

# Resources Scrutiny Commission

21 November 2023



**Report of:** Denise Murray – Director of Finance

**Title:** Council Tax Base 2024/25

**Ward: All**

**Officer Presenting Report:** Tony Whitlock – Finance Business Partner (External Reporting)

## Recommendations:

The Scrutiny Commission considers the Council Tax Base 2024/25 Report that will be taken at the Cabinet meeting on the 5 December 2023.

Members note the alternative tax base calculation (Appendix 1) showing the variance in the tax base should the proposed changes to the Council Tax Reduction Scheme not be approved.

The report will be to recommend the Council Tax Base for 2024/25 for approval at Full Council.

## The significant issues in the report are:

The number of Band D equivalent properties, net of exemptions, reductions, and discounts, in the Tax Base for 2024/25 is 135,921 an increase of 4.83% Band D equivalent properties from 2023/24.



## 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

### a) Internal

Resources Scrutiny  
Head of Revenues and Benefits - Resources

### b) External

Not applicable

### c) Context

**c.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.

**c.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.

### d) Calculation of council tax base

**d.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. This calculates the number of chargeable properties in the city.

**d.2.** This is based on figures as of October 2023 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
2020/21	128,566	1.23%
2021/22	127,950	(0.48%)
2022/23	127,917	(0.02%)
2023/24	129,654	1.36%
2024/25	135,921	4.83%

#### e) Local Council Tax Reduction Scheme (CTRS)

The CTR scheme currently supports almost 33,000 households with the cost of their council tax, of which almost 23,000 are working age. However, this report assumes revisions to the scheme will come into operation from 1 April 2024. The revised scheme will be means tested and result in each working age claimant making a 17% minimum payment towards their council tax bill. It is estimated that this will affect 22,628 households, with 351 households no longer entitled to CTR. This will generate a net saving to Bristol of £3 million in 2024/25. This report assumes acceptance of the revised scheme. However, should it not be approved an alternative tax base calculation is shown at appendix 1 to this report.

Following a spike during the pandemic both working age and pensioner aged claimants have steadily fallen over the last three years. This is illustrated in the table below (October data).

Year	2019	2020	2021	2022	2023
Working Age	23,506	25,144	25,211	23,399	22,430
Pensioners	11,239	10,755	10,436	10,166	10,003
Total	34,745	35,899	35,647	33,565	32,433
Percentage increase (reduction)		3.3	(0.7)	(5.8)	(3.4)

#### f) Single Person Discounts

**f.1.** Regular reviews continue to monitor the number of properties attracting single person discounts. Currently around 32% of domestic properties are claiming single person discount. This equates to 63,984 properties. 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. A further, more detailed review, will be carried out before the start of the next financial year. It is too early at this stage to estimate the additionality that could be derived to the tax base from this review but any benefits that arise above the collection targets will be captured in the collection fund and reported in January 25 for 2025/26 budgets.

**g) Student Exemptions**

**g.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. Student accommodation can take the form of either private housing (class N) or halls of residence (class M). The table below shows the number of students registered for an exemption as at 1 April each year with a projection to the end of March 2024 and March 25. Additional student exemptions are likely to reduce the tax base for 2024/25 by 2,185 band D equivalents.

Year	2020	2021	2022	2023	2024 Est	2025 Est
Class M Exemptions	1,242	1,825	1,895	2,518	3,000	3,111
Class N exemptions	7,657	7,199	7,024	7,523	7,550	7,828
Total	8,899	9,024	8,919	10,041	10,550	10,939
Percentage increase/(reduction)		1.4	(1.2)	12.6	5.0	3.7

**h) Growth**

**h.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.

**h.2.** The 2024/25 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.

This underlying growth has resulted in a net 2,733 additional band D equivalents added to the 2024/25 Council Tax Base.

**i) Losses on Collection**

**i.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.

**i.2.** The on-going economic impact of the cost-of-living crisis is affecting all areas of local government. Adding to the economic impact of the COVID pandemic adversely affecting many individual's incomes, a sharp rise in living costs means council tax collection is likely to continue to be a significant challenge.

**i.3.** The collection rate for 2023/24 is likely to be around 94%, with a further 2.6% collected against arrears. During 2024/25 we expect to see an on-going recovery and for collection rates to increase. Therefore for 2024/25 the collection rate has been set at 96%. The collection of arrears is also expected to improve during 2024/25 contributing a further 2% to the forecast tax base.

**j) Calculation of the Council Tax Base**

	2024/25 Band D Equivalent Properties	2023/24 Band D Equivalent Properties
Tax Base as per attached CTB 1 Return	137,066	135,773
Adjustment due to anticipated growth	2,733	2,726
Adjustment due to changes in working age CTS claims	1708	0
Reduction due to reinstatement of existing student properties not recorded on CTB1	(2,185)	(2,021)
Other discounts and Exemptions	(627)	0
Adjusted Tax Base	<u>138,695</u>	<u>136,478</u>
LESS losses on collection 2% (5% for 2023/24)	(2,774)	(6,824)
<b>Recommended Tax Base</b>	<b><u>135,921</u></b>	<b><u>129,654</u></b>

**j.1.** This is an increase of 6,267 (4.83%) Band D equivalent properties since the last Tax Base calculation in October 2022.

**Other Options Considered**

**k)** 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.
- 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 2024/25 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 135,921 represents an increase of 4.83% on the base when compared with 2023/24. This is in line with MTFP assumptions.

Members should note the change in tax base should the proposed amendments to the CTRS not be approved. A revised calculation is shown at appendix 1. The adjusted tax base will then be 134,247 an increase of 3.54% on the base when compared with 2023/24.

##### **(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 – Revised tax base calculation

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985****Background Papers:** Working papers held in Corporate Finance**Appendix 1 Revised Tax Base Calculation**

	2024/25 Band D Equivalent Properties	2023/24 Band D Equivalent Properties
Tax Base as per attached CTB 1 Return	137,066	135,773
Adjustment due to anticipated growth	2,733	2,726
Adjustment due to changes in working age CTS claims	0	0
Reduction due to reinstatement of existing student properties not recorded on CTB1	(2,185)	(2,021)
Other discounts and Exemptions	(627)	0
<b>Adjusted Tax Base</b>	<b>136,987</b>	<b>136,478</b>
LESS losses on collection 2% (5% for 2023/24)	(2,740)	(6,824)
<b>Recommended Tax Base</b>	<b>134,247</b>	<b>129,654</b>