

# Cabinet

6 December 2016



**Report Title:** *Approval of Council Tax Base 2017/18*

**Ward:** *City Wide*

**Strategic Director:** *Anna Klonowski – Interim Strategic Director Resources*

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## **Purpose of the report:**

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.

## **Recommendation for the Mayor's approval:**

### **The Mayor recommends that Full Council**

- 1. Agree, in accordance with the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012, the amount calculated by Bristol City Council as its Council Tax base for the financial year 2017/18 shall be 124,083.**



## 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. Consultation

### i. Internal

Assistant Local Tax Manager – Citizen Services

### ii. External

Not Applicable

## 3. 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.

## 4. 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 DCLG 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 2016 is attached as Appendix A 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.
- ii. The significant factors required to be taken into account in calculating the Tax Base are as follows:

## 5. 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. No change to this arrangement is proposed for 2017/18.
- ii. Projections to the end of March 2017, indicate that, since October 2015 the number of pensioner claimants has reduced by 10.7%, 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 5.4%. This is in line with previously reported trends and therefore has been reflected in the

calculation of the Tax Base.

## **6. 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). This discount is currently set at 10% for the first six months followed by 5% for the following 18 months.
- 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.

## **7. Single Person Discounts**

- i. Regular reviews have significantly reduced the number of properties attracting single person discounts. Currently 29% of domestic properties are claiming single person discount. This is the lowest of all Core Cities. Continuing reviews helps to ensure that the Council Tax Base properly reflects entitlements to this discount.

## **8. 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 all student lists have not been made available 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 1,250 Band D equivalents in the table below comprises of an estimated increase in student exemptions of 850 Band D equivalents and an additional 400 Band D equivalent student properties.

## **9. 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. Recently there has been significant 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.

## 10. 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 2017/18, after adjusting for the continued collection of prior years' arrears, is estimated to be 1.5%

## 11. Calculation of the 2017/18 Council Tax Base

	2017/18 Band D Equivalent Properties
Tax Base as per attached CTB 1 Return	125,773
Adjustment due to anticipated growth	1,450
Reduction due to additional student discounts	- 1,250
Adjusted Tax Base	125,973
LESS losses on collection of 1.5%	- 1,890
<b>Recommended Tax Base 2017/18</b>	<b>124,083</b>

- i. This is an increase of 3,137 (2.6%) Band D equivalent properties since the last Tax Base calculation in November 2015. This is primarily due to an increase in the number of chargeable dwellings of 1,896 and the continued reduction in the number of benefit recipients receiving council tax reductions. The Current MTFP assumes annual growth in the Tax Base of 1%, which is consistent with previously identified growth in the local housing market, but is not reflecting the full effect of the reduction in the number of benefit recipients receiving council tax reductions.
- ii. The 2017/18 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, the number of exemptions, discounts and Council Tax Support they might attract.
- iii. Valuation & Inspection information has identified that there are potentially 5808 additional domestic assessments where work has commenced. Taking in to account the robust housing market and the higher than anticipated number of new builds in 2016/17, the estimate of properties likely to be banded during 2017/18 has been increased from 50% to 75%, resulting in a figure of 4356. 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 2017. The resulting figure is 2178 and a 25% reduction has been factored in for loss in revenue due to exemptions, discounts and Council Tax Support. The final figure of 1631 is assumed to be lower banded properties so this figure has been converted into the Band "D" equivalent of 1268. Additionally, since the completion of CTB1 a further 182 band D properties have been added to the rating list, bringing the total estimated growth to 1450 band D equivalents.

- iv. To ensure the estimate of overall growth in the Tax Base is prudent officers have carried out an analysis of both growth in the local housing market over the last five years and the reduction in the number of benefit recipients receiving council tax reductions over the last three years.

## 12. Other Options Considered

- i. Not applicable

## 13. 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.

## 14. Public Sector Equality Duties

- i. 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.

## 15. Legal and Resource Implications

- i. **Legal**

The tax base calculations for a particular financial year must comply with the Local Authorities (Calculation of Council tax base) Regulations 2012, and be determined 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 Shahzia Daya – Service Director: Legal and Democratic Services)**

- ii. **Financial**  
**(a) Revenue**

The council tax base directly influences the resources available to the fund the revenue budget due to be considered by Full Council on 21 February 2017.

**(b) Capital**  
Not Applicable

**(Financial advice provided by Tony Whitlock – Finance Manager, Corporate Finance)**

- iii. **Land**  
Not Applicable

- iv. **Personnel**  
Not Applicable

## Appendices:

Appendix A – Copy of the CTB report submitted to the DCLG October 2016

## LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None