

Council

30 January 2024



Reading
Borough Council
Working better with you

Title	Approval of the Local Council Tax Support Scheme and the Council Tax Base for 2024/25
Purpose of the report	To make a key decision
Report status	Public report
Report author	Stuart Donnelly, Financial Planning & Strategy Manager
Lead Councillor	Councillor Brock, Leader of the Council and Councillor Terry, Deputy Leader of the Council and Lead Councillor for Corporate Services & Resources
Corporate priority	Not applicable, but still requires a decision
Recommendations	<p>That Council approve:</p> <ol style="list-style-type: none">1. That the existing Council Tax Reduction Scheme is retained for 2024/25;2. The Tax Base calculation for 2024/25 of 58,944.73 band D equivalent properties. <p>That Council notes:</p> <ol style="list-style-type: none">3. The assumed Council Tax collection rate of 98.75% for 2024/25;4. That the 2024/25 Council Tax Reduction Scheme will be updated in line with the Scheme's regulations;5. That the estimated balance of the Council Tax Collection Fund as at 31st March 2024 is an overall net deficit of £1.998m. The Council's overall share of this deficit is £1.701m.

1. 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 2024/2025 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 2024.
- 1.3. The Tax Base for 2024/25 is calculated for the above purposes as being 58,944.73 (band D equivalent) properties – an increase of 1.93% on the 2023/24 Tax Base of 57,826.56.
- 1.4. 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. The estimated balance as at 31st March 2024 on the Council Tax Collection Fund is a projected net deficit of £1.998m. The Council's overall share of this deficit is £1.701m. 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 2024/25 is unchanged from the Scheme agreed by Council for 2023/24.

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 2024/25 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;
- Approval of the Local Council Tax Support Scheme and the Council Tax Base for 2024/25.

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 2024/25;
- The Council Tax Reduction Scheme for 2024/25;
- The Council Tax Base to be used for setting its 2024/25 Council Tax; and
- The estimated Council Tax surplus or deficit as at 31st March 2024.

3. The Proposal

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 finance settlement and is no longer specifically identifiable.

3.4. Pension age customers continue to be protected by the Government's default scheme of 100% support based on a financial means test.

3.5. It is recommended that the Council retains the Council Tax Reduction Scheme in 2024/25 as applied in 2023/24.

Council Tax Base Calculation

- 3.6. 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 2024/25.
- 3.7. 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 2023, then adjusting it for various factors to calculate a chargeable number of properties per tax band.
- 3.8. 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.
- 3.9. 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

- 3.10. 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.
- 3.11. Additions are then made to the tax base for estimates of newly built and occupied properties in 2024/2025 and the final quarter of 2023/2024. This estimate is based on past trends, properties that haven't yet appeared on the valuation list, and planning estimates of housing growth. For 2024/25 we have assumed 0.92% average growth for the year. This is a prudent estimate, which has been calculated using actual growth realised in 2023/24 alongside planned projections of new build that are expected to be realised between December 2023 and March 2025.
- 3.12. 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.

- 3.13. The overall collection rate takes account of current and future anticipated collection rates and was previously set at 99.00%. This was however reduced to 98.50% from 2021/22 as an impact of the Covid-19 pandemic. The overall collection rate for 2024/25 has been increased to 98.75%, based on gradual recovery of collection performance through 2022/23 and 2023/24.
- 3.14. The total number of properties per Council Tax band as at 30th November 2023 is summarised in the following table:

Table 2. Properties per Council Tax Band as at 30th November 2023

Band	% of Properties	Number of Properties	Adjustments (Discounts, Exemptions, LCTRS etc)	Net Properties	Ratio	Band D Equivalents (rounded to 1dp)
AA*	0.0	0	2.73	2.73	5/9	1.5
A	10.1	7,782	(2,951.62)	4,830.38	6/9	3,220.3
B	19.4	14,894	(3,668.15)	11,225.85	7/9	8,731.2
C	40.3	30,862	(5,221.94)	25,640.06	8/9	22,791.2
D	15.5	11,918	(1,689.66)	10,228.34	9/9	10,228.3
E	7.7	5,883	(511.28)	5,371.72	11/9	6,565.4
F	4.4	3,356	(256.93)	3,099.07	13/9	4,476.4
G	2.5	1,895	(103.96)	1,791.04	15/9	2,985.1
H	0.1	92	(17.93)	74.07	18/9	148.1
Total	100.0	76,682	(14,418.74)	62,263.26		59,147.5

*Band A entitled to disabled relief reduction. As at 30th November, 4 properties in band A are entitled to disabled relief reduction (2.73 net properties after adjustments), which are converted to 1.5 band D equivalents on a ratio of 5/9.

- 3.15. The Council Tax Base calculation is summarised in the following table:

Table 3. Council Tax Base 2024/25 Calculation

	Adjustments	Total
Total Number of Properties on the Valuation List as at 30/11/2023		76,682.00
Reductions for Discounts & Exemptions as at 30/11/2023	(9,802.63)	
Reductions for Council Tax Reduction Scheme as at 30/11/2023	(4,616.11)	
Total Number of Net Chargeable Properties as at 30/11/2023		62,263.26
Band D Equivalent Properties as at 30/11/2023		59,147.50
Estimated New Build (band D equivalents) 2024/25	543.37	
Reduction for non-collection of 1.25%	(746.14)	
2024/25 Council Tax Base (band D equivalents)		58,944.73

Council Tax Collection Fund Surplus/Deficit

- 3.16. 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.
- 3.17. An estimate of the surplus or deficit on the Council Tax Collection Fund must be made, by law, on or before 15th January 2024. 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 2024/2025 Revenue Budget and Council Tax levels.
- 3.18. The estimated balance on the Council Tax Collection Fund as at 31st March 2024, in January 2024, is a net deficit of £1.998m, comprising:

- a residual deficit balance brought forward from 2022/23 totalling £0.654m which is primarily due to the 2022/23 adjustment to the Allowance for Impairments for Doubtful Debts (Bad Debt Provision) that was required at the end of the financial year being higher than was forecast in January 2023 when the 2022/23 Council Tax Collection Fund Balance estimate was made;
- an in-year net deficit balance totalling £1.344m which primarily relates to the forecast 2023/24 adjustment to the Allowance for Impairments for Doubtful Debts.

3.19. Any declared surplus/deficit is paid out/recoverable by the Collection Fund in full in the following financial year based on the January estimate. The shares of this balance are set out in the following table:

Table 4. Council Tax Collection Fund Estimated Balance as at 31st March 2024

	Share of Overall Estimated Net (Surplus)/Deficit (£m)
Reading Borough Council	1.701
Office of the Police & Crime Commissioner for Thames Valley	0.227
Royal Berkshire Fire and Rescue Service	0.070
Total	1.998

3.20. The estimated net deficit will be budgeted for as above in 2024/25.

Risk

- 3.21. There are several key variables in setting the Council Tax Base which have the potential to change; these are set out below.
- 3.22. 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.
- 3.23. 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.
- 3.24. 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.
- 3.25. In setting the Council Tax Base for 2024/25, statutory regulations prevent the net amount credited to the Council's General Fund from being different in 2024/25 to that originally estimated (and applies to precepting bodies in the same way). Any variance would however impact on future years.
- 3.26. The Collection Fund balance as at 31st March 2024 is required to be estimated by 15th January 2024. The assumptions made within this calculation are therefore subject to change by 31st March 2024. 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.

4. Contribution to Strategic Aims

- 4.1. Full details of the Council's Corporate Plan and the projects which will deliver these priorities are published on the [Council's website](#). These priorities and the Corporate Plan demonstrate how the Council meets its legal obligation to be efficient, effective, and economical.
- 4.2. Delivery of the Council's budget is essential to ensuring the Council meets its strategic aims and remains financially sustainable going forward.

5. Environmental and Climate Implications

- 5.1. The Council declared a Climate Emergency at its meeting on 26th February 2019, with the intention of achieving a carbon neutral Reading by 2030. The Council endorsed the Reading Climate Emergency Strategy 2020-25 and its vision for a 'net zero, resilient Reading by 2030' in November 2020. At the same time, it adopted a new corporate Carbon Plan for the Council's own operations, including the target of an 85% cut in Council emissions by 2025 enroute to net zero by 2030. The Council's Corporate Plan monitors progress in reducing the carbon footprint of both the Borough and the Council.
- 5.2. There are no specific environmental and climate implications to report in relation to the recommendations set out in this report.

6. Community Engagement

- 6.1. 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 2024/25 therefore any further consultation is not required.

7. Equality Implications

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

8. Other Relevant Considerations

- 8.1. There are none.

9. Legal Implications

- 9.1. The Council, as a Billing Authority, is required to determine the Council Tax Base for the next financial year by 31st January 2024 and to notify other precepting authorities of the determination.
- 9.2. The Council, as the Billing Authority, is required to formally estimate the balance of the Council Tax Collection Fund as at 31st March 2024 and to notify other precepting authorities of this estimate by 15th January 2024.

10. Financial Implications

- 10.1. The increase in the Council Tax Base of 1,118.17 average Band D properties equates to an increase in Council Tax income of £2.148m based on the 2023/24 Council Tax charge of £1,921.02 for a Band D property.
- 10.2. The Tax Base of 58,944.73 band D equivalents has been updated from the Tax Base of 58,948.93 used in the Medium Term Financial Strategy Update Report considered by Policy Committee and issued for consultation in December 2023 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 and collection performance.

- 10.3. The collection rate was reduced to 98.50% for 2021/22 following a drop in collection in 2020/21 during the Covid-19 pandemic. Collection performance in 2022/23 and the early part of 2023/24 indicated that the collection rate could be increased back up to 99.0% for 2024/25, however this performance decreased slightly as 2023/24 progressed as a consequence of the cost of living crisis. The latest collection performance data as at the end of December 2023 has however shown a partial improvement compared to previous months. It has therefore been considered prudent to assume a collection rate of 98.75% to recognise the recovery from the Covid-19 pandemic but partially tempered by the cost of living crisis.
- 10.4. The draft Budget 2024/25 & Medium-Term Financial Strategy 2024/25-2026/27 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 deficit declared in this report is £1.701m for 2024/25 which has been reflected in the updated Medium Term Financial Strategy projections and will be funded from the Collection Fund Smoothing Reserve.

11. Timetable for Implementation

- 11.1. Not applicable.

12. Background Papers

- 12.1. There are none.