

READING BOROUGH COUNCIL
REPORT BY EXECUTIVE DIRECTOR OF RESOURCES

TO: COUNCIL

DATE: 26th JANUARY 2021

TITLE: APPROVAL OF THE LOCAL COUNCIL TAX SUPPORT SCHEME AND THE COUNCIL TAX BASE FOR 2021/22

LEAD COUNCILLOR: COUNCILLOR EMBERSON

**PORTFOLIO: CORPORATE &
CONSUMER SERVICES**

SERVICE: FINANCIAL SERVICES

WARDS: BOROUGHWIDE

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1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. The Council is required to calculate a Council Tax Base for its area annually in accordance with the Local Government Finance Act 1992 and the Local Authorities (Calculation of Council Tax Base (England)) Regulations 2012.
- 1.2. The Council Tax Base 2021/2022 must be calculated and notified to Major Precepting Authorities (the Office of the Police & Crime Commissioner for the Thames Valley and Royal Berkshire Fire and Rescue Service) by 31 January 2021.
- 1.3. The Tax Base for 2021/22 is calculated for the above purposes as being 55,847.73 (band D equivalent) properties - a decrease of 1.57% on the 2020/21 Tax Base of 56,741 properties. The reduction is a result of the impacts of Covid-19 and reflects a reduction in new build forecasts, a significant increase in eligible Local Council Tax Reduction Scheme claimants and an increased allowance for non-collection.
- 1.4. The estimated balance as at 31 March 2021 on the Council Tax Collection Fund is a projected deficit of £2.862m and reflects the reduced collection rates which have been reported during the year. The Council's share of this deficit is £2.451m. Ordinarily, the declared surplus/deficit is paid out/recoverable by the Collection Fund in full in the following financial year. However, Central Government has introduced new legislation that requires any 2020/21 in year deficit to be spread equally across the three financial years 2021/22 - 2023/24, to help ease the financial impact of Covid-19 on Local Authorities. Any brought forward balance from 2019/20 is not eligible for phasing and must be accounted for in full in 2021/22.

- 1.5. 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. These Acts require the Council to approve a Scheme by the end of January preceding the start of the financial year. The recommended Scheme for 2021/22 is unchanged from the Scheme agreed by Council for 2020/21.
- 1.6. The Ministry of Housing Communities and Local Government (MHCLG) have completed an annual update of various allowances within the scheme and those changes will be incorporated into the Council's 2021/22 scheme. When the Council consulted on the original principles of the new local scheme in the summer/autumn of 2012, it was proposed that various allowances would be subject to annual amendment based on the MHCLG review, so there would be no need for further public consultation on the principle of those changes each year.

2. RECOMMENDED ACTION

That Council approve:

- 2.1 That the existing Council Tax Local Reduction Scheme is retained for 2021/22;
- 2.2 The Tax Base calculation for 2021/22 of 55,847.73 band D equivalent properties; and

That Council note:

- 2.3 A Council Tax collection rate of 98.5% for 2021/22;
- 2.4 That the 2021/22 Council Tax Reduction Scheme allowances will be updated in line with the scheme's regulations;
- 2.5 That the estimated balance of the Council Tax Collection Fund as at 31 March 2021 is a deficit of £2.862m, of which the Council's share would be £2.451m; and
- 2.6 That for those properties empty for 10 years or more, a 300% Council Tax premium will be levied from 1 April 2021 as approved by Policy Committee on 14th January 2019.

2 POLICY CONTEXT

- 2.1 Under Government regulations it is necessary for the Council to review its Collection Fund and decide the following:
- The Council Tax Collection Rate for 2021/22;

- The Council Tax Reduction Scheme for 2021/22;
- The Council Tax Base to be used for setting its 2021/22 Council Tax; and
- The estimated Council Tax surplus or deficit for 2020/21.

3 LOCAL COUNCIL TAX REDUCTION SCHEME (LCTRS)

- 3.1 The Local Government Finance Act 2012 replaced the Council Tax Benefit scheme with a new locally determined Local Council Tax Reduction Scheme (also known as a Local Council Tax Support Scheme) from April 2013. This is effectively now a Council Tax discount that reduces the Council Tax Base.
- 3.2 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.
- 3.3 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. Government funding since 2014/15 has been rolled into the Council's overall Revenue Support Grant settlement.
- 3.4 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.
- 3.5 These changes have been in place for the last three years and have not caused significant impacts to the working age customers it affects.
- 3.6 Pension age customers continue to be protected by the default scheme of 100% support based on a financial means test.
- 3.7 The Council's minimum charge for those in receipt of a Council Tax Reduction is at the higher end of charges implemented by other authorities. 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.
- 3.8 It is therefore recommended that the Council retains the Council Tax Reduction Scheme in 2021/22 as applied in 2020/21.
- 3.9 The Council has experienced an increase in its LCTRS caseload of approximately 10% in 2020/21, which has presumably arisen as a result of the economic impacts

of Covid-19. Current assumptions are that the caseload will increase by a further 10% in 2021/22.

4 COUNCIL TAX BASE CALCULATION

- 4.1 The Council Tax Base is an estimate of the number of band D equivalent properties within the Billing Authority's (Reading's) area and is used by the Council and Major Precepting Authorities (the Police and Fire authorities) to determine how much Council Tax income is anticipated to be received and budgeted for in 2021/22.
- 4.2 The Tax Base is calculated by taking the list of properties by tax band as supplied to the Council by the external Valuation Office, which is an executive agency of HM Revenue & Customs (HMRC) as at 30th November 2020. This list is then adjusted for various factors to calculate a chargeable number of properties per tax band.
- 4.3 The factors adjusted for include:
- Properties which will be entirely exempt, so no tax is payable e.g. those occupied entirely by students.
 - Properties which will attract a 25% reduction e.g. those with a single adult occupier.
 - Properties which will attract a 50% reduction e.g. those where all of the adult residents qualify for a reduction (certain Care Homes for example).
 - Properties which attract a 100% levy because they have been unoccupied for over 2 years.
 - Properties which attract a 200% levy because they have been unoccupied for 5 years or more.
 - Properties which attract a 300% levy because they have been unoccupied for 10 years or more from April 2021.
 - Properties which will be treated as being in a lower band because they have been adapted for a severely disabled person.
 - Properties which will be on the valuation list but which attract discounts or disablement relief or are exempt, for only part of the year.
 - Properties which are in receipt of Local Council Tax Support
 - Properties which are in receipt of a local discount
- 4.4 The calculated chargeable number of properties per tax band is then converted into "band D equivalents" by applying the factors laid down by legislation. These are set out in Table 1 below:

Table 1. Council Tax Band Ratios

Band	A	B	C	D	E	F	G	H
Ratio	6/9	7/9	8/9	9/9	11/9	13/9	15/9	18/9

- 4.5 For example, a band A property is multiplied by 6 and divided by 9 to arrive at the “band D equivalent” figure, whilst a band H property is multiplied by 18 and divided by 9 (equal to multiplying by 2). All these are then added together to give a total of “band D equivalents” for the billing area.
- 4.6 Additions are then made to the tax base for estimates of newly built and occupied properties in 2021/2022 and the remaining part of 2020/2021. This estimate is based on past trends, properties that haven’t yet appeared on the valuation list, and planning estimates of housing growth. For 2021/22 we have assumed 0.49% average growth throughout the year. This is a prudent estimate, which is in line with the actual growth being realised in-year in 2020/21. Growth estimates have been reduced from previous years due to the impact of Covid-19.
- 4.7 The Council is then required to decide what its collection rate is likely to be and multiply its tax base by this percentage to give its Council Tax Base. A collection rate of 100% would assume 100% collection and thus a zero adjustment whereas a collection rate of less than 100% allows for an element of non-collection and subsequently results in a reduction to the Council Tax Base.
- 4.8 The overall collection rate has been reduced to 98.5%, a reduction of 0.5% from the rate assumed in 2020/21 to reflect the likely increase in non-collection due to the impact of Covid-19.
- 4.9 The total number of properties per Council Tax band as at 30th November 2020 is summarised in the following table:

Table 2. Properties per Council Tax Band as at 30th November 2020

Band	Number of Properties	%	Council Tax Band Ratios	Number of band D Equivalents	%
A	7,565	10.3%	6/9	5,043	7.3%
B	14,352	19.5%	7/9	11,163	16.2%
C	29,665	40.2%	8/9	26,369	38.3%
D	11,241	15.2%	9/9	11,241	16.3%
E	5,704	7.7%	11/9	6,972	10.1%
F	3,309	4.5%	13/9	4,780	7.0%
G	1,868	2.5%	15/9	3,113	4.5%
H	86	0.1%	18/9	172	0.3%
Total	73,790	100.0%		68,853	100.0%

4.10 The Council Tax Base calculation is summarised in the following table:

Table 3. Council Tax Base 2021/22 Calculation

	Adjustments	Totals
Total Number of Properties on the Valuation List as at 30/11/2020		73,790
Reductions for Discounts & Exemptions as at 30/11/2020	(8,852.50)	
Council Tax Reduction Scheme 30/11/2020	(5,243.50)	
Total Number of Net Chargeable Properties as at 30/11/2020		59,694
Band D Equivalent Properties as at 30/11/2020		56,700.20
Estimated New Build (band D equivalents) 2021/22	280.00	
Estimated Increase in Council Tax Reduction Scheme Caseload (band D equivalents) 2021/22	(282.00)	
Estimated band D Properties 2021/22		56,698.20
Reduction for non-collection of 1.5%	(850.47)	
2021/22 Council Tax Base		55,847.73

5 COUNCIL TAX COLLECTION FUND SURPLUS/DEFICIT

- 5.1 Any difference between the estimated Council Tax Base and that actually realised in year has no impact on the in-year General Fund revenue position but is retained within the Collection Fund.
- 5.2 An estimate of the surplus or deficit on the Council Tax Collection Fund must be made, by law, on or before 15 January 2021. Council Tax surplus or deficits must be credited or charged to Reading Borough Council, the Office of the Police & Crime Commissioner for Thames Valley and Royal Berkshire Fire and Rescue Service in proportion to their precepts and will be taken into account in setting the 2021/2022 Revenue Budget and Council Tax levels.
- 5.3 The estimated balance on the Council Tax Collection Fund as at 31st March 2021 is a deficit of £2.862m to be shared as follows:

Table 4. C Tax Collection Fund Estimated Balance as at 31st March 2021

	Share of Estimated Deficit (£m)
Reading Borough Council	2.451
Office of the Police & Crime Commissioner for Thames Valley	0.313
Royal Berkshire Fire and Rescue Service	0.098
Total	2.862

- 5.4 The estimated deficit will be budgeted for in the period 2021/22-2023/24 in accordance with the requirements of the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020.

6 RISK

- 6.1 There are several key variables in setting the Council Tax Base which have the potential to change; there are set out below.
- 6.2 Eligibility for discounts and exemptions is factored into the calculated Tax Base. These include student discounts, single person discount and the Council Tax Reduction Scheme - the latter being particularly prone to change dependent upon employment status of working age benefit claimants. As set out above, there has been a significant increase in eligible claimants in the current year and it is anticipated there will be a further increase in 2021/22 due to the Covid-19 pandemic and the impact on the economy.
- 6.3 The Tax Base includes forecast growth in the number of properties subject to a Council Tax liability. Whilst this is based on historic growth levels achieved and known planned development, it remains an estimate and is sensitive to changes in the economy and house building market. Both Covid-19 and Brexit may impact this area.
- 6.4 Any significant variation regarding collection rates has the potential to impact on the level of bad debt provision required and would impact on overall collection levels and any projected surplus or deficit.
- 6.5 In setting the Council Tax Base for 2021/22, statutory regulations prevent the net amount credited to the Council's General Fund from being different in 2021/22 to that originally estimated (and applies to precepting bodies in the same way). Any variance would however impact on future years.
- 6.6 The Collection Fund balance as at 31 March 2021 is required to be estimated by 15 January 2021. The assumptions made within this calculation are therefore subject to change. This risk is greater this year due to the impact of Covid-19 on 2020/21 Council Tax collection rates and the assumed level of recovery in the latter months of the year.

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 ENVIRONMENTAL AND CLIMATE IMPLICATIONS

- 8.1 None have been identified as arising directly from this report.

9 COMMUNITY ENGAGEMENT AND INFORMATION

- 9.1 A consultation exercise was carried out on the proposed amendments to the local Council Tax Support Scheme for the 2020/21 financial year. No amendments have been proposed for 2021/22 therefore any further consultation was not required.

10 EQUALITY IMPACT ASSESSMENT

- 10.1 No implications have been identified as arising directly from this report.

11 LEGAL IMPLICATIONS

- 11.1 The Council, as the Billing Authority, is required to determine the Council Tax Base for the next financial year by 31st January 2021 and to notify other precepting authorities of the determination.
- 11.2 The Council, as the Billing Authority, is required to formally estimate the balance of the Council Tax Collection Fund as at 31 March 2021 and to notify other precepting authorities of this estimate by 15 January 2021.

12 FINANCIAL IMPLICATIONS

- 12.1 The decrease in the Council Tax Base of 893.27 average Band D properties equates to a decrease in Council Tax income of £1.495m based on the 2020/21 Council Tax charge of £1,692.16 for a Band D property.
- 12.2 The Tax Base of 55,857.73 band D equivalents has been updated from the Tax Base of 56,031.12 used in the draft budget considered by Policy Committee and issued for consultation in December 2020 in order to reflect revised estimates of new build, the local Council Tax Reduction Scheme and the collection rate.
- 12.3 The draft Budget 2021/22 & Medium-Term Financial Strategy 2021/22-2023/24 assumed a Council Tax Collection Fund deficit for the Council of £2.759m (£3.225 in total), phased across the period per regulations. The revised declared deficit estimated in this report is a decrease (improvement) of (£0.363m) on the provisional estimate of which the Council's additional share is (£0.308m).

13 BACKGROUND PAPERS

- 13.1 The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- 13.2 The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020.