income due for the year will differ from the amount estimated when the council tax is set, but will be due mainly to changes in:

- the number of properties to be billed
- the number of exemptions and discounts awarded to council tax payers.

A reduction in the number of properties billed or an increase in exemptions or discounts awarded will both result in a reduction in income due to the collection fund.

The collection levels will have an indirect impact on the collection fund balance through changes to the level of impairment for council tax arrears. An improvement in collection performance over time is likely to reduce the level of impairment required and therefore reduce collection fund expenditure for the year. For 2011/12, income due from council tax payers is forecast to be approximately £1.9m less than budgeted and this is due largely to an increase in exemptions awarded against budget. The impact of this reduction in forecast income on the collection fund balance is mostly offset by the forecast increase in the level of impairment for council tax arrears being less than budgeted, which is due to the improved collection performance.