

# Resources Scrutiny Commission

30 November 2020



**Report of:** Director of Finance

**Title:** Council Tax Base 2021/22

**Ward: All**

**Officer Presenting Report:** Michael Pilcher

**Contact Telephone Number:** 0117 9036287

## Recommendation

To recommend the Council Tax Base for 2021/22 for determination by Full Council.

## The significant issues in the report are:

The Local Government Finance Act 1992 (as amended) requires the Council as the Billing Authority to calculate a Council Tax Collection Fund estimate by 31 January each year.

The number of Band D equivalent properties, net of exemptions, reductions and discounts, in the Tax Base for 2021/22 is 127,170 a reduction of 1,396 Band D equivalent properties since October 2019. This is a reduction of 1.09%. The recently updated MTFP assumes a decrease in the tax base next year of 0.92%.



## 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. Consultation

### 3. Internal

Resources Scrutiny  
Head of Revenues - Resources

### 4. External

Not applicable

### 5. Context

**5.1.** 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.

**5.2.** 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.

### 6. Calculation of council tax base

**6.1.** 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 October, net of exemptions, reductions and discounts. This is known as the CTB1 return. A copy of the return for October 2020 is attached as Appendix B to this report. This calculates the number of chargeable properties in the City.

**6.2.** This is based on figures as at October 2020 and therefore adjustments are then based on forecast changes expected over the following 18 months for changes in number of dwellings, changes in 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
2017/18	124,083	2.59%
2018/19	125,798	1.38%
2019/20	126,999	0.95%
2020/21	128,566	1.23%
2021/22	127,170	(1.09%)

## 7. Covid-19 Pandemic

**7.1.** The COVID-19 pandemic has had a considerable impact on the Council and the City. There remains much uncertainty as to what lies ahead and the associated long term impact on public finances. The Council is forecasting significant losses in council tax income due to COVID-19, estimated to be £4.46m in 2021/22. Contributory factors to this loss includes increased working age claimant applications for the Council Tax Support Scheme, delays in housing growth and a reduction in collection rate. The effects of the pandemic on each of the elements making up the council tax base are examined in more detail below.

## 8. Local Council Tax Reduction Scheme

**8.1.** Bristol is one of the few Local Authorities that implements a full Local Council Tax Reduction scheme (CTRS). Prior to the pandemic, Bristol had seen relatively low unemployment rate, and in recent years reductions in the numbers of working age adults' claimants to the CTRS. During the pandemic, there had been a significant increase CTRs claimants and caseload.

**8.2.** The table below shows the number of pensioner and working age claimants (dwelling equivalents) recorded each year on the CTB return since 2016.

	October 2016	October 2017	October 2018	October 2019	October 2020	Estimate 2021/22
Pensioners	10,054	9,594	9,077	8,650	8,330	7,913
Working Age	19,447	19,100	18,938	18,255	20,063	21,066
<b>Total</b>	<b>29,501</b>	<b>28,694</b>	<b>28,015</b>	<b>26,905</b>	<b>28,393</b>	<b>28,979</b>

**8.3.** The table above clearly shows, whereas pensioner applications continue to fall, the effect of Covid-19 has had a significant impact on increased working age applicants. Cases reached a peak in August 2020 and have fallen very slightly since. Trends indicate that after an initial peak in April and May the number of employees on the furlough scheme has been steadily reducing. However, at this time, the longer term effects of any eventual end to the furlough scheme are difficult to quantify. Analysis of claimant trends shows an anticipated 5% increase in caseload of working age claimants during 2021/22. This would increase caseload to levels of early 2015 when UK unemployment was just over 5%. Current unemployment is at just under 5%.

## 9. Unoccupied Properties

**9.1.** 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.

**9.2.** 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.

**9.3.** 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%

**9.4.** It is estimated that there will be maximum increased revenue of £100,000 during 2021/22 as a result of this introduction of Premium300 empty charge equivalent to 48 band D properties

## 10. Single Person Discounts

**10.1.** Regular reviews continue to monitor the number of properties attracting single person discounts. Currently around 30% 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. The council tax base assumes a 0.9% reduction in claims. This was following a full and comprehensive National Fraud Office review during this year. A further review in 2021/22 is expected to identify further reductions but trends suggest these are likely to be balanced by a further general increase in legitimate applications for single person discount.

## 11. Student Exemptions

**11.1.** 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 2,265 Band D equivalents in the table below comprises of an estimated increase in student exemptions of 1,728 Band D equivalents due to existing student households where exemptions need to be re-instated, an additional 537 Band D equivalent student properties under construction and likely to be added to the rating list for

2021/22. The majority of the construction work relates to the old BRI building in Marlborough Street, a closed hospital site on Upper Byron Street and a block on Baldwin Street. The Byron Street and Baldwin Street developments were included in the tax base for 2020/21 but were not completed, so have been reinstated for 2021/22.

**11.2.** 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 2020/21 figures are an estimate of the position at the end of March 2020 based on current information and the 2021/22 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 £13.6m for 2020/21 and £m for 2021/22 approximately £14.8m.

Year	Property Numbers	
	Actual/Estimated Student Exemptions	Band D Equivalents
2018/19	8,734	7,308
2019/20	8,977	7,631
2020/21	9,346	7,750
2021/22	10,266	8,287

## 12. Growth

**12.1.** 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.

**12.2.** The Valuation & Inspection (revenues) team have established that after temporary suspension the completion of domestic New Builds have returned to pre-Covid levels. The Visiting Officers within the team have also inspected all existing new development sites and confirmed that work has re-commenced on all of these and also that work has started on many other new sites. It is therefore anticipated that even though there is a further Lock-down, as building work is still permitted, completions will continue at their present level.

**12.3.** The 2021/22 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.

**12.4.** Since the completion of the CTB1 return the Valuation & Inspection team within Revenues has identified that an additional 86 properties have been banded. A further 57 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 2021. Allowing for losses and a proportion of lower banded properties this is equivalent to a total of 86 band D properties.

**12.5.** The team have further identified a potential 8,954 additional new builds where work has commenced. The estimate of properties likely to be banded during 2021/22 is anticipated to be around 75%, resulting in a figure of 6,715. 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 2021. The resulting figure is 3,358 and a 25% reduction has been factored in for loss in revenue due to exemptions, discounts and Council Tax Support. The final figure of 2,518 is assumed to be lower banded properties so this figure has been converted into the Band “D” equivalent of 1,959

**12.6.** The total estimated equivalent Band D growth in the tax base is therefore estimated at 2,045.

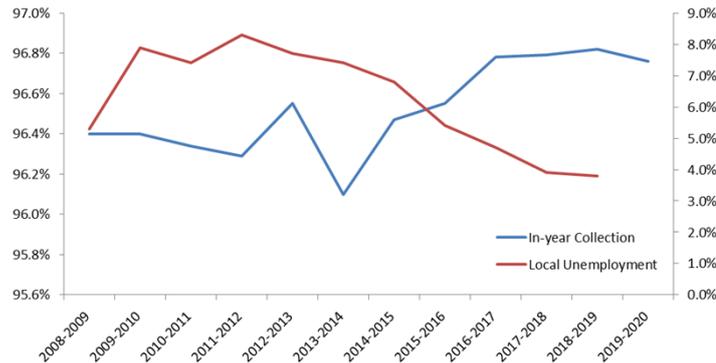
	Total Dwellings	Band D Equivalents
Identified new dwellings under construction not complete	8,954	
Reduction by 25% for sites not completed during 21/22	6,715	
Reduction by 50%, to take into account sites will be completed through-out the year so won’t be eligible for Council Tax until complete.	3,358	
Reduction by 25% to take into account any discounts, exemptions and Council Tax Support Scheme on new properties	<b>2,518</b>	<b>1,959</b>
Add: properties added to the valuation list since completion of CTB 1	86	52
Add: properties already complete and waiting to be banded	57	34
<b>Total Growth</b>		<b>2,045</b>

### 13. Losses on Collection

**13.1.** The losses on collection figure in the table below is made up of two elements, write off of debts and an estimate of previous years arrears which will be recoverable. 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 in the longer term and therefore recommended for write-off. Prior to the Covid-19 pandemic this was estimated to be a net loss on collection of 1.5%. However due to the on-going effects of the pandemic this has been revised to 2.1%.

**13.2.** The future impact of collection as a result of the pandemic and recession is a significant unknown however to make an estimate of the potential impact collection rates over the last 12 years since the last recession in 2008 has been analysed. This has been compared to levels of local unemployment as a potential driver of collection rates. There is a correlation (no causality is assumed), however the difference is less than 0.5%. In 2011/12 when local unemployment peaked at 8.3% collection of in-year Council Tax was 96.3% (compared to 19/20 collection of 96.8%, with unemployment of around 4%)

**Figure 1: In-Year Council Tax collection rates and local unemployment**



**13.3.** In 2020/21 collection of Council Tax has reduced to forecast 95.4% and collection of arrears has also decreased. It is expected once debt collection activities recommence the collection rate will increase. Prior to the pandemic national unemployment was at historic lows of 3.8%, this has increased to 4.8% in September and is forecast to increase further. Based on this a revised in-year collection of 96.4% has been applied to the Council taxbase for 2021/22.

**13.4.** Due to lower rates of in-year collection the arrears are forecast to be over £20million at the end of the financial year and collection of arrears is also expected to improve in 2021/22 contributing a further 1.6% collection to the forecast taxbase.

### 13. Calculation of the Council Tax Base

	2021/22 Band D Equivalent Properties	2020/21 Band D Equivalent Properties	Difference
Tax Base as per attached CTB 1 Return	130,526	130,999	(473)
Adjustment due to anticipated growth	2,045	1,715	330
Adjustment due to increase in working age CTS claimants	(780)		(780)
Adjustment due to reduction in pensioner CTS claimants	324		324
Reduction due to reinstatement of existing student properties not recorded on CTB1	(2,265)	(2,250)	(15)
Long Term Empty Property Premium	48	60	(12)
Adjusted Tax Base	<u>129,898</u>	<u>130,524</u>	<u>(626)</u>
LESS losses on collection (2.1% 21/22, 1.5% 20/21)	(2,728)	(1,958)	(770)
<b>Recommended Tax Base</b>	<b><u>127,170</u></b>	<b><u>128,566</u></b>	<b><u>(1,396)</u></b>

**13.5.** This is a reduction of 1,396 (1.09%) Band D equivalent properties since the last Tax Base calculation in October 2019. The 20/21 budget assumed growth in the Tax Base of 0.16% however this was adjusted downwards in the current approved MTFP to reflect the increase in costs of the CTRS.

### Other Options Considered

**14.** 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.

- Impact of Covid-19 on employment and businesses on collection rates and Council Tax Reduction Scheme.

### **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.

### **Legal and Resource Implications**

#### **Legal**

The tax base calculations for 2021/22 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.

**(Legal advice provided by Husinara Jones, Team Leader/Solicitor)**

#### **Financial**

##### **(a) Revenue**

The MTFP assumes an annual increase in the taxbase of 0.16%. Estimates for 2021/22 suggest the number of new chargeable dwellings added to the valuation list will be exceeded by the number of anticipated reductions due to discounts and exemptions and a net increase in benefit claimants, resulting in a reduction in growth of 1.09% in the tax base. This is in line with the assumed reduction as part of the recently revised MTFP, a decrease on the 2021/22 budget assumptions of £2.8m compared to £2.5m as assumed in the MTFP.

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 levels of Council Tax Support, 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 2020

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