

1. Policy

1. 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.

Consultation

2. Internal

Resources Scrutiny

Head of Revenues - Resources

3. External

Not applicable

4. 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.

5. 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 2019 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 for the last five years

Year	Tax Base (Budget Report)	Percentage Increase
2016/17	120,946	1.54%
2017/18	124,083	2.59%
2018/19	125,798	1.38%
2019/20	126,999	0.95%
2020/21	128,566	1.20%

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

6. 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 2020/21.
- ii. The table below shows the number of pensioner and working age claimants recorded each year on the CTB return since October 2015 (Band D equivalents)

	October 2015	October 2016	October 2017	October 2018	October 2019
Pensioners	11,019	10,054	9,594	9,077	8,650
Working Age	20,163	19,447	19,100	18,938	18,255
Total	31,182	29,501	28,694	28,015	26,905

- iii. The table above shows that the reduction in tax base due to pensioner claimants has fallen by 2,369, or 21.5% since 2015, 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 1,908 or 9.5% 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.

7. 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. Unoccupied and substantially unfurnished properties–. From 1 April 2017 the Council determined that properties that are unoccupied and unfurnished are no longer entitled to a discount. The full council tax charge therefore applies.
- iii. Long Term Empty Properties are defined as being unoccupied and substantially unfurnished for at least 2 years. On 26 July 2012 the Council approved ‘Technical Reforms of Council Tax’ to levy a discretionary “relevant maximum” 50% premium if properties are empty for more than 2 years. The Local Government Finance Act 1992 was amended last year to allow councils to increase the long-term empty dwelling premium over the next three financial years as outlined below:

	Dwelling empty for less than 5 years, but at least 2 years	Dwelling empty for less than 10 years, but at least 5 years	Dwelling empty for 10 years or more
1 April 2019	100%	100%	100%
1 April 2020	100%	200%	200%
1 April 2021	100%	200%	300%

8. Single Person Discounts

- i. Regular reviews have significantly reduced the number of properties attracting single person discounts. Currently 29.7% 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.

9. 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 2,250 Band D equivalents in table 12 below comprises of an estimated increase in student exemptions of 1850 Band D equivalents due to existing student households where exemptions need to be re-instated, an additional 350 Band D equivalent student properties under construction and likely to be added to the rating list for 2020/21 and an additional 50 student Lets, changed from existing Residential dwellings.
- 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 2019/20 figures are an estimate of the position at the end of March 2020 based on current information and the 2020/21 is an estimate of anticipated numbers given as part of the Council tax base calculations For 2020/21 the City Council’s share of reduced Council Tax income as a result of student exemptions is estimated to be £13.3m.
- iii. Student Exemptions

	Property Numbers	
Year	Actual/Estimated Student Exemptions	Band D Equivalents
2017/18	8,325	7,060
2018/19	8,734	7,308
2019/20	9,200	7,733
2020/21	9,700	8,083

10. 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 the on-going 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 2020/21 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 123 properties have been banded. A further 108 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 2020. Allowing for losses and a proportion of lower banded properties this is equivalent to a total of 140 band D properties.

- iii. The team have further identified a potential 7,198 additional new builds were work has commenced. The estimate of properties likely to be banded during 2020/21 is anticipated to be around 75%, resulting in a figure of 5,398. 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 2020. The resulting figure is 2,700 and a 25% reduction has been factored in for loss in revenue due to exemptions, discounts and Council Tax Support. The final figure of 2,025 is assumed to be lower banded properties so this figure has been converted into the Band "D" equivalent of 1,575.
- iv. The total estimated equivalent Band D growth in the tax base is therefore estimated at 1,715.

	Total Dwellings	Band D Equivalents
Identified new dwellings under construction not complete	7,198	
Reduction by 25% for sites not completed during 20/21	5,398	
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.	2,700	
Reduction by 25% to take into account any discounts, exemptions and Council Tax Support Scheme on new properties	2,025	1,575
Add: 108 properties already complete and waiting to be banded	108	63
Add: 123 properties added to the rating list since completion of CTB1	123	77
Total Growth		1,715

11. 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 2020/21, after adjusting for the continued collection of prior years' arrears, is estimated to be 1.5%

12. Calculation of the 2019/20 Council Tax Base

	2020/21 Band D Equivalent Properties	2019/20 Band D Equivalent Properties	Difference
Tax Base as per attached CTB 1 Return	130,999	129,427	1,572
Adjustment due to anticipated growth	1,715	1,760	(45)
Reduction due to reinstatement of existing student properties not recorded on CTB1	(1,850)	(1,857)	7
Reduction due to additional student discounts	(350)	(397)	47
Reduction due to additional student lets formally residential dwellings	(50)	-	-
Long Term Empty Property Premium	60	-	-
Adjusted Tax Base	<u>130,524</u>	<u>128,933</u>	<u>1,591</u>
LESS losses on collection of 1.5%	(1,958)	(1,934)	(24)
Recommended Tax Base	<u>128,566</u>	<u>126,999</u>	<u>1,567</u>

- i. This is an increase of 1,567 (1.2%) Band D equivalent properties since the last Tax Base calculation in October 2018, 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 £0.6m within the budget for 2020/21.

Other Options Considered

13. Not applicable

Risk Assessment

- i. 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.

Public Sector Equality Duties

- 8a) 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

Legal and Resource Implications

Legal

The tax base calculations for 2010/21 set out in this report comply with the Local Authorities (Calculation of Council tax base) Regulations 2012. The report will enable the Council to meet the requirement under the Local Government Finance Act 1992 (as amended) to determine the Council Tax base by no later than 31st January in the preceding financial year. These regulations have been made under the Local Government Finance Act 1992, as amended (LGFA 1992).

(Legal advice provided by Nancy Rollason – Head of Legal Service)

Financial

(a) Revenue

The MTFP assumes an annual increase in the tax base of 1.5%. However estimates for 2020/21 suggest the number of new chargeable dwellings added to the valuation list will be exceeded by the number of student exemptions awarded resulting in reduced growth of 1.2% in the tax base. The equivalent loss in council tax revenue is £0.6m. This directly impacts on the resources available to the fund the revenue budget due to be considered by Full Council on 25 February 2020. The calculation of the Council Tax Base is calculated based on data extracted from the CTB1 return completed in mid-October. This is then adjusted for fluctuations in both the housing market and the estimated effect of additional discounts and exemptions.

(b) Capital

Not applicable

(Financial advice provided by Tony Whitlock – Finance Business Partner)

Land

Not applicable

Personnel

Not Applicable

Appendices:

Appendix 1 - Copy of the CTB report submitted to the MHCLG October 2019

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985
Background Papers: Working papers held in Corporate Finance