

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.

Consultation

1. Internal

Resources Scrutiny

Head of Revenues and Benefits - Resources

2. External

Not applicable

3. Context

3.1. 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.

3.2. In accordance with regulations the Council must set a tax base for council tax purposes and notify major precepting bodies by 31 January each year.

4. Calculation of council tax base

4.1. 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 the Department for Levelling Up, Housing and Communities (DLUHC) 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 2022 is attached as Appendix B to this report. This calculates the number of chargeable properties in the city.

4.2. This is based on figures as of October 2022 and therefore adjustments are then based on forecast changes expected over the following 18 months for changes in the number of dwellings, changes in discounts and exemptions including those for the Council Tax Reduction 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
2019/20	126,999	0.95%
2020/21	128,566	1.23%
2021/22	127,950	(0.48%)
2022/23	127,917	(0.02%)
2023/24	129,654	1.36%

5. Local Council Tax Reduction Scheme

5.1. Bristol is one of the few local authorities that implements a fully funded Local Council Tax Reduction scheme (CTRS). Prior to the pandemic, there had been year on year reductions in both the numbers of working age and pensioner claimants to the CTRS. During the pandemic, we saw a significant increase in CTRS working age claimants and caseload. Since then both pensioner and working age numbers have continued to drop on a month-by-month basis. This is particularly noticeable amongst working age claimants. Both the pensioner and working age caseloads are now below pre pandemic levels.

5.2. The table below shows the number of pensioner and working age claimants for the last five years

	Oct-18	Oct-19	Oct-20	Oct-21	Oct-22
Working Age	24,026	23,506	25,114	25,211	23,399
Pensioners	11,844	11,239	10,755	10,436	10,166
Total	35,870	34,745	35,869	35,647	33,565

5.3. Numbers of working age claimants had been predicted to increase from October 21, however they have actually reduced, with a consequent reduction in the value of CTRS awards. It should also be noted that a reduction in claimants increases the amount of council tax to be collected and therefore may be contributing to increased levels of arrears. It is difficult to estimate how the Cost of Living Crisis will impact on future caseloads, however, employment in Bristol remains high. Therefore, it is assumed the existing caseload will remain stable during 2023/24.

6. Single Person Discounts

6.1. Regular reviews continue to monitor the number of properties attracting single person discounts. Currently around 30% of domestic properties are claiming single person discount. This equates to an estimated 63,510 properties or 43,086 band D equivalents. Regular data matching from the National Fraud Initiative identifies where there might be multiple occupants in properties claiming single person discount, and this helps to ensure that the Council Tax Base properly reflects entitlements to this discount. The annual National Fraud Office review is being carried out during 2022/23 and 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. Therefore, no further adjustments

have been made to the council tax base.

7. Student Exemptions

7.1. 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 2,485 comprises of an estimated increase in student exemptions of 1,866 properties due to existing student households where exemptions need to be re-instated, an additional 619 student properties under construction and likely to be added to the rating list for 2023/24. This is equivalent reduction in Band D properties of 2,021 as shown below and in the table at paragraph 10. The construction work relates to 6 major sites across the city.

	All Bands	Band D Equivalent
Number of student dwellings registered per CTB1	7,169	6,180
Existing student households yet to register	1,866	1,608
New student dwellings likely to be added to the rating list by the end of 2022/23	538	359
New student dwellings likely to be added to the rating list in 2023/24	81	54
	9,654	8,201

7.2. 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 residence) receiving student exemptions at the end of the financial year along with an estimate of the Band D equivalents based on these figures. The 2022/23 figures are an estimate of the position at the end of the financial year and the 2023/24 is an estimate of anticipated numbers given as part of the council tax base calculations. Any new dwellings coming online before 1 April 2024 are assumed to be Band A.

Year	Property Numbers	
	Actual/Estimated Student Exemptions	Band D Equivalents
2020/21	9,024	7,750
2021/22	8,674	7,722
2022/23	9,573	8,147
2023/24	9,654	8,201

8. Growth

8.1. In determining the Tax Base for the forthcoming year, the Council can take into account any increase in Tax Base that may arise from the completion of new properties. Given the amount of the ongoing 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 developments. In estimating the effect on the Tax Base of new properties it is prudent to assume most 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 Reduction 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.

8.2. The table in paragraph 10 already shows significant growth in the tax base between the CTB1 return for October 2021 and the return for October 2022. This is largely as a result of two factors, the reduction in CTRS claimants during this period and a change in the methodology the Valuation Office Agency use to value “cluster” flats. This is where there are several units within one property that share a kitchen – these would previously have been valued as one higher band dwelling, but each unit is now being individually assessed in a lower band. As an example, a group of flats in St Thomas Street, which we had estimated would be banded at 35 x Band A and 30 x Band D, have been banded as 343 Band A’s under this new VOA practice.

8.3. The 2023/24 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 Reduction they might attract.

8.4. The estimate of properties likely to be banded by March 2024 is anticipated to be around 5,787. We estimate 3,618 dwellings will be banded by March 2023, 1,157 by September 2023 and 1,012 dwellings will be banded by March 2024. The numbers are further reduced to 4,631 to factor in the dwellings will not be banded for the entire period. A 26% reduction has been factored in for loss in revenue due to exemptions, discounts, and Council Tax Reduction. The final figure is converted into the Band “D” equivalent of 2,726

8.5. The total estimated equivalent Band D growth in the tax base is therefore estimated at 2,726.

	Total Dwellings
Identified new dwellings under construction not complete	5,787
Estimated number of dwellings with full year charge	4,631
Reduction of 26% to take account of discounts, exemptions and CTRS	(1,204)
Total Growth	3,427
Total Growth - Band D Equivalents	2,726

9. Losses on Collection

9.1. 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 an in-year net loss against the tax base of 1.5%. However due to the on-going effects of the pandemic this was revised in 2022/23 to 3%.

9.2. Bristol, like many major cities, have seen collection rates fall during the pandemic, with a slow recovery to date. As at the end of 2021/22 all Core Cities had seen a fall in collection rates when compared to pre pandemic levels. Bristol has seen a 4.1% reduction, Manchester a 3% reduction and Liverpool an 8.7% reduction. Authorities with a lower pre pandemic collection rate have tended to see lower proportional reductions.

9.3. The collection rate for 2022/23 is likely to be around 92.2%, with a further 1.7% collected against arrears. Arrear's collection rates are slightly higher than anticipated because some citizens have elected to have their energy rebates credited to their accounts. At the end of 2022/23 there will be potentially over £23m in uncollected in-year arrears. During 2023/24 we expect to see an on-going recovery and for collection rates to increase. Therefore for 2023/24 the collection rate has been set at 94%. The collection of arrears is also expected to improve during 2023/24, contributing a further 1% to the forecast tax base.

10. Calculation of the Council Tax Base

	2023/24 Band D Equivalent Properties	2022/23 Band D Equivalent Properties	Difference
Tax Base as per attached CTB 1 Return	135,773	132,800	2,973
Adjustment due to anticipated growth	2,726	1,983	743
Adjustment due to increase in working age CTS claimants		(493)	493
Adjustment due to reduction in pensioner CTS claimants	0	0	0
Reduction due to reinstatement of existing student properties not recorded on CTB1	(2,021)	(2,417)	396
Long Term Empty Property Premium (in CTB1 for 22/23)			0
Adjusted Tax Base	<u>136,478</u>	<u>131,873</u>	<u>4,605</u>
LESS losses on collection (5% for 2023/24)	(6,824)	(3,956)	(2,868)
Recommended Tax Base	<u>129,654</u>	<u>127,917</u>	<u>1,737</u>

10.1. This is an increase of 1,737 (1.36%) Band D equivalent properties since the last Tax Base calculation in October 2021.

Other Options Considered

11. Not applicable

Risk Assessment

12. 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.
- Estimate of collection rates, arrears and rate of recovery.
- Impact of the Cost of Living crisis

Summary of Equalities Impact of the Proposed Decision

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 2023/24 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 – Solicitor/Team Leader)

Financial

(a) Revenue

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. The impact of each of these is set out in detail in the report. The adjusted tax base of 129,654 represents an increase of 1.36% on the base when compared with 2022/23.

(b) Capital

Not applicable

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

Land

Not applicable

Personnel

No HR Implications

(Personnel advice provided by James Brereton – Head of HR)

Appendices:

Appendix 1 - Copy of the CTB return submitted to the DLUHC October 2022

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: Working papers held in Corporate Finance