

Council Tax 2021/22

1.0 Introduction and Background:

- 1.1 This paper considers the level of Council Tax for 2021/22 in the light of the Revenue Budget for 2021/22 and Financial Strategy, as well as the Government's funding settlement and the business rates retention scheme.
- 1.2 It is proposed that the Council will not increase council tax by £5 or 1.99% in 2021/22. The council tax set by this district Council for a Band D equivalent property in 2021/22 will remain the same as in 2020/21 at £114.48 where this helps support the residents in the area during this covid-19 pandemic, by not increasing costs to individuals by £5 a year.

2.0 Revenue Estimate and Financial Strategy:

- 2.1 The approved revenue estimate for 2021/22 is a net total of £10,351,080 which is an increase of £1,081,410 on the 2019/20 budget at £9,269,670. The increase in the budget mainly relates to an increase in salaries across the organisation to continue to support effect and effective services, increase in finance costs to support the capital programme and loss of income from the closure of Thirsk & Sowerby Leisure Centre and rental income from economic development. The loss of income is an impact for 2021/22 only as the leisure centre will re-open, businesses will be attracted to the area and the revenue to be generated from the crematorium will be realised in 2022/23.
- 2.2 The Financial Strategy demonstrates that the budget of £10,351,080 is affordable and allows the Council to set a balanced budget.
- 2.3 The affordability of this budget is estimated on assumptions made in the Financial Strategy around the level of grant funding, as confirmed in the Local Government finance Settlement announced on 17 December 2020, and also the level of business rates and council tax.

3.0 Local Government Funding Settlement and Business Rates:

- 3.1 The funding received in the Local Government Finance Settlement to support budgets in the 2021/22 across local authorities is an average Core Spending Power increase of 4.5% (£2.2bn), where Core Spending Power is a combination of council tax, business rates, revenue support grant, new homes bonus, rural service delivery grant, lower tier services grant, Covid-19 support funding and local council tax support grant.
- 3.2 At Hambleton District Council it is estimated that Core Spending Power is a decrease of 2.1%. This is due to the overall Settlement having relatively low increases in grant funding from government – revenue support grant and rural services delivery grant for the top quartile of super sparse areas - and increased reliance on council tax of 86% national. Therefore, maintaining council tax at the same level as 2020/21 results in a lower core spending power than the national average 4.5%. This impacts on the funding available to support the budget however the Council's financial position can sustain this.

- 3.3 The Settlement Funding Assessment to Local Authorities (a combination of revenue support grant and expected business rates to be achieved) in 2021/22 is a small increase of 0.1% which is mirrored at this Council. Overall, since 2015/16 there has been a 30% cut in the settlement funding assessment which is illustrated by the reliance on overall funding to support local authorities coming from council tax. The proposal to freeze council tax in 21/22 therefore does affect the longer-term funding position of the Council as less council tax will be received by £186,608 in 2021/ 22 and this has a cumulative impact over the next four years.
- 3.4 The covid-19 pandemic has also impacted the council tax to be received in 2021/22 as the tax base has not increased as much as it usually would on average by 1.1%, instead it is estimated that it will increase by only 0.2% due to the forecast increase in the use of the local council tax support scheme. The government have provided one-off funding in the form of the local council tax support grant £61,969 to help councils to meet this expected increase in local council tax support scheme next year.
- 3.5 It is worth noting that in 2020/21 there has also been an increase in the use of the local council tax support scheme so by reducing council tax available by 0.5%; the government has announced that funding will be provided through the Local Tax Income Guarantee Scheme where 75% compensation is available but is not payable for losses arising from lower collection rates in council tax. Council tax collection in the Hambleton district is estimated be 1% lower due to the impact of covid-19.
- 3.4 The detail of the Local Government Finance Settlement is set out below and in summary the Council would be guaranteed to receive £4,781,263 of funding in 2021/22 from a combination of revenue support grant, rural services delivery grant, new homes bonus grant, Lower Tier Services Grant, Covid-19 support funding, local council tax support scheme and retained business rates.
- 3.5 With regards to business rates, it should be noted that since 2014/15, the Council has been in a business rates pool with other Council's from North Yorkshire and in the last two years the North and West Yorkshire Business Rate Pilot / Pool. In December 2020 it was approved that for 21/22 the Council will no longer be part of any Business Rates Pool or Pilot scheme due to the uncertainty of the impact of the COVID-19 pandemic. This is the same for the other Council's across North Yorkshire.
- 3.6 In addition, the Government continues to review the changes to the mechanism as to how local authorities are funded through the proposed Fair Funding Review - the Review of Relative Needs and Resources of Councils - and the distribution of business rates. This has been further delayed due to the covid-19 pandemic where implementation is now scheduled for April 2022. It is crucial for local authority financial planning that the Government provides early exemplifications and consults on proposals for reform to give certainty to councils as soon as possible, preferably by the time of the final 2022/23 local government finance settlement in December 2021.

3.7 Detailed Government Funding Settlement

	Funding Settlement
	2021/22 £
Hambleton District Council share of Business rates Target at 80%	11,164,034
Fixed tariff paid to the Government	-9,076,412
Hambleton District Council Retained Business Rates Target	2,087,622
Revenue Support Grant	91,472
Rural Services Delivery Grant	659,897
Lower Tier Services Grant	88,906
Local Council Tax Support grant	61,969
COVID-19 Support funding	376,767
New Homes Bonus	1,414,630
Total Funding Settlement	4,781,263

3.8 The Business Rate Retention Funding Mechanism has with it inherent risk for Local Government. Principally, if the Business Rate target set for the Council is not met the reduction in Business Rates will reduce the local share, not the amounts paid to Central Government. Any loss of income will be met 80% by Hambleton District Council, 18% by North Yorkshire County Council and 2% by North Yorkshire Fire and Rescue Authority.

3.9 An aspect of the regulations in respect of the Business Rate Retention Scheme is that Councils must set a Business Rates Base figure which is approved, this is used by Government to set the Business Rates Collection Target for the Council in the preceding year. The Business Rates Base figure for 2021/22 is £11,442,018, this is the latest estimate from the National Non-domestic Rates Return – NNDR1.

3.10 The 2021/22 budget has been set using the actual Business Rate target from the NNDR1 return rather than that presented in the funding settlement as this figure is a timelier and more accurate reflection of the amount the Council is likely to receive. The impact of the covid-19 pandemic has been considered when setting the estimate of business rates to be received in 2021/22. Under the Business Rate Retention System, Business Rate appeals lodged by organisations in Hambleton and the provision for bad debt have a direct impact on the Council, therefore for 2021/22 there is a net collection fund deficit of £273,248 as a result of appeals and provision for bad debt. The overall collection fund deficit due to the covid-19 pandemic is £4,500,267 in relation to the retail relief provide by government in 2020/21 where estimated government grant is received to support this of £4,231,420.

3.11 Increases in Business Rate levels are set each year by Central Government where the business rate multiplier is uprated using the September Consumer prices Index (CPI) rather than Retail Prices Index (RPI) from April 2018 onwards. As set out in the Spending Review published on 25 November 2020, the Government has decided to freeze the business rates multiplier in 2021/22. Local authorities will be fully compensated for this decision. Therefore the provisional rate poundage to be applied in 2021/22 has been announced as follows:-

- Non-Domestic Rate 51.2p
- Small Business Rate 49.9p

In accordance with Schedule 7 to the 1988 Act, the multipliers will be confirmed after the Local Government Finance Report for 2021/22 has been approved by the House of Commons.

- 3.12 Estimating the amount of business rates that will be available in 2021/22 is dependent on a variety of factors including empty property relief, bad debts (non-payment), Material Change in Circumstances, 2017 valuation appeals (last time businesses were revalued) and local growth and closures of businesses. The covid-19 pandemic has impacted on the business rates to be collected where in 2020/21 retail relief was provided by Government which has meant that only two thirds of the net rates payable are required to be collected. The analysis shows that business rates in the Hambleton are currently being paid with estimated non collection being about 1% lower than usual. The government is supporting Councils with regards to the reduction in businesses rates in 2020/21 through the Local Tax Guarantee Scheme which provides 75% compensation to authorities for irrecoverable losses that have been incurred in respect of business rates which does include funding for lower collection rates.
- 3.13 Valuation Office Agency (VOA) has made an interim ruling on Material Changes in Circumstance appeals. These appeals have been made by businesses affected by the COVID restrictions. The Valuation Office Agency has emailed local authorities to “assure” them that “as yet no decisions have been taken on reductions to rateable values as a result of the pandemic”. It is suggested that the Valuation Office Agency will award a 25% reduction in valuations as an interim judgement, but it will vary by business type and area, depending on the impact of national and local restrictions. When reductions in valuations are confirmed by the Valuation Office Agency, it is expected that 75% to be funded by the Tax Income Guarantee Scheme in 2020-21.
- 3.14 Finally, it should be noted that further changes to business rates were made in 2017/18 where on 1 April 2017 all businesses were revalued and at the same time the Valuation Office Agency changed the methodology in which appeals against business rate valuations were made. The transition for these measurers will be supported by the Government, however the introduction of the Check, Challenge and Appeal process from 1 April 2018 from businesses querying the rateable value of their business and the limited number of appeals currently being processed continues to have an effect of uncertainty on business rate estimates. For 2021/22, a combination of all these factors, in the previous paragraphs, will result in the Council potentially getting lower business rate growth and income than estimated; the position will be monitored.

4.0 Council Tax:

Council Tax Base

- 4.1 Each year the Council is required to formally set the Council Tax Base and advise the appropriate precepting bodies. This must be done by 15 January each year.
- 4.2 The Council Tax Base for 2021/22 is set at 37,342.89

Council Tax Levels

- 4.3 If the assumptions made above are current then the 2021/22 Council Tax at Band D will be:-

2020/21 £		2021/22 £	Assumption
1,243.61	County Council (NYCC)	TBC	TBC increase
119.86	NYCC – Adult Social Care	TBC	TBC increase
265.77	Police & Crime Commissioner	TBC	TBC increase
72.69	Fire Authority	TBC	TBC increase
41.70	Parishes (average)	42.92	Parishes (average)
<u>114.48</u>	Hambleton	<u>114.48</u>	Freeze
1,858.11			

5.0 Impact on Reserves:

- 5.1 The impact on the Council's Council Taxpayers Reserve from the revenue budget, funding settlement, business rates and Council Tax decision is set out in the table below:-

	£
Revenue Budget:	10,351,080
Financed by:-	
Revenue Support Grant	91,472
Rural Service Delivery Grant	659,897
Other One-Off Government Grants	527,642
New Homes Bonus Grant	1,414,630
Retained Business Rates	3,353,084
Collection Fund (Deficit) / Surplus	(4,504,668)
Collection Fund Business Rates Relief Grant	4,231,420
Council Tax	4,275,014
Contribution from Reserves	<u>302,589</u>
Balanced budget	0

- 6.2 It is estimated that the Council will make a contribution from reserves – specifically the Council Taxpayers reserve - of £302,589 to balance the 2021/22 budget. This position is affordable and sustainable over the next four years as reflected in the financial strategy.

7.0 Risk Assessment:

- 7.1 There are no major risks associated with this report.

8.0 Local Government Act 2003:

- 8.1 Section 25 of the Local Government Act 2003 requires the Council's S151 Officer (Chief Financial Officer) to report to Members on the robustness of the budget and the adequacy of reserves held by the Council.
- 8.2 The approved Revenue Budget 2021/22 has now been prepared by the Council's budget holders and has been subjected to challenge by the Finance staff and Chief Officers. The S151 Officer - Director of Finance and Commercial - therefore concludes that the budgets included in this Council Tax setting process are robust and have been prepared in accordance with proper practices.
- 8.3 The reserves of the Council are set out in Annex C to this report. The S151 Officer - Director of Finance and Commercial - considers the level of reserves adequate to maintain the Council's current revenue expenditure and enable its longer-term objectives as set out in the Financial Strategy. Annex C sets out the policy on Reserves and Balances and supports these comments. Annex C also makes recommendations on the level of Balances and Reserves.

