

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO: COUNCIL

DATE: 27th JANUARY 2022

TITLE: APPROVAL OF THE LOCAL COUNCIL TAX SUPPORT SCHEME AND THE COUNCIL TAX BASE FOR 2022/23

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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 2022/2023 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 31st January 2022.
- 1.3. The Tax Base for 2022/23 is calculated for the above purposes as being 57,059.55 (band D equivalent) properties - an increase of 2.17% on the 2021/22 Tax Base of 55,847.73. The increase is due to a combination of actual new build exceeding the forecasts built into the 2021/22 tax base and the number of eligible Local Council Tax Reduction Scheme claimants reducing to near 2020/21 levels following a temporary peak in 2021/22 as a result of the Covid-19 pandemic.
- 1.4. The estimated balance as at 31st March 2022 on the Council Tax Collection Fund is a projected deficit of £2.451m. The Council's overall share of this deficit is £2.098m. Ordinarily, the declared surplus/deficit is paid out/recoverable by the Collection Fund in full in the following financial year. However, Central Government introduced new legislation to ease the financial impact of Covid-19 on Local Authorities, which requires any 2020/21 in year deficit to be spread equally across the three financial years 2021/22 - 2023/24. Any brought forward balance from 2019/20 or any in-year balance from 2021/22 is not eligible for phasing and must be accounted for in full in 2022/23. Therefore, the balance of

the deficit required to be funded in 2022/23 is a total of £1.721m, of which the Council's share is £1.473m. The component parts as set out in Table 4.

- 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. The legislation requires the Council to approve a Scheme, including amendments to an existing scheme, by the end of January preceding the start of the financial year.
- 1.6. The recommended Scheme for 2022/23 is based on the Scheme agreed by Council for 2021/22 amended for the changes agreed at Policy Committee in January 2022. The proposed changes benefit local residents by:
 - a) Providing an increase in support from the current 65% maximum to 70% maximum;
 - b) Remove the minimum Council Tax Support award of £5 per month, (equivalent to £1.15 p/w) or less to enable customers to receive the support they are entitled no matter how small;
 - c) Increasing the upper capital limit from £3,000 to £6,000;
 - d) Allowing a maximum of one month backdating provision and;
 - e) Setting a standard rate of £10 Non-Dependant Deduction to apply for non-dependants irrespective of whether engaged and not engaged in remunerative work.
- 1.7. Each year, the Government amends the Council Tax Reduction Schemes (Prescribed Requirements) (England) Regulations 2012 to ensure that pension-age Local Council Tax Support (LCTS) schemes are updated in line with changes in the wider benefits system. The annual update also provides an opportunity to ensure that the residency requirements for accessing both pension-age and working-age LCTS remain consistent with the UK's immigration policy. These updates will be incorporated into the Council's 2022/23 Scheme in accordance with the principles of the Council's original Local Scheme agreed following consultation in the Summer/Autumn of 2012.

2 RECOMMENDED ACTION

That Council approve:

- 2.1 The proposed changes to the Local Council Tax Reduction Scheme recommended by Policy Committee in January 2022, taking into account the results of the public consultation as set out in Appendix A and summarised in para 4.4 below; and
- 2.2 The Tax Base calculation for 2022/23 of 57,059.55 band D equivalent properties; and

That Council notes:

- 2.3 The assumed Council Tax collection rate of 98.5% for 2022/23;

- 2.4 That the 2022/23 Council Tax Reduction Scheme will be updated in line with the Scheme's regulations;
- 2.5 That the estimated balance of the Council Tax Collection Fund as at 31st March 2022 is an overall deficit of £2.451m, of which the Council's share is £2.098m, but that the deficit balance required to be funded in 2022/23 is a total of £1.721m, of which the Council's share is £1.473m.

3 POLICY CONTEXT

- 3.1 Under Government regulations it is necessary for the Council to review its Collection Fund and decide the following:
- The Council Tax Collection Rate for 2022/23;
 - The Council Tax Reduction Scheme for 2022/23;
 - The Council Tax Base to be used for setting its 2022/23 Council Tax; and
 - The estimated Council Tax surplus or deficit as at 31 March 2022.

4 LOCAL COUNCIL TAX REDUCTION SCHEME (LCTRS)

- 4.1 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.
- 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. Government funding since 2014/15 has been rolled into the Council's overall finance settlement and is no longer specifically identifiable.
- 4.4 In September 2021, Policy Committee approved a proposal to consult on a number of improvements to its Local Council Tax Support Scheme to streamline administration and increase the level of support for residents. The proposals were as follows:
- a) For 2022/2023, persons of "Working Age", would be required to make a minimum contribution of between 25% and 30% towards their Council Tax liability. Essentially, the maximum reduction available to persons of "Working Age" would be between 70% and 75% of their Council Tax liability. This option provided an increase in support from the current 65% maximum;

- b) Remove the minimum Council Tax Support award of £5 per month, (equivalent to £1.15 p/w) or less, to enable customers to receive the support they are entitled no matter how small;
 - c) Increase the upper capital limit from £3,000 to £6,000, which means that people with capital of below £6,000 will qualify for a reduction;
 - d) Allow a maximum of one month backdating provision within the scheme. A working age claimant must have a good reason for their late claim throughout the period for which backdating is requested. This change will align with the current Housing Benefit & Universal Credit Regulations;
 - e) Set a standard rate of £10 Non-Dependant Deduction to apply for non-dependants who are both engaged and not engaged in remunerative work.
- 4.5 The statutory public consultation on the proposed changes to the local scheme was run on-line and took place from 27 September 2021 to 21 November 2021. Approximately 96,700 direct emails were also sent to residents (where we hold an email address) which included the link to the consultation. 1,254 responses were received, with over 70% in favour of the proposals. Appendix A attached sets out a summary of the responses received.
- 4.6 The Equality Impact Assessment in respect of the proposed changes to the Council Tax Support Scheme is included in Appendix B
- 4.7 Pension age customers continue to be protected by the Government's default scheme of 100% support based on a financial means test.
- 4.8 It is recommended that the Scheme for 2022/23 is based on the Scheme agreed by Council for 2021/22 amended for the changes recommended by Policy Committee in January 2022.

5 COUNCIL TAX BASE CALCULATION

- 5.1 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 2022/23.
- 5.2 The Tax Base is calculated by taking the list of properties by tax band as supplied to the Council by the external Valuation Office, (an executive agency of HM Revenue & Customs (HMRC)) as at 30th November 2021. This list is then adjusted for various factors to calculate a chargeable number of properties per tax band.
- 5.3 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 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.

5.4 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

5.5 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 equivalent" for the billing area.

5.6 Additions are then made to the tax base for estimates of newly built and occupied properties in 2022/2023 and the final quarter of 2021/2022. This estimate is based on past trends, properties that haven't yet appeared on the valuation list, and planning estimates of housing growth. For 2022/23 we have assumed 1.16% average growth throughout the year. This is a prudent estimate, which has been calculated using actual growth realised in 2021/22 alongside planned projections of new build that are expected to be realised between December 2021 and March 2023.

5.7 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 results in a reduction to the Council Tax Base.

5.8 The overall collection rate has been maintained at 98.5%, in line with 2021/22, which reflects the ongoing reduction in respect of pre-pandemic collection levels.

5.9 The total number of properties per Council Tax band as at 30th November 2021 is summarised in the following table:

Table 2. Properties per Council Tax Band as at 30th November 2021

Band	Number of Properties	%
A	7,639	10.2%

B	14,630	19.6%
C	29,896	40.1%
D	11,401	15.3%
E	5,735	7.7%
F	3,328	4.5%
G	1,874	2.5%
H	87	0.1%
Total	74,590	100.0%

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

Table 3. Council Tax Base 2022/23 Calculation

	Adjustments	Totals
Total Number of Properties on the Valuation List as at 30/11/2021		74,590.00
Reductions for Discounts & Exemptions as at 30/11/2021	(9,359.10)	
Reductions for Council Tax Reduction Scheme as at 30/11/2021	(4,680.50)	
Total Number of Net Chargeable Properties as at 30/11/2021		60,550.40
Band D Equivalent Properties as at 30/11/2021		57,500.40
Estimated New Build (band D equivalents) 2022/23	665.56	
Reduction for non-collection of 1.5%	(872.49)	
Impact of new Local Council Tax Reduction Scheme	(233.92)	
2022/23 Council Tax Base (band D equivalents)		57,059.55

6 COUNCIL TAX COLLECTION FUND SURPLUS/DEFICIT

- 6.1 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.
- 6.2 An estimate of the surplus or deficit on the Council Tax Collection Fund must be made, by law, on or before 15th January 2022. 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 2022/2023 Revenue Budget and Council Tax levels.
- 6.3 The estimated balance on the Council Tax Collection Fund as at 31st March 2022 is a deficit of £2.451m, which predominantly has arisen due to lower levels of collection during the ongoing Covid-19 pandemic.
- 6.4 Ordinarily, the declared surplus/deficit is paid out/recoverable by the Collection Fund in full in the following financial year. However, Central Government introduced new legislation to ease the financial impact of Covid-19 on Local Authorities, which requires any 2020/21 in year deficit to be spread equally across the three financial years 2021/22 - 2023/24. Any brought forward balance from 2019/20 or any in-year balance from 2021/22 is not eligible for phasing and must be accounted for in full in 2022/23. Therefore, the balance of the deficit required to be funded in 2022/23 is a total of £1.721m, of which the Council's share is £1.473m as set out in the following table:

Table 4. C Tax Collection Fund Estimated Balance as at 31st March 2022

	Share of Estimated Deficit to be funded in 2022/23	Share of Estimated Deficit eligible to be spread and funded in 2023/24	Share of Overall Estimated Deficit (£m)
Reading Borough Council	1.473	0.625	2.098
Office of the Police & Crime Commissioner for Thames Valley	0.190	0.080	0.270
Royal Berkshire Fire and Rescue Service	0.058	0.025	0.083
Total	1.721	0.730	2.451

6.5 The estimated deficit will be budgeted for as above in the period 2022/23-2024/25 in accordance with the requirements of the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020.

7 RISK

7.1 There are several key variables in setting the Council Tax Base which have the potential to change; these are set out below.

7.2 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 was a significant increase in eligible claimants in the current year, and although numbers have now returned near to pre-pandemic levels, there remains much uncertainty as to the ongoing impact of Covid-19 on the economy and future fluctuations in caseload cannot be ruled out.

7.3 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.

7.4 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.

7.5 In setting the Council Tax Base for 2022/23, statutory regulations prevent the net amount credited to the Council's General Fund from being different in 2022/23 to that originally estimated (and applies to precepting bodies in the same way). Any variance would however impact on future years.

7.6 The Collection Fund balance as at 31st March 2022 is required to be estimated by 15th January 2022. The assumptions made within this calculation are therefore subject to change by 31st March 2022. This risk is greater this year

due to the ongoing impact of Covid-19 on Council Tax collection rates and the increased uncertainty on future projections.

8 CONTRIBUTION TO STRATEGIC AIMS

8.1 The Council's vision is to ensure that Reading realises its potential - and to ensure that everyone who lives and works in Reading can share the benefits of its success. The Council has three inter-connected themes which contribute to delivering this vision. The themes are:

- Healthy environment;
- Thriving communities;
- Inclusive economy.

9 ENVIRONMENTAL AND CLIMATE IMPLICATIONS

9.1 None have been identified as arising directly from this report.

10 COMMUNITY ENGAGEMENT AND INFORMATION

10.1 The statutory consultation took place between 29th September and 21st November 2021 on the proposed amendments to the Local Council Tax Support Scheme for the 2022/23 financial year

11 EQUALITY IMPACT ASSESSMENT

11.1 An Equalities Impact Assessment was completed in respect of the proposed amendments to the Local Council Tax Reduction Scheme and is attached as Appendix B.

12 LEGAL IMPLICATIONS

12.1 The Council, as a Billing Authority, is required to determine the Council Tax Base for the next financial year by 31st January 2022 and to notify other precepting authorities of the determination.

12.2 The Council, as the Billing Authority, is required to formally estimate the balance of the Council Tax Collection Fund as at 31 March 2022 and to notify other precepting authorities of this estimate by 15 January 2022.

13 FINANCIAL IMPLICATIONS

13.1 The increase in the Council Tax Base of 1,211.82 average Band D properties equates to an increase in Council Tax income of £2.153m based on the 2021/22 Council Tax charge of £1,776.60 for a Band D property.

- 13.2 The Tax Base of 57,059.55 band D equivalents has been updated from the Tax Base of 56,765.68 used in the Medium Term Financial Strategy Update Report considered by Policy Committee and issued for consultation in December 2021 in order to reflect revised estimates of new build, the local Council Tax Reduction Scheme and the collection rate.
- 13.3 The draft Budget 2022/23 & Medium-Term Financial Strategy 2022/23-2024/25 assumed that the Council's share of the provisional Council Tax Collection Fund balance would be £1.941m, phased across the period 2022/23-2023/24 per regulations. The Council's share of the revised deficit declared in this report is £2.098m across 2022/23-2023/24 (an increase of £0.157m on the provisional estimate), which has been reflected in the updated Medium Term Financial Strategy projections.

14 BACKGROUND PAPERS

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