

READING BOROUGH COUNCIL

REPORT BY DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE & COUNCIL		
DATE:	15/23 JANUARY 2018	AGENDA ITEM:	10
TITLE:	BUDGET 2018-19 - APPROVAL OF COUNCIL TAX BASE, NNDR1 ESTIMATE & ESTIMATED COLLECTION FUND SURPLUS - APPROVAL OF THE LOCAL COUNCIL TAX SUPPORT SCHEME 2018/19		
LEAD COUNCILLOR:	COUNCILLOR LOVELOCK	AREA COVERED:	CORPORATE SERVICES
SERVICE:	FINANCIAL	WARDS:	BOROUGHWIDE
LEAD OFFICER:	PETER LEWIS / ALAN CROSS	TEL:	72058 / 9372058
JOB TITLE:	DIRECTOR OF FINANCE HEAD OF FINANCE	E-MAIL:	Peter.Lewis@reading.gov.uk Alan.Cross@reading.gov.uk

At the time of despatch of this report for Policy Committee, not all the information necessary had been received; for example the NNDR1 form had not been received, and as explained in the report the implications of the proposed Berkshire business rates pilot (and linked NNDR pool) not yet finalised, Also, the proposed council tax base, and related fund nil deficit/surplus estimate was being reviewed. If practical, it is intendd to issue an update before the Committee meeting. The report will in any case need to forward it's recommendations to Council; but no decisions are needed related to NNDR.

1. PURPOSE AND SUMMARY OF REPORT

- 1.1 By 31 January 2018 it will be necessary to have estimated and informed the Thames Valley Police & Crime Commissioner, Royal Berkshire Fire & Rescue Service and Environment Agency of the Council Tax base to be used for setting the tax and levy for 2018/19. In order to do this it will be necessary to estimate the tax debit (i.e. the total of all 2018/19 Council Tax bills) and the anticipated Council Tax collection to set the Council Tax Base.
- 1.2 Also, by 31 January it will be necessary to have estimated and informed the Royal Berkshire Fire & Rescue Service and DCLG of the estimated collectible business rates to be used for setting the budget and ultimately the council tax for 2018/19. This is done by completing a form known as NNDR1.
- 1.3 On 15 January 2018 there is/was a requirement to estimate the collection fund surplus or deficit separately for both council tax and business rate

transactions as at 31 March 2018. Any surplus or deficit is then to be taken into account when calculating the total amount to be collected from Council Tax payers in 2018/19. This report sets out forecast council tax collection and the resulting impact on the Collection Fund and in the context of tax setting as a whole it is helpful for Council to note.

- 1.4 Government regulations require that the Council Tax Base and related collection rate to be used for calculating Council Tax are made by the full Council, and cannot be delegated to a Committee or to an officer. The approval of NNDR1 can be done by either Policy Committee or an officer, but given its potential significance it is suggested Policy Committee or Council awareness is appropriate and the collection fund surplus/deficit estimate must be done on a specific day, so is/was done by the Chief Finance Officer to meet that legal requirement, on the basis of the information then available.
- 1.5 This report also seeks formal Council approval for the Council Tax Support Scheme for 2018/19. In order to consider all possible measures to close the estimated budget gap, the Administration asked officers to run a public consultation on a proposal to increase the minimum working age contribution rate from 25% to 35%. The necessary statutory public consultation on the proposed changes to the local scheme was largely run on-line and took place from 29 November 2017 to 1 January 2018.

The changes we propose to apply from 1 April 2018 for 2018/19 and future years:

- to increase the minimum contribution from 25% to 35%,
- reduce capital level from £6,000 to £3,000
- increase levels of Non-Dependant deductions (based on income) from £7.50 to £10.00 for those non-dependants not engaged in remunerative work (working less than 16 hours per week) and/or have gross earnings less than £196.95 per week
- increase levels of non-dependant deductions (based on income from £12.50 per week to £15.00 per week for any non-dependants engaged in remunerative work (16 hours or more) with gross weekly earnings of £196.95 per week and above
- Apply administrative easements to the process of claiming Council Tax Support for those customers transferring to Universal Credit. This will enable them to continue to receive and claim Council Tax Support as easily and as efficiently as possible without causing additional risk of overpayment, and excessive numbers of new bill and award notifications being sent to them.

These changes generally apply in combination. In addition DCLG has completed an annual update of various allowances particularly as the scheme affects pensioners and those changes have been incorporated. When we consulted on the original principles of the new local scheme in the

summer/autumn of 2012, we indicated that various allowances would be subject to annual uprating, so there would be no need for further public consultation on the principle of those points each year.

Appendix B to this report sets out a summary of the responses to the consultation on the proposed changes to the local scheme and the officer response and advice.

- 1.6 The Equality Impact Assessment in respect of the proposed changes to the Council tax Support Scheme is included at Appendix E.
- 1.7 The report also notes that the various technical changes to Council Tax made in previous years will continue. The proposed change introduced by the Chancellor in the Autumn 2017 budget to increase the long term empty homes premium does not apply in 2018/19, but will need to be formally approved next year. Our forward plan from 2019/20 has assumed the change will be implemented in Reading in line with the policy position taken last year to maximise this premium.
- 1.8 Pursuant to the approval of the revised Council Tax Support Scheme and other estimates explained, the report then sets out the detailed calculations to be made under the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, which Council is asked to approve.
- 1.9 Council may recall that part of the process of putting the Council Tax Support Scheme formally in place involved fully adopting the Government's "default" scheme (which we then amended). That document was over 160 pages long, so was not printed in full in previous years, or this agenda. The same continues to apply to our adoption of government changes, but a copy can be made available.
- 1.10 The following are appended:-

Appendix A - The Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2017

Appendix B - Summary of consultation responses on the proposed changes to the Local Council Tax Support Scheme

Appendix C - CTB1 Return

Appendix D - Draft NNDR1 Return

Appendix E - Equality Impact Assessment on proposed changes to the local Council Tax Support Scheme.

Appendix A, and the full technical details of the Local Council Tax Support Scheme have not been produced for Committee as they are very technical documents. Copies are available.

2. RECOMMENDED ACTION

Policy Committee is asked to recommend that Council do all of the Following:-

- 2.1 Council is requested to approve the 2018 uprating of the allowances in the council tax support scheme and other amendments to the scheme as set out in paragraph 1.5, in particular the increase in the minimum contribution payable by those of working age from 25% to 35%.
- 2.2 Council Notes that we have adopted:
- (i) the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 (SI 2886(2012)) in 2013
 - (ii) the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2013 (SI 3181 (2013)) in 2014
 - (iii) the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No. 2) Regulations 2014 in 2015
 - (iv) the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2015 in 2016
 - (v) the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2016 in 2017
- and these will remain in place as the basis of our 2018-9 scheme (to the extent the requirements in each regulation remain prescribed).
- 2.3 Council is asked to now adopt the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2017 which came into force on 12 January 2018 and apply to local schemes from 1 April 2018 and (in the case of three of the 17 regulations) 6 December 2018 as set out in Appendix A.
- 2.4 Council is asked to approve the proposed local changes set out in Appendix B for 2018/19 and the overall Local Council Tax Support Scheme for 2018/19. (Appendix B sets out the summary of responses to the consultation on the Local Council Tax Support Scheme)
- 2.6 Council should note the Council's "plain english" guide to the Council Tax Support Scheme which explains how these regulations as amended locally will work together, and that an update will be published on the website to reflect the 2018/19 scheme.
- 2.7 Council is recommended to approve that for the purpose of, and in accordance with, the provisions of the Local Authorities (Calculation of Council Tax Base) Regulations, 1992 (as amended):
- (a) The estimated Council Tax collection rate for the financial year 2018/19 be set at 98.75% overall (unchanged since 2015/16);

(b) Taking account of 2.1, the Council Tax technical changes made since 2013/14 and above, the amount calculated by Reading Borough Council as its Council Tax base for the financial year 2018/19 shall be 54,850.

2.8 Council is asked to note that neither a surplus nor deficit has been estimated in respect of Council Tax transactions as at 31 March 2018, and Reading's share of this is therefore £0.

2.5 Council is asked to note that a surplus of £x,xxx,000 {to follow} has been estimated in respect of NNDR transactions as at 31 March 2018, and Reading's share of this is £y,yyy,000 {also to follow}.

2.6 Council is asked to note and approve the NNDR1 summary form in Appendix E, noting that we're estimating that we'll collect £1zz,zzz,000 of which £80.683m (to be confirmed in the final Local Government Finance Settlement-LGFS) (ww%) will be paid to DCLG as the tariff, and the balance retained in Berkshire as part of the Berkshire pilot/pool. Reading will retain a minimum of £38.23m {to be confirmed in the final LGFS}. Council should note that 70% of the excess over this sum actually received will be paid to the Berkshire LEP to support further local economic growth, and the balance retained by Reading provided every Berkshire authority has a balance of at least £1m, with a pro rata reduction to authorities with a balance exceeding £1m to bring other up to this agreed minimum gain per authority from the pilot/pool.

3. POLICY CONTEXT

3.1 Under Government regulations it is necessary for the Council to review its Collection Fund and decide the following:

Its estimated Council Tax surpluses or deficits for the 2017/18 year
Council Tax Collection Rate for 2018/19
Business Rates collectable in 2018/19
Council Tax Base to be used for setting 2018/19 Council Tax

3.2 The Director of Finance makes the necessary estimates relating to any collection surplus/deficit, and the business rates collectable, both of which follow prescribed requirements, but requires that only the Council can agree the calculation of the Council Tax Collection Rate and (the related) Council Tax Base.

3.3 Following the introduction of the Council Tax Support Scheme (CTSS) in 2013/14 and technical changes to the Council Tax regime the estimates and calculations take account of our recent experience of tax collection. Both CTSS and technical changes effectively changed the way individual bills are calculated, so affecting the tax collectable, and hence the tax base

(whereas historically Council Tax Benefit operated as a relief that helped pay some taxpayers' bills).

4. COUNCIL TAX

- 4.1 Council Tax is largely a property based tax with a 25% discount for people living alone. There are further detailed rules that impact some households; for example properties solely occupied by students are exempt.
- 4.2 The basic amount each household will pay depends on the value of their property on 1 April 1991 which determines which Council Tax band it is in. (Households in Band A will pay at the rate of two thirds of Band D and households in Band H will pay at the rate of twice Band D).
- 4.3 The following table sets out these proportions, and the number of properties on the valuation list (at the time of our CTB1 return to DCLG in October (Appendix C)), in Reading, in each band.

Table A

Band	Amount Payable as a Proportion of Band D	Properties in Each Band (October 2017)	
		Number	%
A	6/9	6,533	9
B	7/9	14,134	20
C	8/9	28,756	40
D	9/9	10,883	15
E	11/9	5,434	8
F	13/9	3,277	5
G	15/9	1,843	3
H	18/9	83	-
		<u>70,943</u>	<u>100</u>

This is an increase in properties on the list of 877 over the last year. In the previous year the increase was 1093.

5. HOW THE TAX IS CALCULATED

- 5.1 Council Tax will be calculated by dividing the sum of the council tax requirements of Reading, the Royal Berkshire Fire & Rescue Service (RBF&RS) and Thames Valley Police (TVP) by the total number of properties adjusted to a Band D equivalent by applying the proportions above (adjusted to allow for a small amount of non collection). The “properties adjusted to Band D equivalent” is known as the taxbase. The Band D tax rate will then be multiplied by the proportions shown in Table A above. As 70% of

properties are in Bands A to C the average level of Council Tax in Reading will be lower than the Band D rate.

Council Tax Requirement

- 5.2 The council tax requirement for Reading, the Thames Valley Police & Crime Commissioner and the Royal Berkshire Fire & Rescue Service (RBF&RS) is formally calculated as follows:

General Fund net expenditure less share of Grant Allocation (RSG) and retained NNDR equals council tax requirement to be funded by Council Tax. However, as we are pilot authority the Reading RSG allocation will be nil, and the retained NNDR has been adjusted £ for £.

Council Tax Base

- 5.3 The Council Tax base must be calculated in accordance with Government rules.
- 5.4 Each year the Government collects tax base information. This information is periodically used in the grant distribution process, but does not take account of any losses on collection.
- 5.5 However, the tax base to be used in setting Council Tax will be the “relevant tax base” (the tax base submitted to the DCLG and adjusted for technical changes, the Council Tax support scheme multiplied by the estimated rate of collection).

Collection Rate

- 5.6 By 31 January 2018 it is necessary to have estimated and informed TVP, RBF&RS and levying bodies of the Council Tax base to be used for setting the tax for 2018/19. In order to do this it will be necessary to estimate the anticipated council tax collection rate.
- 5.7 Under original Government regulations, the calculation of the Council Tax Base and the collection rate and therefore the actual Council Tax Base to be used for calculating Council Tax can only be made by the full Council, and cannot be delegated to a Committee or to an officer.

6. CALCULATION OF COUNCIL TAX BASE AND COLLECTION RATE FOR 2016/17

- 6.1 The calculation of the Council Tax base and collection rate must be made in accordance with the rules set out in the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended.
- 6.2 It is necessary to explain how these calculations are made in order that the Council can formally adopt them. The calculations required by the regulations are set out below.

Council Tax Base Return (CTB1)

- 6.3 During October 2017 we were required to submit to DCLG a form, CTB1 which analyses the valuation list into the various bands and then provides further detail of those properties subject to the full charge, those entitled to discounts and those which are exempt.
- 6.4 The details from the CTB1 return are shown at Appendix C. The return also converts the equivalent total number of properties in each band to a Band D equivalent figure of after adjusting the tax base to reflect reduced discounts for second homes which are not included in the CTB1 return, which forms the initial base for the calculation of the tax base.

Council Tax Technical Changes

- 6.5 At Council in January 2013 we approved various technical changes to the Council Tax which had the effect of increasing the charges in certain circumstances for people with second and empty homes. Subsequent amendments were made in both 2016 and 2017 but no further amendment is proposed this year. Fuller details are set out in Section 8 below.

Council Tax Support Scheme

- 6.6 Since January 2013, the Council has been required each year to agree a local Council Tax Support Scheme. The scheme has the effect of reducing the charges in certain circumstances for people with a low income. Following changes over the years, including changes we made to make it easier for some claimants to receive their reduction, the minimum contribution is currently 25% of the full tax. There is also a minimum £5 per month award, to avoid the high administrative costs that can arise with very low value awards. During December the Government changed the regulations to move the latest date for setting the local scheme from 31 January to 1 March (in line with the legal latest date for setting Council Tax). However, as any change to the substance of a scheme will impact the taxbase which has to be notified to preceptors by 31 January/
- 6.7 Following public consultation, we now propose formally to implement the changes set out in 1.5 above.
- 6.8 Appendix B sets out the approach to consultation, and the key issues emerging. As part of the consultation process, there has been some additional engagement with the advice agencies in relation to these changes. We will continue to do annual uprates of allowances in the scheme. The formal scheme requires approval by Council and we will update the plain english guide on the website once the changes are agreed.

Collection Rate

6.9 Broadly, the actual tax base to be used in calculating Council Tax will be the tax base from the CTB1 adjusted for the technical changes and council tax support scheme multiplied by the estimated rate of collection.

Council Tax Collection

6.10 Table B summarises actual collection to 31 December 2017.

Table B

Cash Collection	2017/18 £m	Previous Year's Arrears Target £000
Target cash collection for 2017/18 year	89.8	1.83
Amount collected to 31 December 2017	77.1	1.49
Balance to achieve target set for year	12.7	0.34

6.11 Cash Collection for 2017/18 & Older Debt

The final direct debit payment from most taxpayers was collected at the beginning of January which together with collection to the end of December has taken collection to around 90% of the annual target and similar to recent previous years.

We expect the Council will achieve an in year cash collection rate of around 96.75% for 2017/18 (2016/17 Collection in year was 96.68% and 2015/16 96.84%), which will eventually rise to just over 99% of the final debit when arrears are collected. In our historic collection statement all years up to 2013/14 now show a collection rate above 99%, and 2014/15 and subsequent completed years all over 98%. The table above indicates that we are well on the way to collecting our arrears target and overall we should be at or close to cash collection targets for the financial year by 31 March 2018.

There will however be outstanding arrears from 2017/18 and earlier years to collect in 2018/19 and future years. Action to recover arrears remains strong and effective, though we experience some write offs where it is deemed that tax payers have little or no ability to pay the arrears even after bailiff action, or debt is otherwise irrecoverable, though these are very low.

Allowance for Non Collection

Last year we made a 98.75% recovery rate assumption overall (in deciding a taxbase of 53,671). Any under or over estimation of the collection rate will need to be taken into account when setting the budget and Council Tax in 2019/20. If the collection rate is under estimated then there would be a surplus on the Collection Fund and the Council Tax for Reading will reduce, or budget increase accordingly. However, if the collection rate is

overestimated the resulting deficit on the Collection Fund will increase the Council Tax or further reduce the budget we are able to set in 2018/19.

- 6.12 Collection performance has largely held up, though we need to be mindful that the changes to LCTS and empty and second homes discounts may result in some collection difficulties, although the position regarding collection from households receiving council tax support is now better understood with the benefit of several years of the scheme.
- 6.13 Taking account of our historic collection performance, the estimated collection rate should remain at 98.75%. (This is slightly less than the 99% forecast of ultimate collection as we need to make a small allowance (0.25%) for banding appeals on new, and newly occupied property). The CTB1 showed a taxbase at the end of September of 54,255. Each year around 1,000 properties are added in Reading, which add (after allowing for banding and some losses) around 875 to the taxbase. In addition the changes to the LCTS scheme set out elsewhere will add about 300, and it is also proposed to verify single person discounts which should add over 100 to the taxbase. The combination of these changes over the year is forecast to produce an average taxbase for the year of 54,850.

ESTIMATING THE COLLECTION FUND SURPLUS/DEFICIT - COUNCIL TAX & NNDR

7. COUNCIL TAX

- 7.1 We have reviewed the Collection Fund, the buoyancy of the tax base, and the level of arrears recovery expected over the medium term, and have concluded that, taking account of the collection fund surplus of £0.804m as at 31 March 2017, the estimated collection fund surplus of £0.929m made in January last year for March 2017, the collection performance indicated above in Table B, and whilst a calculation produces a very small deficit, it is so insignificant that we propose estimating neither surplus nor deficit at 31 March 2018 (in respect of Council Tax transactions) should be £0.
- 7.2 The nil surplus/deficit will be apportioned according to 2017/18 council tax requirements; so shares will be:

Table C

Reading BC	£	0
Thames Valley Police	£	0
Royal Berkshire Fire & Rescue Authority	£	0

These will be taken into account in setting the tax for 2018/19. Any variance at the year end will be taken into account in setting 2019/20's tax in due course.

7.3 NNDR

In a similar way, we need to estimate the surplus or deficit arising from NNDR transactions. This is significantly more difficult to do with reasonable certainty, because of outstanding rating appeals from the 2010 list, and valuation queries from ratepayers in the new “check/challenge/appeal” system introduced this year with the new 2017 list, so considerable judgement is needed. The latest review of our appeals liability on the 2010 list has estimated it as over £7.5m. Government regulations allow for us to account for part of the estimated liability in 2013/14 over 5 years which we have elected to do (so the last £2.4m is being provided for in 2017/18).

No significant appeals have yet been raised on the 2017 list but an analysis has been prepared for the Council identifying the “threats” to the debit from appeals in due course arising on properties in earlier stages of the proves. Over the planned 5 years of the list that is estimated at over £20m (including the potential impact of residual appeals on the 2010 list. Nationally the Government allowed for 4.5% losses arising from the check/challenge/appeal process. Bearing in mind that as a whole Reading’s rateable value increased above average, in due course we expect appeal losses of at least this level, so propose allowing 4.5-5% {to be confirmed} of the debit for appeal losses (in both forecasting the 2017/18 outturn).

However, following discussions with the sector Virgin Media decided to withdraw its application to have all its property put on a single list. This has removed a risk of liability loss of around £3.3m, most of which was not included in the appeals estimate.

We closed the 2016/17 accounts with a £11.2m surplus in line, as it was possible to reduce the appeals provision significantly, and the debit held up better than forecast. Taking account of movements in 2017/18 in comparison to forecast, on the basis of information available in January, the estimated overall surplus as at 31 March 2018 will be around £x.xxxm.

7.4 The 2017/18 surplus will be apportioned according to government rules; so shares will be:

Table D

Reading BC	(49%)	£y,yyy,000
DCLG	(50%)	£ s,sss,000
Royal Berkshire Fire & Rescue Authority	(1%)	£ ttt,000

These will be taken into account in setting the tax for 2018/19. Any variance at the year end will be taken into account in setting 2019/20’s surplus/deficit in due course.

8 DISCOUNTS

8.1 As reported previously, following the Local Government Act 2003, Councils have been given greater freedom to approve Council tax Discounts. The following sections summarise the position following the changes made in between 2013/14 and 2017/18. No further changes could be proposed this year to further reduce discounts.

Second Homes and Empty Homes

8.2 Under Section 11A (4A) and Section 11B (2) of the Local Government Finance Act 2012, the Council has the power to determine the level of council tax discount or premium where there is no resident of the dwelling. This can be any percentage up to 100% in relation to the old Class A, C and second homes, and up to 150% for properties that are classed as long term empty and have been empty for 2 years or more. (It was announced in the budget that this percentage will change in 2019/20).

Second Homes

8.3 The provisions allow for councils to reduce the second homes discount from 50% to 0% depending on the class the property falls into. In 2016 the discount was set at 5% and from 1st April 2017 the discount was removed.. From 1st April 2017 this discount was removed in Reading.

8.4 In 2016 we set the discount for properties that are empty, unfurnished and uninhabitable/undergoing major works at 50% for 12 months, followed by a full charge. From 1st April 2017 the discount was removed.

8.5 For properties that have been empty for 2 years we charge an empty homes premium of 150% of the Council Tax due.

8.6 Table D sets out the existing discount classifications made under the Council Tax (prescribed classes of Dwellings) (England) Regulations 2012.

8.7 Last year we removed the Class F's and Class B's 50% discount rate after the 6 month void period.

Table D

Description	Rates
<u>Standard Empty</u> Empty/Furnished Accommodation must be job-tied, a caravan or a boat.	50% discount
<u>Second Home Class A</u> Empty/Furnished Accommodation must be a holiday home, which cannot legally be occupied for more than 28 days per year.	50% discount
<u>Second Home Class B</u> Empty/Furnished Second or subsequent home.	0 % from 01.04.17

<u>Empty Class C/ Now discount Class C</u> Empty/Unfurnished	0 % from 01.04.17
<u>Empty Class A/ Now known as discount Class D</u> Empty/Unfurnished	0 % from 01.04.17
<u>Exemption Class F</u> Empty/Unfurnished (following probate granted on deceased's property)	6 Months void followed by full charge
<u>Exemption Class B</u> Empty/Unfurnished (charitable property)	6 months void followed by full charge
<u>Long-term Empty Premium</u> Properties empty for 2 years or more	150% charge

8.8 Section 76 of the 2003 Act includes Section 13A of the Local Government Finance Act 1992, allowing councils to set local discounts, the cost of which must be borne by local Council Tax payers as the cost of any discounts will need to be included in the General Fund budget requirement.

8.9 It is recommended that no local discounts are agreed. Authority to grant the discretionary local charitable discount has been delegated to the Head of Customer Services and Head of Finance (after consultation, and subject to broad criteria). There is also a delegation in place to implement the 2017/18 budget discretionary rate relief discount, and a 2018/19 scheme will be brought forward in due course. The 2017/18 scheme is being extended to properties with rv £200-£250k to enable the money (that can only be used this way, and is backed by a grant) to be fully taken up. We are also looking to include the Council's voluntary sector partners, if they have a rates increase above inflation.

9 BUSINESS RATES

9.1 As part of the localised business rate arrangements introduced in 2013/14, we are required to estimate what business rates we will actually collect in 2017/18. This figure is then split between DCLG (50%), ourselves (49%) and the Fire Authority (1%).

9.2 While we have always made such an estimate, prior to 2013/14 this estimate, which is made on a form known as NNDR1, (Appendix E) because business rates were fully pooled, had to be made in accordance with rules prescribed by DCLG and the result was reported to DCLG as an officer process. While many of those rules remain in place, three key aspects of the rules have been changed to permit local discretion and judgement given the new regime. These changes are the estimates that are made for the impact of revaluations and other losses on collection, appeals, and new property.

9.3 Our latest available analysis of the Valuation Office appeals data shows 330 properties subject to appeal affecting rateable values in excess of £50m,

and the estimated liability is £7.6m, reduced from the £10.5m estimate at the end of last year (reflecting concluded appeals).

- 9.4 Since 1 April 2017 a revised valuation list has been used to determine business rates. At a national level the amount of rates collected increases each year by inflation, but as proportionately property values in Reading increased by more than the national average, there was an above inflation increase in total rates in Reading. Initially, in Reading the rateable values increased from £253m to £305m. Consequently estimated net business rates increased from £107m in 2016/17 to £124m in 2017/18. However, in 2017/18 the Council did not retain much of these additional rates, as Government also adjusted the tariff payment to compensate, and therefore after the Government's 50% share, the 1% Fire Authority Share and the tariff, the retained rates were around £30.8m.
- 9.5 At the year end we will be required to report the actual business rates collected on a form known as NNDR3. This will be reviewed by the external auditor, and any variations will be shared in the same proportions (in practice this will be on an estimate basis, in the same way that the collection fund surplus or deficit is estimated).
- 9.6 In 2018/19 Reading, with our Berkshire colleagues will pilot a form of increased retention. At the time of writing the detailed impact of this was yet to be agreed, so is **to follow**.

10 CONTRIBUTION TO STRATEGIC AIMS

To secure the most effective use of the Council's resources in the delivery of high quality, Best Value public services.

11 COMMUNITY ENGAGEMENT AND INFORMATION

- 11.1 A consultation exercise was carried out on the range of options taken forward to make amendments to the local Council Tax Support Scheme for the 2017/18 financial year, and changes to the Local Council Tax Discount Scheme for 2017/18.
- 11.2 A statutory consultation period took place between the 4th November and the 30th December 2016. A total of 23,220 Customers were contacted directly by email to ask them for their views. Views and comments were also requested from our key stakeholders including the Voluntary Sector Organisations, Advice and Support Agencies, Private Landlords, Housing Associations and other stakeholders, and included our preceptors.
- 11.3 In addition the consultation questionnaire was published on our Website for wider public consultation for the period 2nd November to the 30th December 2016. There is a statutory requirement to carry out consultation on a Local Council Tax Support Scheme. The guidance recommends that

public consultation should be carried out as early as possible to ensure feedback can influence the scheme and allow sufficient time for the feedback to be gathered, impacts to be understood, and a scheme to be shaped.

- 11.4 Although Government's code of practice on consultation states that normally 12 weeks is appropriate, billing authorities may wish to consider the appropriate length of their consultation depending on the impact of their proposals and the ability to complete the consultation exercise within budgetary timetables.
- 11.5 The code of practice indicates that where timing is restricted, for example, due to having to meet a fixed timetable such as a budget cycle, there may be good reason for a shorter consultation, and any documentation should be clear for the reasons for the shorter.
- 11.6 We have carried out the statutory consultation and this report forms part of the consultation process.

12 EQUALITY IMPACT ASSESSMENT ON PROPOSED CHANGES

- 12.1 A Full Equality Impact Assessment on the proposed changes is set out at Appendix F.
- 12.2 All of the current options impact negatively on all customers of working age currently in receipt of Council Tax Support. Those that also have non-dependants living with them will also see a further reduction in the amount of Council Tax support they receive and will have to pay an increase in Council Tax.
- 12.3 Pensioners remain unaffected by these proposals.
- 12.4 In the situation where a customer presents in hardship or financial difficulty as a result of these combined changes, we will continue to consider the award of discretionary Council Tax Support in order to mitigate this effect on their household, pending a full financial disclosure of the household. We will specifically target the use of discretionary Council Tax Support where the non-dependant deductions are causing the greatest impact to households and are causing exceptional hardship.

13 LEGAL IMPLICATIONS

As set out in the report.

14 FINANCIAL IMPLICATIONS

- 14.1 The direct financial implications are as set out in the report.

- 14.2 Inasmuch as various judgements have been made about estimated tax and business rate collection, changes to the tax debit etc., we have made these in the context of the Council developing the overall budget proposal. The budget proposal as a whole will include a section where the Director of Finance comments on its robustness.
- 14.3 Whilst we anticipate that those comments will have some similarities to previous years where you will recall they advised that the Council was setting a very tight budget which contained a continuing high level of risk. The advice in the context of developing the Council's 2017/18 budget proposal is that the estimates and assumptions made in this report are the best ones that can reasonably be made at the current time.

15 **BACKGROUND PAPERS**

Local Authorities (Calculation of Tax Base) Regulations 1992, as amended.
Local Government Finance Settlement
Local Government Finance Act 2012, and regulations made thereunder
Local Government Finance Settlement (draft) 2018/19
Pro forma consultation response on discount saving proposal
Pro forma consultation response on LCTS saving proposal

Appendix B

Consultation Response Summary - Proposed Changes to Local Council Tax Support

The consultation was published on the Council's website, between the 28 November 2017 to the 1 January 2018.

In addition 29,715 direct emails were sent to Council Tax Payers (where we hold an e-address) which included the link to the consultation line. 111 Partner and Voluntary Organisations were also emailed direct with the link attached.

985 (3.3% of those emailed) responses were received, 966 indicated they were residents (98.07%) 11 indicated they were businesses (1.12%) 6 indicated they were voluntary sector (0.61%) 8 indicated they worked for a charity (0.81%) 25 indicated they were landlords (2.54%) 12 said they were "others" (1.22%)

108 responders were currently in receipt of Council Tax Support (10.96% of respondents)

There were 6 proposals for change overall, 3 of which were easements to the administration processes for Universal Credit customers claiming or continuing to claim Council Tax Support, and in summary the responses were as follows:

Changes to the Scheme Affecting entitlement to support

- (i) 65% of respondents agreed with the proposal to reduce the minimum contribution from 75% to 65%. Those opposing generally expressed concern about affordability, and that it affected working age customers only, that were already facing financial challenges with rising living costs and zero hour contracts.
- (ii) 63% agreed with the proposal to limiting applicants for Council Tax Support to having a maximum capital limit of £3,000. Those opposing felt that £3,000 was not a large amount of money to have in case an emergency arose and would very quickly be eroded.
- (iii) 75% agreed the proposal to increase current levels of non-dependant deductions for those who are not engaged in remunerative work and for any non-dependants that are engaged in remunerative work. The majority of responders felt that it was fair that those over 18 should contribute to the household overall and it should reflect their individual circumstances.

UC easements

- (iv) 84% agreed that customers should be given 2 months to validate their continued entitlement to Council Tax Support once they had moved on to Universal Credit.
- (v) 63% supported the proposal to end Council Tax Support on notification that a customer had moved on to Universal Credit and invite a new claim.
- (vi) 81% supported the proposal that that when we received notifications from the DWP every month regarding some Council Tax Support customers on Universal Credit that were not in receipt of Council Tax Support as the customer had failed to make a new claim or verify their income within the two months in proposal 4, that we would disregard the notification. General observations from responders on the UC easements proposed was that they felt strongly that there were currently issues with how the DWP administered Universal Credit and acknowledged the delays that are happening. Whilst the majority felt that 2 months should be adequate to validate or make a claim for Council Tax Support, they felt that the Council should do more practical support and communication to ensure those that are entitled remain entitled to this help.

Officer Comment & Advice

Given the financial pressures faced by the Council, it is recommended that that we go forward with the proposed changes to reduce the minimum from 75% to 65%, increase non-dependant deductions, reduce the capital level to £3,000 and apply the easements to the process of application for Universal Credit Customers.

Officers advise these proposals are necessary to be able to continue with some although reduced level of support to the most vulnerable of our customers.