

READING BOROUGH COUNCIL  
REPORT BY DIRECTOR OF FINANCE

TO:	POLICY COMMITTEE & COUNCIL		
DATE:	16/24 JANUARY 2017	AGENDA ITEM:	7
TITLE:	BUDGET 2017-18 - APPROVAL OF COUNCIL TAX BASE, NNDR1 ESTIMATE & ESTIMATED COLLECTION FUND SURPLUS - APPROVAL OF THE LOCAL COUNCIL TAX SUPPORT SCHEME 2017/18 AND REMOVAL OF EMPTY AND SECOND HOME COUNCIL TAX DISCOUNTS		
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This report sets out the recommendation of Policy Committee, but as explained to the Committee the NNDR1 form had not at that stage been fully reviewed and the proposed council tax base was being reviewed. Any necessary update will be advised to Group Leaders ahead of Council.

1. PURPOSE AND SUMMARY OF REPORT

- 1.1 By 31 January 2017 it will be necessary to have estimated and informed the Thames Valley Police & Crime Commissioner, Royal Berkshire Fire & Rescue Service and Environment Agency of the Council Tax base to be used for setting the tax and levy for 2017/18. In order to do this it will be necessary to estimate the anticipated Council Tax collection rate and therefore the allowance to be made for non collection and changes to the Council Tax Base.
- 1.2 Also, by 31 January it will be necessary to have estimated and informed the Royal Berkshire Fire & Rescue Service and DCLG of the estimated collectible business rates to be used for setting the budget and ultimately the council tax for 2017/18. This is done by completing a form known as NNDR1.
- 1.3 On 16 January 2017 there is/was a requirement to estimate the collection fund surplus or deficit separately for both council tax and business rate transactions as at 31 March 2017. Any surplus or deficit is then to be taken

into account when calculating the total amount to be collected from Council Tax payers in 2017/18. This report sets out forecast council tax collection and the resulting impact on the Collection Fund and in the context of tax setting as a whole it is helpful for Council to note.

- 1.4 Government regulations require that the Council Tax Base and related collection rate to be used for calculating Council Tax are made by the full Council, and cannot be delegated to a Committee or to an officer. The approval of NNDR1 can be done by either Policy Committee or an officer, but given its potential significance it is suggested Policy Committee or Council approval is appropriate and the collection fund estimate must be done on a specific day, so is/was done by the Chief Finance Officer to meet that legal requirement, on the basis of the information then available.
- 1.5 This report also seeks formal Council approval for the Council Tax Support Scheme for 2017/18. As part of the Council's budget measures, proposed changes to the local scheme were detailed in a report to Policy Committee on 31 October 2016 including a proposal to implement these for a period of two years followed by a review for future years. A statutory public consultation on these proposed changes to the local scheme took place from 4 November to 30 December 2016.

The changes we propose to apply from 1 April 2017/18 and 1 April 2018/19 are:

- to increase the minimum contribution from 20% to 25%,
- to remove earned income disregards from the earnings calculation
- to increase non-dependant deductions.

These changes generally apply in combination. In addition DCLG has completed an annual update of various allowances particularly as the scheme affects pensioners and those changes have been incorporated. When we consulted on the original principles of the new local scheme in the summer/autumn of 2012, we indicated that various allowances would be subject to annual uprating, so there would be no need for further public consultation on the principle of that point each year.

Appendix B to this report sets out a summary of the responses to the consultation on the proposed changes to the local scheme and the officer response and advice. This includes the recommendation not to reduce the capital limit allowance from £6000 to £3000.

- 1.6 The report also notes that the various technical changes to Council Tax made in previous years will continue, and subject to your approval of this report, further changes will be introduced this year to reduce discounts for Major Works and for second homes.

A consultation has also taken place on these proposed changes and details of the consultation response and a summary of the key points made can be found in Appendix C.

The proposed changes remove the current 50% for 12 months discount on properties undergoing works, and for properties that are empty and unfurnished remove the 100% for 1 month and remove the 5% discount on properties that are classed as second homes. You are recommended to approve the proposal to be implemented from 1 April 2017.

- 1.7 The Equality Impact Assessment in respect of the proposed changes to the Council tax Support Scheme and Council Tax discounts is included at Appendix F.
- 1.8 Pursuant to the approval of the Council Tax Support Scheme and other estimates explained, the report then sets out the detailed calculations to be made under the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended, which Council is asked to approve.
- 1.9 Council may recall that part of the process of putting the Council Tax Support Scheme formally in place involved fully adopting the Government's "default" scheme (which we then amended). That document was over 160 pages long, so was not printed in full in previous years, or this agenda. The same continues to apply to our adoption of government changes, but a copy was placed in the Member's room and on the website.
- 1.10 The following are appended:-

Appendix A - Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2016

Appendix B - Summary of consultation responses on the proposed changes to the Local Council Tax Support Scheme

Appendix C - Summary of consultation response on proposed changes to Council tax discounts

Appendix D - CTB1 Return

Appendix E - Draft NNDR1 Return

Appendix F - Equality Impact Assessment on proposed changes to the local Council Tax Support Scheme and changes to discounts for empty homes and second homes.

**Appendices A, D and E and the full technical details of the Local Council Tax Support Scheme have not been produced for committee as they are very technical documents. Copies are available on the website / internet / in the Members' room.**

## 2. RECOMMENDED ACTION

2.1 Council is requested to approve the 2017 uprating of the allowances in the council tax support scheme and other amendments to the scheme as set out in paragraph 6.7.

2.1.1 Notes that we have adopted:

- (i) the Council Tax Reduction Schemes (Default Scheme) (England) Regulations 2012 (SI 2886(2012)) in 2013
- (ii) the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2013 (SI 3181 (2013)) in 2014
- (iii) the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) (No. 2) Regulations 2014 in 2015
- (iv) the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2015 in 2016

and these will remain in place as the basis of our 2017-8 scheme (to the extent the requirements in each regulation remain prescribed).

2.1.2 Council is asked to now adopt the Council Tax Reduction Schemes (Prescribed Requirements) (England) (Amendment) Regulations 2016 which came into force on 15 January 2017 and apply to local schemes from 1 April 2017 as set out in Appendix A.

2.1.3 Council is asked to approve the proposed local changes set out in Appendix B for 2017/18 and 2018/19 and the overall Local Council Tax Support Scheme for 2017/18. (Appendix B sets out the summary of responses to the consultation on the Local Council Tax Support Scheme)

2.1.4 Council should note the Council's "plain english" guide to the Council Tax Support Scheme which explains how these regulations as amended locally will work together, and that an update will be published on the website to reflect the 2017/18 scheme.

2.2 Council is recommended to approve (following consultation) the changes to discounts for certain empty property and second homes as set out in Appendix C.

2.3 Council is recommended to approve that for the purpose of, and in accordance with, the provisions of the Local Authorities (Calculation of Council Tax Base) Regulations, 1992 (as amended):

- (a) The estimated Council Tax collection rate for the financial year 2017/18 be set at 98.75% overall (unchanged since 2015/16);
- (b) Taking account of 2.1, the Council Tax technical changes made since 2013/14 and above, the amount calculated by Reading

Borough Council as its Council Tax base for the financial year 2017/18 shall be 53,671.

- 2.4 Council is asked to note that a surplus of £928,955 has been estimated in respect of Council Tax transactions as at 31 March 2017, and Reading's share of this is £800,000.
- 2.5 Council is asked to note that a surplus of £1,800,000 has been estimated in respect of NNDR transactions as at 31 March 2017, and Reading's share of this is £882,000.
- 2.6 Council is asked to note and approve the NNDR1 summary form in Appendix E, noting that we're estimating that we'll collect £124m, of which Reading retains £33.276m after the £27.484m the DCLG tariff), but will pay an estimated increased levy (over both years of around £1.5m).

### 3. POLICY CONTEXT

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

Its estimated Council Tax surpluses or deficits for the 2016/17 year  
Council Tax Collection Rate for 2017/18  
Business Rates collectable in 2017/18  
Council Tax Base to be used for setting 2017/18 Council Tax

- 3.2 The Director of Finance makes the necessary estimates relating to any collection surplus/deficit, and the business rates collectable, both of which follow prescribed requirements, but requires that only the Council can agree the calculation of the Council Tax Collection Rate and (the related) Council Tax Base.
- 3.3 Following the introduction of the Council Tax Support Scheme (CTSS) in 2013/14 and technical changes to the Council Tax regime the estimates and calculations take account of our experience of the new arrangements. Both CTSS and technical changes effectively changed the way individual bills are calculated, so affecting the tax collectable, and hence the tax base (whereas historically Council Tax Benefit operated as a relief that helped pay some taxpayers bills).

### 4. COUNCIL TAX

- 4.1 Council Tax is largely a property based tax with a 25% discount for people living alone.
- 4.2 The amount each household will pay depends on the value of their property on 1 April 1991 which determines which Council Tax band it is in.

(Households in Band A will pay at the rate of two thirds of Band D and households in Band H will pay at the rate of twice Band D).

- 4.3 The following table sets out these proportions, and the number of properties on the valuation list (at the time of our CTB1 return to DCLG in October (Appendix D), in Reading, in each band.

**Table A**

Band	Amount Payable as a Proportion of Band D	Properties in Each Band	
		Number	%
A	6/9	6,254	9
B	7/9	13,851	20
C	8/9	28,594	41
D	9/9	10,796	15
E	11/9	5,412	7
F	13/9	3,273	5
G	15/9	1,829	3
H	18/9	79	-
		<u>70,066</u>	<u>100</u>

This is an increase in properties on the list of 1,093 over the last year (which had 68,876 properties). In the previous year the increase was only 695.

## 5. **HOW THE TAX IS CALCULATED**

- 5.1 Council Tax will be calculated by dividing the sum of the budget requirements of Reading, the Royal Berkshire Fire & Rescue Service (RBF&RS) and Thames Valley Police (TVP) by the total number of properties adjusted to a Band D equivalent by applying the proportions above (adjusted to allow for a small amount of non collection). The “properties adjusted to Band D equivalent” is known as the taxbase. The Band D tax rate will then be multiplied by the proportions shown in Table A above. As 70% of properties are in Bands A to C the average level of Council Tax in Reading will be lower than the Band D rate.

### **Council Tax Requirement**

- 5.2 The council tax requirement for Reading, the Thames Valley Police & Crime Commissioner and the Royal Berkshire Fire & Rescue Service (RBF&RS) will be calculated as follows:

General Fund net expenditure less share of Grant Allocation (RSG) and retained NNDR equals council tax requirement to be funded by Council Tax.

### **Council Tax Base**

- 5.3 The Council Tax base must be calculated in accordance with Government rules.
- 5.4 Each year the Government collects tax base information. This information is periodically used in the grant distribution process, but does not take account of any losses on collection.
- 5.5 However, the tax base to be used in setting Council Tax will be the “relevant tax base” (the tax base submitted to the DCLG and adjusted for technical changes, the Council Tax support scheme multiplied by the estimated rate of collection).

### **Collection Rate**

- 5.6 By 31 January 2017 it is necessary to have estimated and informed TVP, RBF&RS and levying bodies of the Council Tax base to be used for setting the tax for 2017/18. In order to do this it will be necessary to estimate the anticipated Council Tax collection rate.
- 5.7 Under original Government regulations, the calculation of the Council Tax base and the collection rate and therefore the actual Council Tax base to be used for calculating Council Tax can only be made by the full Council, and cannot be delegated to a Committee or to an officer.

## **6. CALCULATION OF COUNCIL TAX BASE AND COLLECTION RATE FOR 2016/17**

- 6.1 The calculation of the Council Tax base and collection rate must be made in accordance with the rules set out in the Local Authorities (Calculation of Council Tax Base) Regulations 1992, as amended.
- 6.2 It is necessary to explain how these calculations are made in order that the Council can formally adopt them. The calculations required by the regulations are set out below.

### **Council Tax Base Return (CTB1)**

- 6.3 During October 2016 we were required to submit to DCLG a form, CTB1 which analyses the valuation list into the various bands and then provides further detail of those properties subject to the full charge, those entitled to discounts and those which are exempt.
- 6.4 The details from the CTB1 return are shown at Appendix D. The return also converts the equivalent total number of properties in each band to a Band D equivalent figure of after adjusting the tax base to reflect reduced discounts for second homes which are not included in the CTB1 return, which forms the initial base for the calculation of the tax base.

## **Council Tax Technical Changes**

- 6.5 At December 2012's Cabinet we adopted and Council in January 2013 approved various technical changes to the Council Tax. These had the effect of increasing the charges in certain circumstances for people with second and empty homes. Subsequent amendments were made last year and a further amendment is proposed this year. Fuller details are set out in Section 8 below.

## **Council Tax Support Scheme**

- 6.6 At December 2012's Cabinet we agreed the principles of the local Council Tax Support Scheme. The scheme has the effect of reducing the charges in certain circumstances for people with a low income. We first approved a scheme with a minimum 15% contribution for working age claimants at Council in January 2013, and have subsequently made technical changes that made it easier for some claimants to receive their reduction. As part of a comprehensive review of the options available to the Council last year we increased the minimum payment from 15% to 20%, and introduce a minimum £5 per month award, to avoid the high administrative costs that arises with very low value awards.
- 6.7 Following consultation, we now propose formally to implement the changes set out in 1.5 above and presented in detail at Policy Committee on 31 October 2016. Following the consultation it is recommended to proceed with these changes other than we are recommending not to proceed with the proposal to reduce the capital limit allowance from £6,000 to £3,000.
- 6.8 Appendix B sets out the approach to consultation, and the key issues emerging. As part of the consultation process, there has been some additional engagement with the advice agencies in relation to these changes. We will continue to do annual uprates of allowances in the scheme. The formal scheme requires approval by Council and we will update the plain english guide on the website once the changes are agreed.

## **Collection Rate**

- 6.9 Broadly, the actual tax base to be used in calculating Council Tax will be the tax base from the CTB1 adjusted for the technical changes and council tax support scheme multiplied by the estimated rate of collection.

## Council Tax Collection

6.10 Table B summarises actual collection to 31 December 2016.

**Table B**

Cash Collection	2016/17 £m	Previous Year's Arrears Target £000
Target cash collection 2016/17	84.00	1.70
Amount collected to 31 December 2016	71.86	1.39
Balance to achieve target set	12.14	0.31

### 6.11 Cash Collection for 2016/17 & Older Debt

The final direct debit payment from most taxpayers was collected at the beginning of January which together with collection to the end of December has taken collection to around 90% of the annual target and similar to recent previous years.

We expect the Council will achieve an in year cash collection rate of around 96.75% for 2016/17 (2015/16 Collection in year was and 2014/15 96.8%), which will eventually rise to just over 99% of the final debit when arrears are collected. In our historic collection statement all years up to 2012/13 now show a collection rate above 99%, and 2013/14 and subsequent completed years well over 98%. The table above indicates that we are well on the way to collecting our arrears target and overall we should be at or close to cash collection targets for the financial year by 31 March 2017.

There will however be outstanding arrears from 2016/17 and earlier years to collect in 2017/18 and future years. Action to recover arrears remains strong and effective, though we experience some write offs where it is deemed that tax payers have little or no ability to pay the arrears even after bailiff action, or debt is otherwise irrecoverable.

### **Allowance for Non Collection**

Last year we made a 98.75% recovery rate assumption overall (in deciding a taxbase of 51,050). Any under or over estimation of the collection rate will need to be taken into account when setting the budget and Council Tax in 2018/19. If the collection rate is under estimated then there would be a surplus on the Collection Fund and the Council Tax for Reading will reduce, or budget increase accordingly. However, if the collection rate is overestimated the resulting deficit on the Collection Fund will increase the Council Tax or further reduce the budget we are able to set in 2018/19.

6.12 Collection performance has largely held up, though we need to be mindful that the changes to LCTS and empty and second homes discounts may result in some collection difficulties, although the position regarding collection

from households receiving council tax support is now better understood with the benefit of several years of the scheme.

- 6.13 Taking account of our historic collection performance, the estimated collection rate should remain at 98.75%. (This is slightly less than the 99% forecast of ultimate collection as we need to make a small allowance (0.25%) for banding appeals on new property). Assuming continued tax base growth, and making an allowance for the on-going discount review, adjusting for the proposed changes to the scheme at 2016/17 tax levels we anticipate that our tax income (at this collection rate) will increase to around £76.16m which is equivalent to a tax base of 53,671.

## ESTIMATING THE COLLECTION FUND SURPLUS/DEFICIT - COUNCIL TAX & NNDR

### 7. COUNCIL TAX

- 7.1 We have reviewed the Collection Fund, the buoyancy of the tax base, and the level of arrears recovery expected over the medium term, and have concluded that, taking account of the collection fund deficit of £0.208m as at 31 March 2016, the estimated collection fund surplus of £0.235m, the collection performance indicated above in Table B, that the total estimated surplus at 31 March 2017 (in respect of Council Tax transactions) should be £1,045,075.
- 7.2 The surplus will be apportioned according to 2016/17 council tax requirements; so shares will be:

Table C

Reading BC	£ 900,000
Thames Valley Police	£ 105,850
Royal Berkshire Fire & Rescue Authority	£ 39,225

These will be taken into account in setting the tax for 2017/18. Any variance at the year end will be taken into account in setting 2018/19's tax in due course.

### 7.3 NNDR

In a similar way, we need to estimate the surplus or deficit arising from NNDR transactions. This is significantly more difficult to do with reasonable certainty, because of outstanding rating appeals, so considerable judgement is needed. The latest review of our appeals liability estimated it as over £13.9m, though Government regulations allow for us to account for part of that liability over 5 years which we have elected to do (so the last £2.4m is due to be provided for in 2017/18).

In addition to this, Virgin Media has made an application to have all its property put on a single list, essentially on the basis its network is a single entity. If this application is successful we will have a liability of around

£3.3m, most of which is not included in the above figure. We closed the 2015/16 accounts with a £1m surplus in line with which we had estimated, so no adjustment is needed for prior years. However, on the basis of information available in January, the estimated overall surplus as at 31 March 2017 will be around £1.8m.

- 7.4 The surplus will be apportioned according to government rules; so shares will be:

**Table D**

Reading BC	(49%)	£882,000
DCLG	(50%)	£900,000
Royal Berkshire Fire & Rescue Authority	(1%)	£ 18,000

These will be taken into account in setting the tax for 2017/18. Any variance at the year end will be taken into account in setting 2018/19's surplus/deficit in due course.

## **8 DISCOUNTS**

- 8.1 As reported previously, following the Local Government Act 2003, Councils have been given greater freedom to approve Council tax Discounts. The following sections summarise the position following the changes made in 2013/14, subsequently and those proposed this year. A consultation took place over the autumn of 2016 on proposed changes and the summary of the responses is set out in Appendix C.

### **Second Homes and Empty Homes**

- 8.2 In particular this has now been amended further by Section 11A (4A) and Section 11B (2) of the Local Government Finance Act 2012. This gives the billing authority the power to determine the level of council tax discount or premium where there is no resident of the dwelling. This can be any percentage up to 100% in relation to the old Class A, C and second homes, and up to 150% for properties that are classed as long term empty and have been empty for 2 years or more.

#### **Second Homes**

- 8.3 The provisions allow for councils to reduce the second homes discount from 50% to 0% depending on the class the property falls into. In 2016 the discount was set at 5%. From 1<sup>st</sup> April 2017 the discount for second homes will be removed (i.e. we are setting the discount at 0%).

#### **Empty Homes**

- 8.4 The provisions allow councils to reduce the empty homes discount from 100% to zero, depending on the class they fall into. In 2016 we set the discount for properties that are empty and unfurnished at 100% for one month, followed by a full charge. From 1<sup>st</sup> April 2017 this discount will be removed.

- 8.5 In 2016 we set the discount for properties that are empty, unfurnished and uninhabitable/undergoing major works at 50% for 12 months, followed by a full charge. From 1<sup>st</sup> April 2017 the discount will be removed.
- 8.6 For properties that have been empty for 2 years we charge an empty homes premium of 150% of the Council Tax due.
- 8.7 Table D sets out the existing discount classifications made under the Council Tax (prescribed classes of Dwellings) (England) Regulations 2012.
- 8.8 Last year we removed the Class F's and Class B's 50% discount rate after the 6 month void period.

**Table D**

<b>Description</b>	<b>Rates</b>
<u>Standard Empty</u> Empty/Furnished Accommodation must be job-tied, a caravan or a boat.	50% discount
<u>Second Home Class A</u> Empty/Furnished Accommodation must be a <b>holiday</b> home, which cannot legally be occupied for more than 28 days per year.	50% discount
<u>Second Home Class B</u> Empty/Furnished Second or subsequent home.	(5% discount in 2016/17) 0 % from 01.04.17
<u>Empty Class C/ Now discount Class C</u> Empty/Unfurnished	(*1 month 100% discount followed by full charge in 2016/17) 0 % from 01.04.17
<u>Empty Class A/ Now known as discount Class D</u> Empty/Unfurnished	(*12 months 50% discount followed by full charge IN 2016/17) 0 % from 01.04.17
<u>Exemption Class F</u> Empty/Unfurnished (following probate granted on deceased's property)	6 Months void followed by full charge
<u>Exemption Class B</u> Empty/Unfurnished (charitable property)	6 months void followed by full charge
<u>Long-term Empty Premium</u> Properties empty for 2 years or more	150% charge

\*Note that properties that were only part way through the 1/12 month discount period as at 31 March 2017, will also be affected from 1 April.

- 8.9 Section 76 of the 2003 Act includes Section 13A of the Local Government Finance Act 1992, allowing councils to set local discounts, the cost of which must be borne by local Council Tax payers as the cost of any discounts will need to be included in the General Fund budget requirement.
- 8.10 It is recommended that no local discounts are agreed. Authority to grant the discretionary charitable discount has been delegated to the Head of Customer Services (after consultation, and subject to broad criteria).

## 9 BUSINESS RATES

- 9.1 As part of the localised business rate arrangements introduced in 2013/14, we are required to estimate what business rates we will actually collect in 2017/18. This figure is then split between DCLG (50%), ourselves (49%) and the Fire Authority (1%).
- 9.2 While we have always made such an estimate, prior to 2013/14 this estimate, which is made on a form known as NNDR1, (Appendix E) because business rates were fully pooled, had to be made in accordance with rules prescribed by DCLG and the result was reported to DCLG as an officer process. While many of those rules remain in place, three key aspects of the rules have been changed to permit local discretion and judgement given the new regime. These changes are the estimates that are made for the impact of revaluations and other losses on collection, appeals, and new property.
- 9.3 Our latest available analysis of the Valuation Office appeals data shows 373 properties (last year - just under 300) subject to appeal affecting rateable values in excess of £57m, and the estimated liability is £14m, reduced from the £16.5m estimate at the end of last year (reflecting concluded appeals).
- 9.4 In 2015/16, in our NNDR1 form we provided £7.3m for rate losses arising from appeals and other losses. As at December about £5.3m of this appears to have been used (mainly associated with appeals). The 2015/16 form assumes we'll provide £5.0m reflecting that over the first two years of the revised finance system we have been able to make reasonable provisions for appeals and losses, and taking account of the position overall, we should have set aside sufficient money for all appeals that settle before 31 March 2017.
- 9.5 On 1 April 2017 a revised valuation list will be used to determine business rates. At a national level the amount of rates collected will increase by inflation, but as the value of properties has increased by more than inflation between 2008 and 2015 (the dates of valuation for the 2010 and 2017 lists) Government is only increasing the rate poundage charged from 48.0p to 48.4p (rather than 49.0p, which the RPI change would suggest).

- 9.6 However, the distribution is not evenly spread throughout the country. In Reading the rateable values have increased from £253m to £305m, and although the rate poundage is falling, Government has estimated that the gross rates will increase by over £10m from £122.4m to £133m. However, we will not retain any of this additional rates, as Government is also adjusting the tariff payment to compensate, and therefore after the Government's 50% share, the 1% Fire Authority Share and the increased tariff of **£1.5m (to follow)**, the retained rates will be around the £30.8m we have been forecasting for some time.
- 9.7 At the year end we will be required to report the actual business rates collected on a form known as NNDR3. This will be reviewed by the external auditor, and any variations will be shared in the same proportions (in practice this will be on an estimate basis, in the same way that the collection fund surplus or deficit is estimated).
- 9.8 To the extent to which these estimates prove incorrect, they will need to be adjusted for in future years.

## **10 CONTRIBUTION TO STRATEGIC AIMS**

To secure the most effective use of the Council's resources in the delivery of high quality, Best Value public services.

## **11 COMMUNITY ENGAGEMENT AND INFORMATION**

- 11.1 A consultation exercise was carried out on the range of options taken forward to make amendments to the local Council Tax Support Scheme for the 2017/18 financial year, and changes to the Local Council Tax Discount Scheme for 2017/18.
- 11.2 A statutory consultation period took place between the 4<sup>th</sup> November and the 30<sup>th</sup> December 2016. A total of 23,220 Customers were contacted directly by email to ask them for their views. Views and comments were also requested from our key stakeholders including the Voluntary Sector Organisations, Advice and Support Agencies, Private Landlords, Housing Associations and other stakeholders, and included our preceptors.
- 11.3 In addition the consultation questionnaire was published on our Website for wider public consultation for the period 2nd November to the 30th December 2016. There is a statutory requirement to carry out consultation on a Local Council Tax Support Scheme. The guidance recommends that public consultation should be carried out as early as possible to ensure feedback can influence the scheme and allow sufficient time for the feedback to be gathered, impacts to be understood, and a scheme to be shaped.

- 11.4 Although Government's code of practice on consultation states that normally 12 weeks is appropriate, billing authorities may wish to consider the appropriate length of their consultation depending on the impact of their proposals and the ability to complete the consultation exercise within budgetary timetables.
- 11.5 The code of practice indicates that where timing is restricted, for example, due to having to meet a fixed timetable such as a budget cycle, there may be good reason for a shorter consultation, and any documentation should be clear for the reasons for the shorter.
- 11.6 We have carried out the statutory consultation and this report forms part of the consultation process.

## **12 EQUALITY IMPACT ASSESSMENT ON PROPOSED CHANGES**

- 12.1 A Full Equality Impact Assessment on the proposed changes is set out at Appendix F.
- 12.2 All of the current options impact negatively on all customers of working age currently in receipt of Council Tax Support. Those that also have non-dependants living with them will also see a further reduction in the amount of Council Tax support they receive and will have to pay an increase in Council Tax.
- 12.3 Pensioners remain unaffected by these proposals.
- 12.4 In the situation where a customer presents in hardship or financial difficulty as a result of these combined changes, we will continue to consider the award of discretionary Council Tax Support in order to mitigate this effect on their household, pending a full financial disclosure of the household. We will specifically target the use of discretionary Council Tax Support where the non-dependant deductions are causing the greatest impact to households and are causing exceptional hardship.

## **13 LEGAL IMPLICATIONS**

As set out in the report.

## **14 FINANCIAL IMPLICATIONS**

- 14.1 The direct financial implications are as set out in the report.
- 14.2 Inasmuch as various judgements have been made about estimated tax and business rate collection, changes to the tax debit etc., we have made these in the context of the Council developing the overall budget proposal. The

budget proposal as a whole will include a section where the Director of Finance comments on its robustness.

- 14.3 Whilst we anticipate that those comments will have some similarities to previous years where you will recall they advised that the Council was setting a very tight budget which contained a continuing high level of risk. You will have seen from budget monitoring that we have had a substantial overspend in 2016/17 and also overspent 2015/16, and the impact of this will affect the advice. The advice in the context of developing the Council's 2017/18 budget proposal is that the estimates and assumptions made in this report are the best ones that can reasonably be made at the current time.

## 15 BACKGROUND PAPERS

Local Authorities (Calculation of Tax Base) Regulations 1992, as amended.  
Local Government Finance Settlement  
Local Government Finance Act 2012, and regulations made thereunder  
Local Government Finance Settlement (draft) 2017/18  
31 October 2016 Policy Committee - agenda and minutes  
Pro forma consultation response on discount saving proposal  
Pro forma consultation response on LCTS saving proposal

## Appendix B

### Consultation Response Summary - Proposed Changes to Local Council Tax Support

The consultation was published on the Council's website, and council taxpayers for whom we hold an e-mail address were told about it. 300 responses were received, 28 of which indicated they were currently in receipt of Council Tax Support (so would be impacted).

There were 5 proposals and in summary the responses were as follows:

- (i) 67% agreed the proposal to reducing the Capital Limit to £3000 (but leave at 20% contribution. Those commenting against the proposal felt that a reduction to £3,000 left very limited funds available should there be a financial emergency.
- (ii) 70% agreed the proposal to remove earned income disregards. Those opposing expressed concern about its impact on work incentive, though one comment from someone likely to be impacted thought it was manageable.
- (iii) 60% supported the proposal to reduce the maximum level of support for working age customers from 80% to 75% (i.e. increase the minimum contribution to 25% of the full tax). Those opposing generally expressed concern about affordability.
- (iv) 60% supported the proposal to limiting applicants for Council Tax Support to having a maximum capital limit of £3000 based on a minimum contribution of 25%. Comments generally reflected concern about affordability, and
- (v) 63% supported the proposal to remove earned income disregards, amend level of non-dependent deductions and increase minimum contribution to 25%

#### Officer Comment & Advice

It is recommended that the Capital Limit is not reduced from £6,000 to £3,000 and that we go forward with the proposed changes on Earned Income disregards and Non-dependant deductions on a 25% minimum contribution.

## Appendix C

### Consultation Response Summary - Proposed Changes to Discounts on Empty Property

The consultation was published on the Council's website, and council taxpayers for whom we hold an e-mail address were told about it. 355 responses were received.

There were 3 proposals and in summary the responses were as follows:

- (i) 57% of respondents agreed with the proposal to remove the discount on empty and unfurnished property. Of those opposing this proposal the most common comment was that if properties were empty then there was not a drain on Council Services; therefore why they should pay. Landlords generally felt it to be unfair as there was no time to refurbish property or find a new tenant.
- (ii) 44% of respondents agreed with the proposal to remove the discount on property undergoing major work. Those opposing felt that it would discourage owners buying older properties to renovate and bring back to standard. They felt that it would discourage landlords from carrying out works between lets leading to poorer living standards for tenants. It was also suggested that it would discourage investors buying in the Reading area as some other Councils do provide this discount. Landlords also felt again that was not a drain on Council Services; therefore why should they pay.
- (iii) 80% of respondents agreed the proposal to remove the (remaining 5%) discount on second homes. Those opposing suggested that as they were not using services whole year round or at all, why should they pay.

In each case, excepting a few non respondents the remaining respondents opposed the proposal.

#### Officer Comment and Advice

Having considered the responses and comments, officers observe that they do not raise any significant reason not to pursue the proposal as envisaged. In respect of the second proposal, opposed by a small majority of respondents officers observe that removing the discount encourages refurbishment to be completed as quickly as possible so as to help with the pressures for accommodation in Reading. Related issues should largely be managed by the impact of the local housing market.



Provide basic details

**Name of proposal/activity/policy to be assessed**

Council Tax Support Scheme 2017/18 introduction of higher non-dependant deductions, removal of earned income disregards in our calculations, changes to temporary absence, limit the number of dependent children in the calculation of CTS to 2 from April 17 , and an increase to a minimum 25% contribution

**Directorate:** Corporate Support Services

**Service:** Customer Services

**Name and job title of person doing the assessment**

**Name:** Kirsty Anderson

**Job Title:** Income & Assessment Manager

**Date of initial assessment:** 5<sup>th</sup> September 2016

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Scope your proposal

**What is the aim of your policy or new service?**

In 2013/14 the government abolished council tax benefit and local authorities were required to introduce local schemes. Overall funding was cut by 10% and there was a proviso that pensioners would be protected and made no worse off. The local scheme we introduced was designed to cost the Council the same as when we received Revenue Support Grant which meant requiring a contribution of 15% from residents assessed as eligible for support. We increased the minimum contribution to 20% for the 2016 /17 year and restricted the support to a Band D to continue to offset the reduction of grant funding.

However with continued budget pressures, and having to find further income streams to fund our budget position, we are proposing to increase the minimum contribution and change other aspects of the scheme. It is still however our intention is to ensure the Local Council Tax Support scheme continues to provide support to low income households in Reading, whilst managing the decrease in funding.

The aims of this policy are:

- to manage the cost of the scheme within the available funds, ensuring that additional burdens are not put upon the general fund at further cost to local taxpayers;

- to maintain a scheme that meets the requirements of the Local Government Finance Act, the Equality Act 2010, the Child Poverty Act 2010, and the Housing Act 1996

- to ensure that the scheme is clear and easy to understand for applicants and to simplify administration where possible.

We are proposing that the application and calculation process used by the existing council tax support scheme will remain much the same but there will be some changes as follows:

- Working age benefit claimants would face a 25% minimum contribution in respect of their contribution to their Council Tax liability.

Currently we have 10,771 customers receiving Council Tax Support, 6879 are working age and 3892 pension age.

Our proposals also aim to ensure that the protection already offered to vulnerable claimants as part of the original Council Tax Support Scheme is retained, along with work incentives created through the award of extended payments for those going into work.

As our Council Tax Support scheme continues to follow the calculation routes originally designed in the Council Tax Benefit Scheme, our scheme is still based on the award of premiums and applicable amounts that reflect disability and age. Therefore it continues to protect those of pensioner age and those in receipt of disability benefits by offsetting by ways of a means test in the main.

However we also propose to introduce a change to the level of Council Tax Support non-dependant deductions, remove the earned income disregards in line with the changes in Universal Credit, and reflect the changes to temporary absence in the Housing Benefit Rules in to the scheme.

There is not specific data available to be able to identify on a case by case basis the impact on each individual claim. We will continue to use the discretionary Council Tax Support fund as part of our local council tax support scheme to help people who may face exceptional and extraordinary difficulties in paying their council tax.

This could include those people who are disproportionately affected by these changes other changes under welfare reform agenda.

#### **Who will benefit from this proposal and how?**

The Council faces significant challenges over the next few years, as it continues to receive reductions in grant funding, and increasing demands on service delivery.

This proposal forms part of the ongoing work that is being undertaken to address the Council's budget position.

Everyone who currently receives Council Tax Support, except pensioners, will be affected in a negative way by these changes in that they will receive less financial

support. Those with non- dependant working adults forming part of their makeup will be effected more by these changes and they will need to seek additional contributions from the working adults living with them. However to continue to provide Council Tax Support at the level currently provided would cause such a shortfall in the authority's budget and the budget of those that levy a precept to it (Fire and Police Authorities) that could not be met without ceasing, reducing or seeking additional charges for services - also likely to have disproportionate effect on the most vulnerable.

**What outcomes will the change achieve and for whom?**

The Council's budget cannot cover a continuing shortfall in Government funding without increasing the Council Tax for all residents, or reducing the cost of statutory services or cutting or reducing non- statutory Services. This mitigates an element of the cost of the Council Tax Support Scheme across working age customers in receipt of Council Tax supports.

**Who are the main stakeholders and what do they want?**

70,000 Council Tax payers including 10,771 in receipt of Council Tax Support

Preceptors

Neighbouring Councils

Special interest organisations such as Citizens Advice Bureau, Welfare Rights, Housing Associations, National Federation of Landlords

Organisations representing vulnerable groups

Disabled people

Low income out of work

Low income in work

Homelessness prevention.

**Consultation**

Relevant groups/experts	How were/will the views of these groups be obtained	Date when contacted
Members / Senior Officers	Series of meetings regarding budget saving proposals summer 2016,	Commenced September 2016

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<p>Consultation</p> <p>We consulted on our proposals through November and December 2016.</p>	<p>Public on line survey</p>	<p>2<sup>nd</sup> November to 30<sup>th</sup> December 2016.</p>
<p>Targeted invitation to participate in on line consultation:</p> <p>23,220 Customers</p> <p>Preceptors</p> <p>Neighbouring Councils</p> <p>Special interest organisations such as Citizens Advice Bureau, Welfare Rights, Housing Associations, National Federation of Landlords</p> <p>Organisations representing vulnerable groups</p> <p>Disabled people</p> <p>Low income out of work</p> <p>Low income in work</p> <p>Homelessness prevention.</p>	<p>Email including Web on line survey link</p>	<p>4<sup>th</sup> November to 30<sup>th</sup> December 2016.</p>

**Collect and Assess your Data**

**Describe how this proposal could impact on Racial groups**

Data regarding ethnicity is not available from the Council Tax Support Database. However, the 2011 census confirms the following on data on ethnicity in Reading:

Ethnicity Group	Reading 2011
White British	66.9%
Other White	7.9%
Mixed	3.9%
Indian	4.2%

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Pakistani	4.5%
Other Asian	3.9%
Black Caribbean	2.1%
Black African	4.9%
Black Other	0.7%
Chinese	1.0%
Other ethnic group	0.9%

National studies show that children from Black and Minority Ethnic communities face a particularly high risk of growing up in poverty. In Reading a higher proportion of Mixed race and children from Black communities are eligible for free school meals (an indicator of poverty) than White children, but a lower proportion of Asian and Chinese children are.  
*Source: RBC school census 2015*

Therefore Black and Minority Ethnic households could be disproportionately affected by reductions in CTS

Data provided in relation to customers in receipt of JSA in Reading who would by default be entitled to Council Tax Support in July 2015 show that the proportions of JSA claimants are broadly representative across ethnicity:

63% of the 1470 people claiming JSA are white British people and 355 BME claimants  
 33% of the respondents to the consultation were Black and Minority Ethnic.

**Is there a negative impact?** Not sure

**Describe how this proposal could impact on Gender/transgender (cover pregnancy and maternity, marriage)**

Specific data is not available on those protected characteristics for the Council Tax Support client base. The gender profile of respondents to the consultation was

Male	163	54.33%
Female	132	44.00%

**Is there a negative impact?** Not sure

**Describe how this proposal could impact on Disability**

The number of working age customers currently in receipt Council Tax Support with disability premiums (disability, enhanced disability, severe disability, disabled child) continue to receive a level of protection as their benefit calculation continues to reflect an allowance for disability. If they are in receipt of qualifying

benefits which the majority are; they do not attract a non-dependant deduction therefore will be not be affected by the changes to the non-dependant amounts.

However If they are working they will be effected by the earned income disregards. These customers would see a small increase in their contribution.

However this is not disproportionate across the other working age customers in receipt of Council Tax support. In fact they still remain to have more of their total income disregarded in the calculation so are affected to a much lesser extent.

**Is there a negative impact?** No

**Describe how this proposal could impact on Sexual orientation (cover civil partnership)**

Civil Partnership is reflected and recognised within the overall benefits system, therefore these customers are affected in the same way as all customers There are no differences in the calculations.

**Is there a negative impact?** No

**Describe how this proposal could impact on Age**

Pensioners will be protected from any increase in contribution as they have been protected by the Government advising that they cannot be asked to contribute any additional amount therefore their Council Tax Support entitlement remains the same.

For households of working age where the customer is not on passported benefits which means they are working or in receipt of work related benefits, these customers are affected by the changes, we have identified there are 271 customers who are likely to receive the largest reduction of up to 30% in lost council tax support. This should not cause financial difficulties if the customer seeks to pass on this loss to the working non-dependants within the household and asks them for a greater contribution to the household bills. However should this continue to cause the customer hardship we will consider the use of the discretionary Council Tax Support Scheme to mitigate in part this loss.

**Is there a negative impact?** Yes

**Describe how this proposal could impact on Religious belief?**

Specific data is not available on those protected characteristics for the Council Tax Support client base

The consultation respondents represented a range of religion and belief although the majority were Christian or No Religion.

**Is there a negative impact?** No

Make a Decision

If the impact is negative then you must consider whether you can legally justify it. If not you must set out how you will reduce or eliminate the impact. If you are not sure what the impact will be you MUST assume that there could be a negative impact. You may have to do further consultation or test out your proposal and monitor the impact before full implementation.

Tick which applies

- |   |                |   |
|---|----------------|---|
| 1. No negative impact identified                                | Go to sign off |   |
| 2. Negative impact identified but there is a justifiable reason |                | X |

**Reason**

The Council's budget cannot continue to cover a continuing shortfall in Government funding without increasing the Council Tax for all residents, or reducing the cost of statutory services or cutting or reducing non- statutory Services. This mitigates an element of the cost of the Council Tax Support Scheme across working age customers in receipt of Council Tax supports.

Whilst there is a negative impact the options proposed have been identified to have the least impact on equality groups based on an affected customer base of working age and therefore more likely to have the opportunity to make life choices that will improve their financial positions. These include taking on more hours, better positions, or requiring additional adults within the household to contribute more to living expenses.

**How will you monitor for adverse impact in the future?**

Listen to customer feedback and comments / complaints as changes are proposed and or implemented

We will provide updates on known impacts as the changes are implemented through the officer welfare & poverty steering group

Signed (completing officer) Kirsty Anderson  
(reviewed)

Date 4<sup>th</sup> January 2017

Signed (Lead Officer) Zoe Hanim

Date 4<sup>th</sup> January 2017