

<b>CABINET</b>	<b>AGENDA ITEM No. 5</b>
<b>18 JANUARY 2021</b>	<b>PUBLIC REPORT</b>

Report of:	Peter Carpenter, Corporate Director Resources		
Cabinet Member(s) responsible:	Cllr David Seaton, Cabinet Member for Finance		
Contact Officer(s):	Emma Riding, Finance Manager	Tel. 384583	

## **COUNCIL TAXBASE 2021/22 and COLLECTION FUND DECLARATION 2020/21**

<b>RECOMMENDATIONS</b>	
<b>FROM:</b> Corporate Director Resources	<b>Deadline date:</b> N/A
<p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>Propose the calculation of the Council Tax Base for 2021/22 set at a level of 59,714.72 Band D equivalent properties based on the existing council tax support scheme updated to 33%;</li> <li>To note the estimated position on the Collection Fund in respect of Council Tax as at 31 March 2021 being:  <p style="text-align: center;">£1.413m Deficit</p></li> <li>To note these estimated positions with the Corporate Director Resources reserving the right to amend the final estimated position on the Collection Fund balance as at 31 March 2021 in accordance with the statutory Determination legislation and timescales.</li> </ol>	

### **1. ORIGIN OF REPORT**

- 1.1 This report forms part of the preparation for setting the council's budget. It needs to be considered for the tax base and the Collection Fund balances to be used in setting the council's overall budget and Council Tax and can be notified to other affected authorities within the statutory deadlines for the same purpose.

### **2. PURPOSE AND REASON FOR REPORT**

- 2.1 This report is before Cabinet to consider under its delegated function No 3.2.7. 'to be responsible for the council's overall budget and determine action required to ensure that the overall budget remains within the total cash limit'.

### **3. TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	<b>N/A</b>
Date for relevant Council meeting	<b>N/A</b>	Date for submission to Government Dept.	<b>31 January 2021 and 11 March 2021</b>

### **4. BACKGROUND AND KEY ISSUES**

#### **Council Tax Base Calculation 2021/22 (Appendix A)**

- 4.1 The Council Tax Base calculation is part of the budget process. The gross tax base for 2021/22 is estimated at 66,098.23 Band D equivalents. This is reduced by 1.5% to allow any in year variation from the estimates (e.g. for properties not being built or occupied, additional discounts being available or for losses on collection), to give a net council tax base of 65,110.85, which is 0.9% more than the equivalent tax base for 2020/21 of 64,502.34.
- 4.2 A further reduction to the tax base to reflect the changes to the funding of council tax benefits which came into effect for the first time in 2013/14 is necessary. The proposed tax base for 2021/22 has therefore reduced to 59,714.72 which compares to 59,093.47 for 2020/21.
- 4.3 The figure of 59,714.72 Band D equivalents reflects the best estimate, based on the latest position on the current council tax support scheme of 32%, adjusted to 33% as agreed by Cabinet in February 2019 which becomes effective in 2021/22.

### **Collection Fund**

- 4.4 The Collection Fund surplus/deficit calculation is used by the precepting authorities in setting its budget for the forthcoming year. The figures in this report are provided for information as the Corporate Director of Resources will make the formal calculation for Council Tax on 15 January 2021 and notify the relevant bodies at that time and will return the final NNDR1 form by 31 January 2021.
- 4.5 The Collection Fund represents council tax and business rates income receipts and has separate calculations of the surplus/deficit at the year-end compared to the General Fund. Prior to 2013/14 the total amount of business rates was transferred to the government whereas under the new system it is shared between the Council, the Fire Authority and the Government.
- 4.6 The Collection Fund at 31 March 2021 in respect of council tax has been estimated to be in deficit by £1.413m from residential property growth and the impact of measures following the localisation of Council Tax support from 2013/14 and therefore will be shared between the Council, the Police and the Fire Authority in proportion to the band D council tax levels.
- 4.7 The Collection Fund deficit at 31 March 2021 in respect of business rates will be confirmed in a supplementary Cabinet report week commencing 11 January. Further work is taking place on the assessment of the Councils bad debt provision requirement and detailed analysis of the latest check, challenge and appeals position will continue to be worked on, which will inform this report. The values will be based on information as at 30 December and reported within the National Non-Domestic Rates (NNDR1) form to the government by 31 January 2021. The NNDR1 form is used to inform the government and other relevant authorities of both the collection fund balance and the following year's Business Rates income. The surplus will be shared between the parties in the following proportions, Government 50%, Peterborough City Council 49%, Cambridgeshire Fire Authority 1%.
- 4.8 Following the introduction of the new business rates system in April 2013 the Police and Crime Commissioner does not receive any business rates income but receives alternative funding directly from government.

### **Phasing of 2020/21 Collection Fund deficits**

- 4.9 On 5 November parliament passed The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020, which came into effect 1 December 2020. These regulations implemented the announcement made by the Secretary of State on 2 July 2020, that the repayment of Collection Fund deficits arising in 2020/21 could be spread over the next three years.
- 4.10 The change in legislation is a direct result of the pressure placed on Council Tax and NNDR collection rates due to the economic downturn caused by the Covid-19 pandemic. The deficits on the Collection Fund will be spread over three years to smooth the financial impact for Local

Authorities, in addition to a further scheme announced within the Spending Review 2020 which will compensate Councils for 75% of irrecoverable tax losses.

## **Council Tax**

- 4.11 The guidance and regulations outline that an 'exceptional balance' will be phased over the period 2021/22 - 2023/24. This balance is the deficit for 2020/21, net of any prior year elements. The following table outlines the differing elements of the estimated Collection Fund balance and how this will impact each of the three years.

	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>Total</b>
Exceptional collection fund balance	679,468	679,468	679,468	2,038,404
Total prior year elements	(625,009)			(625,009)
<b>Overall Collection Fund position (- surplus/ + deficit)</b>	<b>54,459</b>	<b>679,468</b>	<b>679,468</b>	<b>1,413,395</b>

## **NNDR**

This will be published within a supplementary report to Cabinet, to be issued the week commencing 11 January 2021, to ensure this can be considered at this Cabinet meeting.

## **5. CONSULTATION**

- 5.1 Consultation is not required in making the calculations referred to in this report, however the Council is in contact with the Police and Fire authorities during the budget setting process.

## **6. ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 That Cabinet proposes the calculation of the Council Tax Base, notes the position on the Collection Fund for both the Council Tax and Business Rates and notes that the final calculation of these balances is reserved to the Corporate Director of Resources.

## **7. REASON FOR THE RECOMMENDATION**

- 7.1 The Council Tax Base could be set at a higher or lower level. However, this could have the effect of either inflating unnecessarily the amount of Council Tax to be set or setting the tax at a level insufficient to meet the Council's budget requirements. A similar position could arise if the surplus or deficit were set at a higher or lower level.
- 7.2 The calculation and return of the information included in the NNDR1 is a statutory requirement which can be formally delegated to an officer. As with council tax if the amount of business rates estimated to be collected is increased or reduced or the surplus or deficit is set at a higher or lower level then the amount of income available to the council will change with the consequent effect on service provision or council tax levels.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

- 8.1 This report covers calculations that are all prescribed by regulations with the effect that no other options need to be considered.

## **9. IMPLICATIONS**

### **Financial Implications**

- 9.1 The report recommendations feed into the budget process for 2021/22 by providing the basis of the calculation of Council Tax income and the estimated surplus or deficit on the Collection Fund.

### **Legal Implications**

- 9.2 In accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012 the Council Tax base for the authority must be agreed and notified to major precepting bodies before the 31 January 2021. The proposals set out in this report will facilitate compliance with that requirement.

### **Equalities Implications**

- 9.3 There are no equalities implications arising from the recommendations in the report.

### **Carbon Impact Assessment**

- 9.4 This is a statutory report setting the Council Tax base for 2021/22 and determining the estimated surplus or deficit on the Collection Fund for 2020/21 and has no impact on Carbon related issues.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 Local Government Finance Act 1988  
Local Government Finance Act 1992  
Local authority (Funds) (England) Regulations 1992  
Local Government Act 2003  
The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012  
The Council Tax (Prescribed Classes of Dwellings) (England) Regulations 2003.  
Council Tax Banding List  
The Non-Domestic Rating (Rates Retention) Regulations 2013  
The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020

## **11. APPENDICES**

- 11.1 Appendix A - Council Tax base for tax setting purposes 2021/22