

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF RESOURCES

TO:	POLICY COMMITTEE		
DATE:	14 JANUARY 2019	AGENDA ITEM:	10
TITLE:	APPROVAL OF THE LOCAL COUNCIL TAX SUPPORT SCHEME AND THE COUNCIL TAX BASE FOR 2019/20		
LEAD COUNCILLOR:	COUNCILLORS BROCK AND LOVELOCK	PORTFOLIO:	CORPORATE & CONSUMER SERVICES
SERVICE:	FINANCE AND CUSTOMER SERVICES	WARDS:	BOROUGHWIDE
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1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Section 33 of the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012 requires the Council as the Billing Authority to calculate a Council Tax Base for its area by 31 January each year.
- 1.2 The Welfare Reform Act 2012 and Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support Scheme), which is effectively a type of Council Tax discount. This act requires the Council to approve the scheme by the end of January preceding the start of the financial year. The recommended scheme for 2019/20 is a continuation of the scheme that was agreed by Council for 2018/19.

2. RECOMMENDED ACTION - that the Policy Committee recommend that Council:

- 2.1 Note a Council Tax collection rate of 99% for 2019-20;
- 2.2 Agree the existing Council Tax Local Reduction Scheme is retained for 2019/20;
- 2.3 Note that the 2019/20 Council Tax Reduction Scheme allowances will be updated in line with the scheme's regulations;
- 2.4 Subject to determining how it wishes to proceed with increasing the premium on Long Term Empty properties, the options for which are set out in another report on the Agenda, sets Reading Borough Council's Council Tax Base for the financial year 2019/20 at:

a) 55,884 if the Long Term Premium on empty properties recommendation is accepted (see paragraph 5.12, Table 4), or

b) 55,832 if the Long Term Premium on empty properties recommendation is not accepted (see paragraph 5.5, Table 2)

2.5 Note an estimated surplus on the Council Tax Collection Fund in 2018-19 of £200k of which the Council's share is £173k.

3. POLICY CONTEXT

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

- It's Council Tax Collection Rate for 2019/20;
- It's Council Tax Reduction Scheme for 2019/20;
- The Council Tax Base to be used for setting its 2019/20 Council Tax; and
- The estimated Council Tax surplus or deficit for 2018/19.

4. COUNCIL TAX REDUCTION SCHEME

4.1. The Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a new locally determined Council Tax Reduction Scheme (also known as a local Council Tax Support scheme) from April 2013. This is effectively now a Council Tax discount.

4.2. Each local authority is required to annually set a local Council Tax Reduction scheme for working age claimants. The government continues to operate a statutory national scheme for pensioners, which provides them with broadly the same level of Council Tax Support as they received under the previous Council Tax Benefit scheme, but has been adjusted by the Government since its introduction to incorporate a number of welfare reform initiatives.

4.3. The local Council Tax Reduction scheme was initially funded through a specific central government grant set at 90% of each local authority's Council Tax Benefit expenditure. The government funding since 2014/15 has been rolled into the government's overall Revenue Support Grant settlement.

4.4. In 2018/19 the Council's scheme was updated as follows:

- Minimum contribution to Council Tax is 35%;
- Capital limit is £3,000;
- Non-dependant deductions (based on income) is £10.00 per week for those not engaged in remunerative work (working less than 16 hours per week) and/or have gross earnings less than £196.95 per week;
- Non-dependant deductions for those engaged in remunerative work (16 hours or more) with gross weekly earnings of £196.95 per week and above is £15.00 per week.

- 4.5. These changes have been in place for the last year and it has not had significant impact to the working age customers it affects. There has not been a significant impact on in-year collection rate.
- 4.6. Pension age customers continue to be protected with the default scheme based on 100% support based on a financial means test.
- 4.7. The Reading minimum charge is at the higher end of charges implemented by councils for those in receipt of a Council Tax Reduction. An increase above the general increase would have a negative impact on vulnerable people in receipt of these benefits who are also impacted by other welfare reforms. It will also impact on the collection of Council Tax from these people.
- 4.8. It is therefore recommended that the Council retains the same Council Tax Reduction Scheme in 2019/20 as applied in 2018/19.
- 4.9. There is no need for public consultation as there are no changes to the Scheme.

5. CALCULATION OF TAX BASE

- 5.1. The Council Tax Base is used in the Council's 2019/20 budget and by precepting authorities (the Police and Fire authorities) to determine how much Council Tax income will be received. .
- 5.2. The Tax Base relates to the estimated number of Band D equivalent properties in Reading. This is calculated by taking the number of registered properties in Reading which is then reduced for property or resident discounts and then converted to a Band D equivalent number of properties. Band D is used for comparison purposes with other Local Authorities and is assumed to be the average council tax banding. Reading's dwellings on average are between band C and band D. Registered properties at 30th November 2018 are set out in the Table 1 below, together with the Band D equivalent.

Table 1: Number of properties in each Council Tax Band

Band	Number of Properties in Band	Amount Payable as a Proportion of Band D	Band D Equivalent	%
A	6,907	6/9	4,605	9.6%
B	14,233	7/9	11,070	19.8%
C	29,123	8/9	25,887	40.4%
D	10,976	9/9	10,976	15.2%
E	5,535	11/9	6,765	7.7%
F	3,287	13/9	4,748	4.6%
G	1,844	15/9	3,073	2.6%
H	83	18/9	166	0.1%
Total	71,988		67,290	100.0%

- 5.3. The current number of Band D equivalent properties is then adjusted for anticipated growth between 30th November 2018 and 31st March 2020, the end

of the 2019/20 financial year. An allowance of 1% is then deducted for non-collection.

- 5.4. The estimated increase is based on past trends, properties that haven't yet appeared on the valuation list, and planning estimates of housing growth. For 19/20 the figures have been adjusted to factor in a potential slowing of housing sales due to Brexit uncertainty.
- 5.5. Elsewhere on the agenda there is a report recommending the increase in the Council's Long Term Empty Property premium in line with new legislation. Table 2 below sets out the calculation of the Council Tax Base for Reading for 2019/20 assuming the recommendation is not approved. It results in an increase of 1,104 Band D equivalent properties compared to the 2018/19 Tax Base, from 54,850 to 55,832.

Table 2: Calculation of Council Tax Base Excluding Increase in Long Term Empty Premium

	Properties	
	Adjustments	Totals
The total number of dwellings on the Valuation list at 30.11.18		71,988
Reduction for discounts, e.g. students, single person, empty properties after allowing for premiums	(8,967)	
Less Discounts in relation to the Council Tax Reduction Scheme	(4,861)	
Net number of chargeable dwellings at 30.11.18		58,161
Band D Equivalent Properties at 30.11.18		55,399
Estimated growth of 1.8%	997	
Estimated Band D Properties 2019/20		56,396
Reduction for non-collection of 1%	(564)	
2019-20 Council Tax Base excluding option of additional premium on empty properties		55,832

- 5.6. The increase in the Tax Base is positive in terms of increased Council Tax income but this should be understood in the context of additional service pressures caused by housing growth in areas such as social care, refuse collection and school provision.
- 5.7. Estimated property growth is 1.8% above the 2018/19 Council Tax base.
- 5.8. The property growth for 2019/20 accords with planning estimates of the predicted housing trajectory over the next five years in the core strategy.
- 5.9. The growth in the tax base since 2015/16 is shown in Table 3 below:

Table 3: Tax- Base change 2015/16 - 2019/20

	2015/16	2016/17	2017/18	2018/19	2019/20
Tax Base	50,155	51,050	53,671	54,850	55,832
Change	n/a	895	2,621	1,179	982
Change %	n/a	1.8%	5.1%	2.2%	1.8%

- 5.10. The collection rate that is used to calculate the Council Tax base is 99%, i.e. a 1% non-collection. This is based on the Council collecting the majority of the amount outstanding at year-end in the following and subsequent years. This compares with an estimated in-year Council Tax collection rate for 2018/19 of 96.5% which is used for comparison purposes with other councils.
- 5.11. Assuming the recommendation to increase the Premium charged on long term empty properties is agreed (this is subject to another report elsewhere on the 14th January 2019 Policy Committee agenda). It is estimated the amount of Council Tax collectable for Reading will increase by £82,425 in 2019/20. Assuming non-collection of 1% this would increase the Council Tax Base to 55,884 (another 52 Band D equivalent properties) as set out in Table 4 below:

Table 4: Impact of increasing the premium on long term empty properties

	Properties	
	Adjustments	Totals
2019-20 Council Tax Base excluding option of additional premium on empty properties		55,832
Equivalent Band D properties increase if the additional premium is introduced	52	
2019-20 Council Tax Base including option of additional premium on empty properties		55,884

6. RISK MANAGEMENT

- 6.1. There are two key risks in setting the Council Tax Base: property growth and collection rates. The impact of either would mean a shortfall on the Collection Fund in 2019/20 which would have to be recovered in 2020/21. A 1% shortfall in growth of the Tax Base would result in a shortfall of £882k in the Reading share of the Collection Fund. This needs to be balanced against the Council setting a rate too low meaning it needs to increase the level of savings.
- 6.2. Whilst housing sales could stall in the first part of the year due to Brexit uncertainty. This is likely to be mitigated to some extent by Reading being in a high growth area, which will increase with the advent of Cross Rail.
- 6.3. Collection rates may reduce, however, the Council have good overall performance in this area, collecting 99% of Council Tax raised and there is no risk from increasing the minimum charge for Council Tax Reduction.

7. CONTRIBUTION TO STRATEGIC AIMS

- 7.1. To secure the most effective use of the Council's resources in the delivery of high quality, best value public services.

8. COMMUNITY ENGAGEMENT AND INFORMATION

- 8.1. Not applicable

9. EQUALITY IMPACT ASSESSMENT

9.1. An equality impact assessment is not required as no changes are proposed for discounts or exemptions to Council Tax.

10. LEGAL IMPLICATIONS

10.1. The Council is required to determine the Council Tax Base for the next financial year by 31st January 2019.

11. FINANCIAL IMPLICATIONS

11.1. The increase in the Council Tax Base of 982 average Band D properties equates to an increase in the amount of Council Tax income of £1,552k without any increase in the charge. This is based on the 2018/19 Council Tax charge of £1,579.99 for a band D property.

12. BACKGROUND PAPERS

12.1. The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.