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Date: 25<sup>th</sup> July 2023

Dear Sir/Madam,

**Cabinet – 26<sup>th</sup> July, 2023**

I refer to **Agenda Item 15: Collection Fund 2022/23** and attach the report that was marked to follow on the agenda.

Yours faithfully,



BRENT DAVIS

Chief Executive

To: Members of the Cabinet

Councillor K. Wilson (Leader of the Council and Business and Regeneration)  
Councillor C. Golby (Deputy Leader and Housing and Communities)  
Councillor S. Croft (Finance and Corporate)  
Councillor S. Markham (Public Services)  
Councillor R. Smith (Planning and Regulation)  
Councillor J. Gutteridge (Health and Environment)

Observer

Councillor C. Watkins (Leader of the Main Opposition Party)

**Cabinet/Individual Cabinet Member Decision**

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**Report Summary Sheet**

**Date: 26 July 2023**

**Subject: Collection Fund Outturn 2022/23**

**Portfolio: Finance and Corporate**

**From: Strategic Director - Finance and Governance**

**Summary:**

To detail the outturn position on the Collection Fund for 2022/23, detail of which has been shared with Warwickshire Preceptors.

**Recommendations:**

That the report is considered and approved.

**Options:**

To note and accept the position on the Collection Fund as to be reported in the 2022/23 Statement of Accounts.

**Reasons:**

To enable the Statement of Accounts to be finalised for 2022/23

**Consultation undertaken with Members/Officers/Stakeholders**

Councillor S Croft Finance & Corporate  
Management Team  
Finance Officers

Revenues and Benefits Officers

**Subject to call-in:**

No

**Ward relevance:**

All

**Forward plan:**

Yes

**Building a Better Borough Aim:**

Work

**Building a Better Borough Priority:**

Grow a strong and inclusive economy

**Relevant statutes or policy:**

Local Government Finance Act

**Equalities Implications:**

**(Does this require an Equalities Impact Assessment? If so please append.)**

No

**Human resources implications:**

None

**Financial implications:**

Update to the overall position on the Collection Fund and the impact to the General Fund will be determined in future years.

**Health Inequalities Implications:**

None

**Section 17 Crime & Disorder Implications:**

None

**Risk management implications:**

None

**Environmental implications:**

None

**Legal implications:**

None

**Contact details:**

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**NUNEATON AND BEDWORTH BOROUGH COUNCIL**

**Report to: Cabinet – 26 July 2023**

**From: Strategic Director - Finance and Governance**

**Subject: Collection Fund Outturn 2022/23**

**Portfolio: Finance and Corporate (Councillor S Croft)**

**Building a Better Borough Aim: Work**

**Building a Better Borough Priority: Grow a strong and inclusive economy**

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1. Purpose of Report

1.1 To report the final position on the Collection Fund for 2022/23.

2. Recommendations

2.1 That the Collection Fund position as detailed in the report is considered and approved.

3. Background

3.1 The Collection Fund is a statutory requirement collating all income collected by the Council through National Non-Domestic Rates (NNDR) and Council Tax on behalf of Warwickshire Preceptors.

4. Body of Report

4.1 The Council is classed as a Billing Authority for both Council Tax and NNDR and is responsible for distributing charges annually to the residents and businesses located within the Borough.

4.2 Estimates of expected income to be generated from taxation charges are reported annually to the relevant Government Department as part of the Council Tax Base and NNDR1 returns.

4.3 The returns are used to determine the precept due in the following financial year to the Preceptors and the Council's share will be reported to Council as part of the Budget round in February.

4.4 Any surplus or deficit generated on the Fund during the previous financial year is allocated to the relevant Preceptor as part of the annual forecast reporting.

## Council Tax

- 4.5 Council Tax was introduced as a charge on households on 1 April 1993 and each residential property is allocated a band according to their open market value on 1 April 1991. Detail of the bands is listed below:

Band	Between	
A	£0	£40,000
B	£40,001	£52,000
C	£52,001	£68,000
D	£68,001	£88,000
E	£88,001	£120,000
F	£120,001	£160,000
G	£160,001	£320,000
H	£320,001	and above

- 4.6 The amount of Council Tax payable by an individual household is calculated using the band allocation less deductions for national and local exemptions.
- 4.7 As part of the forecast for the following years precepts, the Council is required to calculate estimated chargeable dwellings, revised for estimated exemptions as noted above. An average Band D equivalent tax base is then determined and is used as the basis for Council Tax setting by each of the Preceptors, including the Council.
- 4.8 The precept for each Preceptor is calculated using the estimated tax base multiplied by the Band D value. The Band D is reported annually to Council as part of the General Fund Budget and Capital Programme Report. This report details out the approved Band D for each of the Preceptors and the demand on the Collection Fund in the following year.
- 4.9 The approved Band D and precept demands as set in February 2022 for 2022/23 are included below:

	Band D £	Precept £
Nuneaton and Bedworth Borough Council	248.51	9,743,704
Warwickshire County Council	1,590.93	62,377,979
Police and Crime Commissioner	262.71	10,300,456
	<u>2,102.15</u>	<u>82,422,139</u>

- 4.10 The Council achieved a deficit on Council Tax of £1,430k versus an estimated surplus of £414k in 2022/23. A thorough review of the bad debt provision has been undertaken due to the levels of debt carried by the Council which has contributed to the overall deficit balance.

- 4.11 Growth of the taxbase between years has been good and it is anticipated, based on the current taxbase growth to July, that a surplus in year is likely. The estimated Band D equivalent was 39,208.5 with the actual Band D equivalent being 39,123.7 at the end of March 2023.
- 4.12 A surplus of £703k was forecast on the Fund in January 2023 and this will be paid to the Preceptors in line with their allocated split during 2023/24.

## **NNDR**

- 4.13 Taxation to fund local services has been in existence for over 50 years but under the Local Government Finance Act 1988, a consistent administrative assessment from 1 April 1990 in England and Wales was introduced in relation to property taxes.
- 4.14 The Valuation Office Agency (VOA) is responsible for setting the rateable value of business premises which is the average rental that could be achieved per annum at a fixed valuation date using assumptions set by statute.
- 4.15 A business within the borough is charged annually by the Council based on the rateable value set by the VOA multiplied by the non-domestic rating multiplier which is set by the Government.
- 4.16 The chargeable amount can be altered with mandatory and discretionary reliefs and the overall rateable value can also be challenged and appealed by a business.
- 4.17 The retention of business rates for local authorities changed significantly on 1 April 2013. Prior to this date, business rates were collected by authorities and paid over to the Government, and this was then redistributed across the country by a set formula.
- 4.18 The introduction of a new funding system provided a direct financial incentive for authorities to work with local businesses to create a favourable environment for growth, but this also added more risk as bad debts, business failures and appeals are now partially borne by the authority.
- 4.19 Under the new system, a Start-up Funding Assessment was determined for each authority which reviewed the income required to fund services. The assessment set out a Baseline Need and this was split between Revenue Support Grant (RSG) and business rates.
- 4.20 To fund the Baseline Need, local authorities each had an expected level of business rates to be collected which was referred to as the NDR Baseline. For authorities with a Baseline Need that is higher than their NDR Baseline, a Top Up grant would be required. When the

Baseline Need is lower than the NDR Baseline, a Tariff is payable by the authority. The Council pays a Tariff of over £9m per annum.

- 4.21 Authorities that collect a higher level of income than their NDR Baseline are rewarded through the scheme as they are able to keep a proportion of the growth. Where there is growth above the Baseline however, a levy becomes payable to the Government.
- 4.22 Where an authority does not achieve its allocated NDR Baseline, a safety net system was also introduced to ensure that income achieved below 92.5% of the Baseline would be reimbursed centrally. The first 7.5% would need to be covered locally. The safety net is funded by the levy noted in 4.20.
- 4.23 Authorities were able under the new scheme to combine into a Pool to retain more of the business rates income locally. All Top Up and Tariff allocations are combined as part of the Pool and one levy rate and safety net rate is then applied to any income growth/loss in the Pool.
- 4.24 The Council joined the Coventry and Warwickshire Business rates Pool in 2013/14 after being reported to Cabinet on 17 October 2012. The Council contributes to the Pool annually due to the growth above the Baseline, but the contribution is far lower than the levy imposed by the Government had the Pool not been in existence.

### Local Performance

- 4.25 Through the Collection Fund Account, precepts are paid to the Government (50%), Warwickshire County Council (10%) and Nuneaton and Bedworth Borough Council (40%). The Council also has to fund the Tariff noted above which reduces the actual income retained to approximately 12%.
- 4.26 The NNDR1 return is completed in January each year, and this provides the forecasted income for the following financial year for all Preceptors. Within the return the surplus or deficit from the previous financial year is split between the Preceptors and paid/recovered as part of the precept payment. A summary of the return for 2022/23 is included below.

	Precept £	Deficit Payment £	Total £
Central Government	14,477,496	-2,154,126	12,323,371
Nuneaton and Bedworth BC	11,581,996	-1,723,300	9,858,696
Warwickshire County Council	2,895,499	-430,825	2,464,674
	28,954,991	-4,308,251	24,646,741



- 4.27 Due to the pandemic which reduced income and increased bad debt and appeals provisions during 2020/21, a large deficit of £12.66m was made on the Fund. It was legislated to spread any deficit on the Fund over a three-year period to ensure that all Preceptors had a longer time frame to cover the loss in income.
- 4.28 The Fund has performed well in year. A deficit of £4.3m was forecast in January 2022 and paid by the Preceptors during 2022/23 however, the final position on the Fund for 2021/22 was a deficit of only £3.6m. In year, the Fund has generated a surplus of £2.6m leaving a closing surplus balance of £3.6m.
- 4.29 The Council set-aside £5.38m at the end of 2020/21 to help mitigate the losses from business rates on the General Fund. In year, £2.4m was drawn from the reserve to cover the deficit payments made.

5. Conclusion

- 5.1 The Collection Fund is a statutory requirement, and the Council is obliged to account for all transactions relating to taxation as a Billing Authority and report the outturn position plus forecast on the Fund to both Cabinet/Council and the Preceptors.

6. Appendices

- 6.1 None

7. Background Papers (if none, state none)

- 7.1 None