

BLACKPOOL COUNCIL
REPORT
of the
DIRECTOR OF RESOURCES
to the
LEADER OF THE COUNCIL
On
30th JANUARY 2020

COUNCIL TAX – SETTING THE TAX BASE 2020/21

1. INTRODUCTION

The Council as a Billing Authority is required under Statutory Instrument 2012 2914 to set the tax base for 2020/21 by 31st January 2020 and then to inform the precepting authorities, i.e. the Police and Crime Commissioner for Lancashire, the Lancashire Fire Authority and the Environment Agency. This report sets out the basis of the calculations to determine the Council Tax base.

2. VALUATION OF PROPERTIES

Council Tax is chargeable on all domestic properties within the Borough in accordance with valuation bands allocated by the Valuation Officer. There are 8 bands, A to H, and they reflect the value at which each property might reasonably have been sold on the open market as at 1st April 1991.

An analysis of the Valuation List at 1st December 2019 is shown in Table 1 below: -

Band (1)	Value of Band (2)	Number of Properties (3)	% (4)
A	up to £40,000	32,063	44.7
B	£40,001 - £52,000	21,012	29.3
C	£52,001 - £68,000	11,292	15.7
D	£68,001 - £88,000	4,702	6.5
E	£88,001 - £120,000	1,890	2.6
F	£120,001 - £160,000	569	0.8
G	£160,001 - £320,000	251	0.4
H	over £320,000	29	
		71,808	100

3. CALCULATION OF TAX BASE

(a) Composition of Council Tax

In the calculation of the tax base it is essential to bear in mind that Council Tax has two elements – 50% property and 50% personal. Consequently the tax base is affected by the following:-

- (i) 25% discount for a single person occupying a property;
- (ii) 25% or 50% discount for persons registered at a property but “disregarded” for council tax (e.g. long-term hospital patients, student nurses, certain care workers, prisoners, etc);
- (iii) 50% discount for property where there are no qualifying residents; and
- (iv) exempt properties (e.g. wholly occupied by students) on which no tax is payable.

Reductions can also be made for properties that have been adapted for disabled persons. There are regulations covering those adaptations that are eligible and the reduction is given by placing the property in one band lower than that assigned by the Valuation Officer. The regulations also allow for a reduction to be made to a qualifying Band ' A ' property. Lines 5 and 6 on Annex 1 show the effect of this reduction as at 1st December 2019.

All the above items affect the Council Tax base.

(b) Council Tax Discounts

Provisions are contained in the Local Government Finance Act that allows local authorities the discretion to set council tax discounts for vacant unoccupied properties and second homes. One of the Government's main intentions in localising these decisions is to enable authorities to encourage empty homes to be brought back into use. Legislation allows local authorities to charge a premium of up to 50% on long-term empty properties.

The Government has amended the Local Government Finance Act 1992 to increase the maximum percentage by which council tax can be increased for 'long-term empty dwellings' from 50 percent to 100 percent from 1st April 2019, 200 percent from 1st April 2020 and 300 percent from 1st April 2021 as follows -

- (1) Financial Year beginning 1st April 2020 -
 - (i) Where the relevant period is at least 2 years but less than 5 years – 100%
 - (ii) Where the relevant period is at least 5 years – 200%
- (2) Financial Year beginning 1st April 2021 –
 - (i) Where the relevant period is less than 5 years – 100%
 - (ii) Where the relevant period is at least 5 years but less than 10 years – 200%
 - (iii) Where the relevant period is at least 10 years – 300%

This is often referred to as the 'empty homes premium'. The setting of this rate is at the discretion of the billing authority; they do not have to charge it and they can charge any rate they wish (up to the maximum). In effect, this would allow billing authorities to charge up to 300 percent council tax for such properties from 1st April

2020 (currently they can charge up to 200 percent) and up to 400 percent council tax for such properties from 1st April 2021.

The Rating (Property in Common Occupation) and Council Tax (Empty dwellings) Act 2018 allows for the increase in the premium. The premium provides an incentive to owners to bring the property back into use. An increase in the premium as described above may encourage those owners that have not already done so to take action to ensure their property is brought back into use.

It is proposed that the changes to the premium will apply from 1st April 2020 and from 1st April 2021 respectively.

The premium and discounts in Blackpool are shown in the table below:

Category	2019/20 discount	2020/21 discount	Details
Second home	Nil	Nil	Legislation allows authorities to levy up to 100% on second homes thereby placing them on the same basis as normal homes for council tax purposes.
Former Class A Exemption – empty dwellings, requiring or undergoing major repairs	50% for 12 months	Nil	This was given to owners of dwellings where the property was unoccupied and unfurnished, which needed, was undergoing or has recently undergone major repairs or structural alterations. Reducing the discount to Nil should encourage owners to bring these properties back into use quicker than would otherwise be the case.
Former Class C Exemption – Vacant dwellings	100% for 3 months	100% for 3 months	Dwellings which become empty and unfurnished receive a discount for up to 3 months. If the property remains empty the owner becomes liable for a 100% charge. It is commonly accepted that some period of full discount should be given to allow property owners a reasonable time to re-occupy. Short periods of liability of less than 6 weeks will not entitle the council tax payer to a further discount under this class if the property is subsequently vacated.
Premium for long-term empty properties	100% additional premium (empty over 2 years)	100% additional premium (empty over 2 years and under 5 years)	From 1 st April 2019 this was levied on properties which were empty for over 2 years. From 1 st April 2020 the band is amended so that it is to be levied on properties which have been empty for over 2 years and under 5 years. It will continue to provide an incentive to owners to bring the property back into use.
Premium for long-term empty properties (over 5 years)	100% additional premium	200% additional premium	An increase in the premium from 100% to 200% from 1 st April 2020. This is to be levied on properties which have been empty for over 5 years. It will provide a further incentive to owners to bring the property back into use.

Category	2020/21 discount	2021/22 discount	Details
Premium for long-term empty properties (over 10 years)	200% additional premium	300% additional premium	A further increase in the premium from 200% to 300% from 1 st April 2021. This is to be levied on properties which have been empty for over 10 years. It will provide a strong incentive to owners to bring the property back into use.

(c) Council Tax Reduction Scheme

2013/14 was the first year of the localised Council Tax Reduction Scheme (CTRS) which replaced Council Tax Benefit. Council Tax Benefit did not affect the calculation of the tax base as it was funded by Government subsidy. The CTRS is effectively applied as a discount and therefore subsequently reduces the tax base calculation. The Council adopted a Scheme under which all working-age claimants had to pay at least 27.11% of their Council Tax

For the 2017/18 Scheme, the Executive approved the provision of additional support for certain vulnerable groups of claimants by amending the percentage applied to their award from 27.11% to 13.56% thus reducing the tax base calculation.

For the 2018/19 Scheme, the Executive approved the provision of additional support for low income groups of claimants (in receipt of Income Support, or Income-Based Jobseekers Allowance, or Income Related Employment Support Allowance) by amending the percentage reduction applied to their award from 27.11% to 13.56% thus reducing the tax base calculation.

For the 2019/20 Scheme, the Executive approved the provision of additional support, by amending the percentage from 27.11% to 13.56%, for low income groups of claimants or partners as follows –

- in receipt of Jobseeker's Allowance Contribution Based
- in receipt of Main Phase Employment and Support Allowance and are in the Work Related Activity Group
- in receipt of Maximum Universal Credit and neither employed, self-employed or in receipt of any other income which is taken into account when calculating their Universal Credit award (such as an Occupational Pension or other unearned income)
- in receipt of Universal Credit which includes either the limited capability for work and/or work related activity

Other claimants will continue to have a 27.11% reduction applied to their award and all applicants who are protected and pay 13.56% under the current scheme will continue to pay 13.56% when they move to Universal Credit.

At its meeting on 20th January 2020, the Executive approved that the reduction applied to working-age claimants under the 2020/21 Scheme remains the same as the current 2019/20 Scheme.

(d) Calculation of the Tax Base (see Annex 1)

The stages in the calculation of the tax base are as follows:-

- (i) The starting point is the number of properties in each band on the Valuation List as at 1st December 2019 as shown in Table 1, then adjusted for disablement relief.
- (ii) The number in each band is then analysed to take account of the reductions described in paragraphs 3(a), 3(b) and 3(c) above.
- (iii) It is also necessary to consider the likely impact of any changes in the number of properties on the Valuation List that may arise from 1st December 2019 to 31st March 2020. An allowance has been made for exemptions, demolitions and changes in the occupier status (eligible or no longer eligible for discounts) - see line 19 Annex 1.

(e) Relationship of each Band to Band D

Once all the calculations and estimates outlined in (d) above have been made it is necessary to relate the numbers of properties in each band to a Band D equivalent in the ratios prescribed in the Council Tax legislation.

The results are summarised in Table 2 below:-

Band (1)	No. of Properties (2)	No. of Properties after reductions (3)	Prescribed ratio to Band D (4)	No. of Band D equivalent properties (5)
Disabled Band A	N/A	32	5/9	18
A	32,063	17,032	6/9	11,354
B	21,012	15,033	7/9	11,692
C	11,292	8,940	8/9	7,947
D	4,702	3,950	9/9	3,950
E	1,890	1,660	11/9	2,029
F	569	499	13/9	721
G	251	217	15/9	362
H	29	19	18/9	38
TOTALS	71,808	47,382		38,111

(f) Family Annexe Discount

A further reduction is made where a qualifying discount is awarded for annexes that are occupied by family members or are being used by the occupier of the main house as part of the main house. This reduces the number of Band D equivalent properties shown in Table 2 above by 1 to 38,110.

(g) Rate of Collection of Council Tax

The final stage is to consider the likely percentage rate of collection of the tax.

In 2016/2017 the rate was reduced from 98.0% to 97.5% due to reductions in discount and ability to pay of low income households in receipt of Council Tax Reduction Scheme.

If the actual collection rate is higher than 97.5% then the excess will be available to reduce the Council Tax in future years. If it is lower than 97.5% then an increase in Council Tax will be required in future years to cover the shortfall. This would be in addition to any changes arising from the actual collection rates in previous years.

A collection rate of 97.5% reduces the adjusted number of Band D equivalent properties shown in Table 2 above from 38,110 to 37,157.

4. RECOMMENDATIONS

- a) To approve the calculation of the Council's tax base for 2020/21.
- b) That in accordance with the Local Authorities (Calculation of Tax Base) Regulations 1992 and the Local Authorities (Calculation of Council Tax Base) (Amendment) (England) Regulations 2003, declare that the Council Tax base for 2020/21 should be 37,157 properties.
- c) To approve the change to the former Class A Exemption for empty dwellings, requiring or undergoing major repairs so that no discount is now applied (reference table at page 3).
- d) To approve changes to the premium on long-term empty properties over 5 years for 2020/21 namely an increase to a premium of 200% (reference table at page 3).
- e) To approve changes to the premium on long-term empty properties over 10 years for 2021/2022 namely an increase to a premium of 300% (reference table at page 4).