

1. Policy

Bristol City Council has the power in statute to raise a tax on households in its area to pay for the provision of local services. It is designated as the Billing Authority for the area. This means that it is responsible for levying a council tax to meet its own demands and to meet the precepts of other authorities in the area. The major precepting bodies are Avon Police and Crime Commissioner and Avon Fire Authority.

2. Context

- i. Section 67 of the Local Government Finance Act 1992 (as amended) requires the Council to determine its tax base for council tax purposes each year. Properties are recorded in eight national bands by value (A to H) as determined the Valuation Office agency. Band H taxpayers pay twice as much as those in Band D and three times as much as those in Band A. The number of properties is expressed as a number of Band D equivalent properties.
- ii. In accordance with Regulations the Authority must set a tax base for council tax purposes and notify major precepting bodies by 31 January each year.

3. Calculation of council tax base

- i. The calculation has been prepared in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 2012 which came into force on 30 November 2012. In October each year MHCLG requires a snapshot, which is based on the number of properties, of the Tax Base at a specified date in September, net of exemptions, reductions and discounts. This is known as the CTB1 return. A copy of the return for October 2018 is attached as Appendix B to this report. This calculates the number of chargeable properties in the City. Adjustments are then made for discounts and exemptions including those for the Council Tax Support Scheme. The adjusted numbers of properties in each of the eight valuation bands A to H are expressed as numbers of band D equivalents so they may be added together to produce a single figure. The table below shows the tax base and associated year on year percentage increase since 2014/15.

Year	Tax Base (Budget Report)	Percentage Increase
2014/15	115,008	1.69%
2015/16	119,116	3.57%
2016/17	120,946	1.54%
2017/18	124,083	2.59%
2018/19	125,798	1.38%
2019/20	126,999	0.95%

- ii. The significant factors required to be taken into account in calculating the Tax Base are as follows:

4. Local Council Tax Reduction Scheme

- i. From 1 April 2013 local council tax support schemes replaced council tax benefit in England. Under these local schemes reductions are part of the council tax system rather than a welfare benefit. Bristol City Council introduced a localised scheme that provided a full set of discounts that replicated the previously existing national Council Tax benefit scheme. There is no intention to change these arrangements for 2019/20.

- ii. The table below shows the number of pensioner and working age claimants recorded each year on the CTB return since October 2013 (Band D equivalents)

	October 2014	October 2015	October 2016	October 2017	October 2018
Pensioners	11,663	11,019	10,054	9,594	9,077
Working Age	20,949	20,163	19,447	19,100	18,938
Total	32,612	31,182	29,501	28,694	28,015

- iii. The table above shows that the reduction in tax base due to pensioner claimants has fallen by 2,586 , or 22.2% since 2014, primarily because pensioner benefit income is rising more quickly than the cost of living (“triple lock”), while the number of working age claimants has reduced by 2,011 or 9.6% over the same period of time. This is in line with previously reported trends and therefore has been reflected in the calculation of the Tax Base.

5. Unoccupied Properties

- i. Unoccupied Furnished Properties – the Council has discretion to set the level of discount for properties which are substantially furnished but are not anyone’s sole or main residence (often referred to as “second homes”) The Council has determined this level of discount will remain at 0% and this is reflected in the proposed Tax Base.
- ii. Vacant Properties – The Council has discretion to determine the discount, if any, to be awarded in respect of vacant dwellings (that is dwellings that are unoccupied and substantially unfurnished). From 1 April 2017 the Council has determined that empty properties that are unfurnished are no longer entitled to a discount. The full council tax charge therefore applies.
- iii. Long Term Empty Properties – There is a discretionary power for the Council to impose a premium of up to 50% in respect of properties that have remained vacant for at least two years. The proposed Tax Base incorporates a premium of 50% charged in respect of properties that have been empty for at least two years in accordance with the Council’s previous determination that a premium of 50% should apply to this category of dwellings.

6. Single Person Discounts

- i. Regular reviews have significantly reduced the number of properties attracting single person discounts. Currently 29.3% of domestic properties are claiming single person discount. Regular National Fraud Initiatives identify multiple occupants in properties claiming single person discount helping to ensure that the Council Tax Base properly reflects entitlements to this discount.

7. Student Discounts

- i. Students are entitled to an exemption from paying Council Tax if everyone in the property is a full time student. Alternatively they may be entitled to a discount if some of the people occupying a property are full time students. Bristol has a large student population, and as at the end of October the status of all students has not been evidenced to the Council. It is therefore necessary to estimate the number of additional students likely to be eligible for exemptions. Any estimate to be included in the Tax Base will also take account of any known student related property developments. The adjustment of 2,254 Band D equivalents in table 10 below comprises of an estimated increase in student exemptions of 1857 Band D equivalents due to existing student households where exemptions need to be re-instated and an additional 397 Band D equivalent student properties under construction and likely to be added to the rating list for 2019/20.

- ii. Student accommodation can take the form of either private housing or halls of residence. The table below sets out both the actual number of properties (houses/flats and halls of residents) receiving student exemptions at the end of the financial year along with an estimate of the Band D equivalents based on these figures. The 2018/19 figures are an estimate of the position at the end of March 2019 based on current information and the 2019/20 is an estimate of anticipated numbers given as part of the Council tax base calculations. For 2018/19 the City Council's share of reduced Council Tax income as a result of student exemptions is estimated to be £12.9m. This is greater than expected in the tax base for 2018/19, primarily due to an increase in new developments but also an increasing trend to switch existing privately let accommodation to student lets.

Student Exemptions

Year	Property Numbers	
	Actual Student Exemptions	Band D Equivalents
2015/16	6,784	5,276
2016/17	7,548	5,870
2017/18	8,273	6,434
2018/19	8,500	6,611
2019/20	8,900	6,922

8. Growth

- i. In determining the Tax Base for the forthcoming year the Council is able to take into account any increase in Tax Base that may arise from the completion of new properties. Given the amount of property development across the City and, in view of this continuing trend, it is considered reasonable to allow for an element of growth in the Tax Base due to the anticipated completion of new properties in respect of known major developments. In estimating the effect on the Tax Base of new properties it is prudent to assume the majority of new properties will be in lower valuation Bands. Allowances must also be made for discounts that will apply in respect of new properties, including Council Tax Support discounts, and for the fact that Council Tax will only be payable for new properties from the date of completion rather than for a full financial year.
- ii. The 2018/19 estimate for growth uses information provided by the Council's Valuation and Inspection team and is based on the number of new developments in the City where work has commenced. Assumptions are then made as to whether these properties will be banded by the end of the financial year, the actual date during the year they may be banded and the number of exemptions, discounts and Council Tax Support they might attract.

Since the completion of the CTB1 return the Valuation & Inspection team within Revenues has identified that an additional 165 properties have been banded. A further 110 properties have been reported to the Valuation Office but have not yet been banded. It is assumed all of these properties will have been banded by 1 April 2019. Allowing for losses and a proportion of lower banded properties this is equivalent to a total of 167 band D properties.

- iii. The team have further identified a potential 7,281 additional assessments where work has commenced. The estimate of properties likely to be banded during 2019/20 is anticipated to be around 75%, resulting in a figure of 5,461. A further reduction of 50% is made to take account of

the fact that all of these properties will not have been banded on 1 April 2019. The resulting figure is 2,730 and a 25% reduction has been factored in for loss in revenue due to exemptions, discounts and Council Tax Support. The final figure of 2,048 is assumed to be lower banded properties so this figure has been converted into the Band “D” equivalent of 1,593.

- iv. The total estimated equivalent Band D growth in the tax base is therefore estimated at 1,760.

	Total Dwellings	Band D Equivalents
Identified new dwellings under construction not complete	7,281	
Reduction by 25% for sites not completed during 18/19	5,461	
Reduction by 50%, to take into account sites will be completed through-out the year so won't be eligible for Council Tax until complete.	2,730	
Reduction by 25% to take into account any discounts, exemptions and Council Tax Support Scheme on new properties	2,048	1,593
Add: 110 properties already complete and waiting to be banded	110	65
Add: 165 properties added to the rating list since completion of CTB1	165	102
Total Growth		1,760

9. Losses on Collection

- i. In estimating the provision for losses on collection the Council makes an estimate of debts which, after full recovery measures have been affected will be uncollectable and therefore recommended for write-off. Losses on collection for 2019/20, after adjusting for the continued collection of prior years' arrears, is estimated to be 1.5%

10. Calculation of the 2019/20 Council Tax Base

	2019/20 Band D Equivalent Properties	2018/19 Band D Equivalent Properties	Difference
Tax Base as per attached CTB 1 Return	129,427	127,376	2,051
Adjustment due to anticipated growth	1,760	1,489	271
Reduction due to reinstatement of existing student properties not recorded on CTB1	(1,857)	(969)	(888)
Reduction due to additional student discounts	(397)	(184)	(213)
Adjusted Tax Base	128,933	127,712	1,221
LESS losses on collection of 1.5%	(1,934)	(1,914)	(20)
Recommended Tax Base	126,999	125,798	1,201

- i. This is an increase of 1,201 (0.95%) Band D equivalent properties since the last Tax Base calculation in October 2017, however this growth is below the MTFP assumed level in the Tax Base of 1.5%. There has been an increase in the number of chargeable dwellings and a continued reduction in the number of benefit recipients receiving council tax reductions. However the primary reason for the lower than anticipated growth in the tax base is due to the increasing number of properties, both new developments and existing privately let accommodation now being, or anticipated to be, occupied by students and receiving student exemption. This results in an additional pressure of £1.6m within the budget for 2019/20.

Appendix B – Details of consultation carried out - internal and external

- i. **Internal**
Head of Revenues – Resources
- ii. **External**
Not Applicable

Appendix D - Risk Assessment

There are a number of risks associated with estimating the amount of Council Tax collected during the year. These include;

- Difficulty in estimating Council Tax discounts and exemptions, including the take-up of the Council Tax Support Scheme.

Appendix E -Public Sector Equality Duties

There are no proposals in this report which require either a statement as to the relevance of public sector equality duties or an Equalities Impact Assessment.

Appendices:

Appendix 1 - Copy of the CTB report submitted to the MHCLG October 2018

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: Working papers in Corporate Finance