



Ministry of Housing,
Communities &
Local Government

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**Ministry of Housing, Communities & Local
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Dear Chief Finance Officer,

On 28 May, the Department made the first of two payments to authorities in relation to local tax losses for 2020-21. Annex A to this letter is the Grant Determination (No 31/5583). This details the allocations and provides a breakdown between grant provided for losses in business rates and council tax income respectively.

The [Spending Review](#) on the 25 November (chapter 6, paragraph 65) announced that the Government would compensate local authorities for 75% of irrecoverable losses in council tax and business rates income expected in 2020-21 (the 'local tax income guarantee').

The outturn data from which the Department will calculate the guarantee will not be published until later in 2021. In order to assist with cash-flow, the Department is therefore making two payments in respect of the guarantee, the first being an on-account payment representing 50% of each authority's estimated grant entitlement under the guarantee. Annex B to this letter provides further detail on how the on-account payments have been calculated.

The second instalment will be made later in 2021 and will provide authorities with the remaining grant due to them, based on the final outturn data. If the on-account payment made to an authority represents more than the total grant due, the Department will require the difference to be repaid, as set out in paragraph 5 of the Grant Determination. Final grant entitlements will be determined for council tax using the methodology set out at Annex A of the Department's [consultative policy paper on Covid-19 funding](#). For business rates, the methodology was set out by Mark Barnett on 5 May under cover of an email to Chief Finance Officers from Jackie O'Sullivan.

This grant is unringfenced and is provided towards losses in local tax income expected in 2020-21. If you require any further information regarding the contents of this letter, please contact council.tax@communities.gov.uk.

Yours sincerely,

Chris Megainey
Local Taxation Division

Annex B – calculation of the ‘on-account’ payments

For council tax, each authority’s on-account payment has been calculated based on the methodology set out at Annex A of the Department’s [consultative policy paper on Covid-19 funding](#), but using data provided via the Department’s regular QRC3 collection (published in this [live table](#)) in place of the final QRC4 outturn data. The on-account payment represents 50% of the estimated grant due to each authority based on the QRC3 data.

For business rates, the on-account payment has been calculated from the data provided by authorities as part of [NDR1 2021-22](#). The calculation is derived from: Part 4a, line 6, which gives the “exceptional balance” on the 2020-21 Collection Fund. Where the exceptional balance is a negative number, the calculation is line 6, multiplied by the authority’s business rates share, multiplied by 75% (reflecting the fact that TIG is payable on 75% of the loss of income), multiplied by 85% (reflecting the adjustment to the provision figure in the final TIG calculation), multiplied by 50% (being the amount that is being paid upfront in this instalment).