

READING BOROUGH COUNCIL
REPORT BY DIRECTOR OF FINANCE

TO:	COUNCIL		
DATE:	31st JANUARY 2023		
TITLE:	APPROVAL OF THE LOCAL COUNCIL TAX SUPPORT SCHEME AND THE COUNCIL TAX BASE FOR 2022/23		
LEAD COUNCILLOR:	COUNCILLOR BROCK & COUNCILLOR TERRY	PORTFOLIO:	CORPORATE SERVICES AND RESOURCES
SERVICE:	FINANCE	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 2023/2024 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 2023.
- 1.3. The Tax Base for 2023/24 is calculated for the above purposes as being 57,826.56 (band D equivalent) properties - an increase of 1.34% on the 2022/23 Tax Base of 57,059.55.
- 1.4. Ordinarily, the declared surplus/deficit on the Council Tax Collection Fund balance 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 residual brought forward balance from 2021/22 or any in-year balance from 2022/23 is not eligible for phasing and must be accounted for in full in 2023/24. As 2023/24 is the third and final year of recovering the 2020/21 deficit balance, the total net balance must be paid out/recovered in full in 2023/24. The estimated balance as at 31st March 2023 on the Council Tax Collection Fund is a projected net surplus of £2.023m, after taking into account the final year of the three-year phasing of the 2020/21 deficit balance. The Council's overall share of this net surplus is £1.723m. The component parts are 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. The recommended Scheme for 2023/24 is unchanged from the Scheme agreed by Council for 2022/23.

1.6. 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 2023/24 Scheme in accordance with the principles of the Council's original Local Scheme agreed following consultation in the Summer/Autumn of 2012.

1.7. This report has been prepared with reference to the following documents:

- The Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
- The Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020.
- Approval of the Local Council Tax Support Scheme and the Council Tax Base for 2022/23.

2 RECOMMENDED ACTION

That Council approve:

2.1 That the existing Council Tax Local Reduction Scheme is retained for 2023/24;

2.2 The Tax Base calculation for 2023/24 of 57,826.56 band D equivalent properties;

That Council notes:

2.3 The assumed Council Tax collection rate of 98.5% for 2023/24;

2.4 That the 2023/24 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 2023 is an overall surplus of £2.023m, after taking into account the final year of the three-year phasing of the 2020/21 deficit balance. The Council's overall share of this net surplus is £1.723m.

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 2023/24;
- The Council Tax Reduction Scheme for 2023/24;
- The Council Tax Base to be used for setting its 2023/24 Council Tax; and
- The estimated Council Tax surplus or deficit as at 31 March 2023.

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 From 1st April 2022, the Council's Scheme was updated as follows:
- Minimum contribution to Council Tax is 30%;
 - Removal of the minimum Council Tax Support award of £5 per month;
 - Capital limit is £6,000;
 - A maximum of one month backdating provision within the scheme;
 - 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 These changes have had a positive impact to the working age customers it affects.
- 4.6 Pension age customers continue to be protected by the Government's default scheme of 100% support based on a financial means test.
- 4.7 It is therefore recommended that the Council retains the Council Tax Reduction Scheme in 2023/24 as applied in 2022/23.

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 Borough Council'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 2023/24.
- 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 2022, then adjusting it 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	AA	A	B	C	D	E	F	G	H
Ratio	5/9	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 2023/2024 and the final quarter of 2022/2023. This estimate is based on past trends, properties that haven't yet appeared on the valuation list, and planning estimates of housing growth. For 2023/24 we have assumed 0.89% average growth for the year. This is a prudent estimate, which has been calculated using actual growth realised in 2022/23 alongside planned projections of new build that are expected to be realised between December 2022 and March 2024.

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 2022/23, which takes account of current and future anticipated collection rates in light of the current cost of living crisis.

5.9 The total number of properties per Council Tax band as at 30th November 2022 is summarised in the following table:

Table 2. Properties per Council Tax Band as at 30th November 2022

Band	% of Properties	Number of Properties	Adjustments (Discounts, Exemptions, LCTS etc)	Net Properties	Ratio	Band D Equivalents (rounded to 1dp)
AA*	0.0	0	2.72	2.72	5/9	1.50
A	10.2	7,721	(2,932.58)	4,788.42	6/9	3,192.30
B	19.6	14,802	(3,681.87)	11,120.13	7/9	8,649.00
C	40.0	30,271	(5,202.71)	25,068.29	8/9	22,282.90
D	15.5	11,685	(1,678.42)	10,006.58	9/9	10,006.60
E	7.7	5,827	(504.27)	5,322.73	11/9	6,505.60
F	4.4	3,350	(272.26)	3,077.74	13/9	4,445.60
G	2.5	1,886	(106.34)	1,779.66	15/9	2,966.10
H	0.1	88	(17.45)	70.55	18/9	141.10
Total	100.0	75,630	(14,393.18)	61,236.82		58,190.70

*Band A entitled to disabled relief reduction

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

Table 3. Council Tax Base 2023/24 Calculation

	Adjustments	Totals
Total Number of Properties on the Valuation List as at 30/11/2022		75,630.00
Reductions for Discounts & Exemptions as at 30/11/2022	(9,649.25)	
Reductions for Council Tax Reduction Scheme as at 30/11/2022	(4,743.93)	
Total Number of Net Chargeable Properties as at 30/11/2022		61,236.82
Band D Equivalent Properties as at 30/11/2022		58,190.70
Estimated New Build (band D equivalents) 2023/24	516.47	
Reduction for non-collection of 1.5%	(880.61)	
2023/24 Council Tax Base (band D equivalents)		57,826.56

6 EMPTY PROPERTY AND SECOND HOME PREMIUMS - PENDING LEGISLATION

- 6.1 The legislation to allow for a premium on second homes and reducing the length of time a property has to be unoccupied before a premium can be applied is contained within The Levelling Up and Regeneration Bill currently making its way through the Parliamentary process. It has completed its passage in the House of Commons and had its first reading in the House of Lords on 19th December 2022, with the second reading scheduled for 17th January 2023.
- 6.2 The current draft proposals would allow for the introduction of a premium on second homes (dwellings occupied periodically) of up to 100%. In addition, the current premium on dwellings that have been empty for over 2 years would be able to be charged on properties that have been empty for over 1 year; the Council currently charges a premium of 100% on dwellings that have been empty for over 2 years.
- 6.3 Subject to its progress through Parliament, the earliest the proposed changes can take effect is 1st April 2024. However, under current drafting, the premium for second homes can only be implemented with at least one year's notice. Therefore, there would need to be a decision by the Council as billing authority for a premium to be implemented from 1st April 2024, before 1st April 2023. This does not apply to the reduction in qualifying period for empty property premium which just needs a decision of the billing authority before the financial year to which the decision relates as set out in S11B(5) of the Local Government Finance Act 1992.

6.4 These items will need to be considered in future (potentially prior to 1st April 2023) if and when the legislation passes through Parliament.

7 COUNCIL TAX COLLECTION FUND SURPLUS/DEFICIT

7.1 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.

7.2 An estimate of the surplus or deficit on the Council Tax Collection Fund must be made, by law, on or before 15th January 2023. 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 2023/2024 Revenue Budget and Council Tax levels.

7.3 The estimated balance on the Council Tax Collection Fund as at 31st March 2023 is a surplus of £2.023m.

7.4 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 residual brought forward balance from 2021/22 or any in-year balance from 2022/23 is not eligible for phasing and must be accounted for in full in 2023/24. As 2023/24 is the third and final year of recovering the 2020/21 deficit balance, the total net balance must be paid out/recovered in full in 2023/24 as set out in the following table:

Table 4. C Tax Collection Fund Estimated Balance as at 31st March 2023

	Share of Estimated Surplus to be paid out in 2023/24	Share of Estimated 2020/21 Deficit eligible to be spread and funded in 2023/24	Share of Overall Estimated Net Surplus (£m)
Reading Borough Council	(2.348)	0.625	(1.723)
Office of the Police & Crime Commissioner for Thames Valley	(0.310)	0.080	(0.230)
Royal Berkshire Fire and Rescue Service	(0.095)	0.025	(0.070)
Total	(2.753)	0.730	(2.023)

7.5 The estimated net surplus will be budgeted for as above in 2023/24 in accordance with the requirements of the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020.

8 RISK

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

- 8.2 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. Although numbers have now returned near to pre-pandemic levels, there remains much uncertainty as to the potential impact of the cost of living crisis on the economy. Therefore, future fluctuations in caseload/claimant levels cannot be ruled out.
- 8.3 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. The growth factor is also subject to assumptions regarding the Band of property completed and also the status of the occupier(s) and their eligibility for discounts (e.g. single person), exemptions and Local Council Tax Support.
- 8.4 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.
- 8.5 In setting the Council Tax Base for 2023/24, statutory regulations prevent the net amount credited to the Council's General Fund from being different in 2023/24 to that originally estimated (and applies to precepting bodies in the same way). Any variance would however impact on future years.
- 8.6 The Collection Fund balance as at 31st March 2023 is required to be estimated by 15th January 2023. The assumptions made within this calculation are therefore subject to change by 31st March 2023. This risk is greater this year due to the potential impact of the cost of living crisis on Council Tax collection rates and the increased uncertainty on future projections.

9 CONTRIBUTION TO STRATEGIC AIMS

- 9.1 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.

10 ENVIRONMENTAL AND CLIMATE IMPLICATIONS

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

11 COMMUNITY ENGAGEMENT AND INFORMATION

- 11.1 A consultation exercise was carried out on the proposed amendments to the local Council Tax Support Scheme for the 2022/23 financial year. No amendments have been proposed for 2023/24 therefore any further consultation was not required.

12 EQUALITY IMPACT ASSESSMENT

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

13 LEGAL IMPLICATIONS

13.1 The Council, as a Billing Authority, is required to determine the Council Tax Base for the next financial year by 31st January 2023 and to notify other precepting authorities of the determination.

13.2 The Council, as the Billing Authority, is required to formally estimate the balance of the Council Tax Collection Fund as at 31st March 2023 and to notify other precepting authorities of this estimate by 15th January 2023.

14 FINANCIAL IMPLICATIONS

14.1 The increase in the Council Tax Base of 767.01 average Band D properties equates to an increase in Council Tax income of £1.403m based on the 2022/23 Council Tax charge of £1,829.72 for a Band D property.

14.2 The Tax Base of 57,826.56 band D equivalents has been updated from the Tax Base of 57,630.15 used in the Medium Term Financial Strategy Update Report considered by Policy Committee and issued for consultation in December 2022 in order to reflect updated figures in respect of the number of chargeable dwellings, discounts, exemptions, eligible Local Council Tax Reduction Scheme claimants and revised estimates of new build.

14.3 The draft Budget 2023/24 & Medium-Term Financial Strategy 2023/24-2025/26 assumed that the Council's share of the provisional Council Tax Collection Fund balance would be net nil. The Council's share of the net surplus declared in this report is £1.723m for 2023/24 which has been reflected in the updated Medium Term Financial Strategy projections.

15 BACKGROUND PAPERS

15.1 None.