

Report to: Cabinet

Date: 28 October 2019

Title: Local Council Tax Reduction Scheme 2020/21 and Council Tax Class C Discount

Report of: Tim Whelan, Director of Service Delivery

Cabinet member: Councillor Zoe Nicholson, Leader of the Council

Ward(s): All

Purpose of report: To gain Cabinet's recommendation to Full Council that the 2019/20 Local Council Tax Reduction Scheme is adopted as the 2020/21 scheme and that the Council Tax Class C Discount for empty and unfurnished properties is ended from 1 April 2020.

Decision type: Key

Officer recommendation(s): (1) That Cabinet recommend to Full Council that the 2019/20 Local Council Tax Reduction Scheme is adopted as the 2020/21 scheme.

(2) That Cabinet recommend to Full Council that the Council Tax Class C Discount for empty and unfurnished properties is ended from 1 April 2020.

(3) Establish a pilot scheme during 2020/21 to provide additional relief to the self-employed on very low income.

Reasons for recommendations: Ending the Class C discount will encourage property owners to try to avoid having properties that are not occupied.

The additional monies raised would be used to support those self-employed CTR claimants who are affected by the application of the minimum income floor and during the year of 2020/21 assess the likely impact on the council tax base of removal of minimum income floor.

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1 Introduction

1.1 The government abolished the national Council Tax Benefit scheme from April 2013 and required local authorities to develop and adopt their own scheme of support for working age claimants. This change came with a 10% cut in funding.

1.2 To protect pensioners from any reduction in support, the government put in place a national scheme that local authorities had to adopt. Therefore, any reduction in support had to come from those of working age.

1.3 The Council adopted a revised Local Council Tax Reduction (LCTR) scheme for 2016/17 that:

- Limited a Council Tax Reduction to 80% of the council tax liability
- Assumed a minimum income for claimants who have been self-employed for more than 12 months

1.4 There have not been any changes to the scheme since 2016/17 so the current 2019/20 scheme and takes into account the financial pressures on the Council and the major preceptors.

2 Proposal

2.1 That the 2019/20 Local Council Tax Reduction scheme (LCTR) is adopted for 2020/21.

That the Class C Council Tax Discount is ended from 1 April 2020. The Class C discount exempts the tax payer from Council Tax for one month if the property is empty and unfurnished.

This was designed to give landlords a window of opportunity to do whatever may be necessary between lets, as well as a short window to find new tenants.

2.2 There are other discounts and exemptions available on empty properties. For example, for someone who has moved into a care home or hospital, or on properties that have been repossessed or cannot be lived in by law, for example if they are derelict. These discounts are not affected by this proposal.

2.3 Empty unfurnished properties owned by Registered Social Landlords would not be affected as they qualify for a separate 100% discount due to their charitable status.

It is estimated that removal of the discount would raise £28,000 for the Council. The additional monies would be used to support those self-employed CTR claimants who are affected by the application of the minimum-income floor.

3 Outcome expected and performance management

3.1 That the LCTR scheme supports those on low incomes to meet their council tax liabilities.

3.2 The cost of the LCTR scheme will be monitored monthly.

3.3 The council tax base will increase as a result of ending the Class C Discount.

3.4 Removing the discount would reduce the burden of administration on staff and would simplify the scheme. The process of requesting supporting evidence and subsequent possible disputes over eligibility can be time consuming.

It would also end disputes where a new tenant or owner thought they should be entitled to a discount, only to find that the previous occupier had already claimed the full discount period.

3.5 To ascertain the impact of the application of the minimum income floor, in terms of both the financial loss and numbers affected, the service are collating data on the numbers of self-employed claimants affected and the amount of CTR they would have received if their entitlement was based on their actual income and the minimum income floor had not been applied.

For the self-employed there will be two calculations, one based on the minimum income floor and one based on actual income to see how much Council Tax relief has been lost. During the pilot period, which starts on 1 April 2020, the additional income raised from the Class C discounts and potentially the Exceptional Hardship fund can be utilised to reduce the impact of the minimum income floor.

This data will be supplied to cabinet on a monthly basis starting in November.

4 Consultation

4.1 There is no requirement to consult on the Local Council Tax Reduction Scheme proposal as no changes to the scheme are being proposed.

4.2 A consultation will be carried out on the proposal to end the Class C Discount.

5 Financial appraisal

5.1 The cost of the Local Council Tax Reduction Scheme, in terms of a reduction in tax base, of the 2019/20 scheme will be in the region of £6.5m based on the latest budget monitoring information. The cost of the scheme in 2020/21 is likely to increase in line with any rises in council tax.

5.2 Council Tax has not yet been set for 2020/21 so no estimates are available for this year in terms of the likely reduction in the tax base for 2020/21.

5.3 Removal of the Class C discount has the effect of increasing the tax base. On average, over the last three years, 311 properties have received the Class C discount. The estimated additional Council Tax that would be raised is £187,450. The Council's share of this would be £28,117, with £134,965 going to County and £24,368 to the Police and East Sussex Fire and Rescue Service.

5.4 The removal of the discount will apply to Council owned properties. It is estimated that this will cost in the region of £8,000.

6 Legal implications

- 6.1 Recommendation (1) of this report reflects the duty on the Council under section 5 of the Local Government Finance Act 1992 to consider, for each financial year, whether to revise its council tax reduction scheme or to replace it with another scheme. Equally, it is open to the Council to decide to make no changes to the scheme from one financial year to the next.

If, despite recommendation (1), the Council is minded to revise or replace the scheme for 2020/21, it must do so no later than 11 March 2020, following consultation with the major preceptors and other interested parties.

Under section 67 of the 1992 Act, adoption of a Council Tax Reduction Scheme is reserved to full Council. The role of Cabinet is to consider the proposed scheme and make a recommendation to Council, with any amendment to the scheme it considers appropriate.

Lawyer consulted 10.10.19

Legal ref: 008647-LDC-OD

7 Risk management implications

- 7.1 The main risk to the Council is that the cost of the scheme rises substantially. This could happen if there is an upturn in the number of people who become eligible for, and claim, CTR. This risk has to be accepted as the Council has no mechanism to prevent this happening.
- 7.2 Monthly monitoring will identify any unexpected rise in the amount of CTR being awarded and this will be notified to the relevant Finance officers.

8 Equality analysis

- 8.1 An Equality and Fairness Analysis Screening report was undertaken and as there are no changes to the LCTR scheme being proposed there is no requirement for a full Equality and Fairness Analysis to be carried out, as one was carried out on the 2016/17 scheme.
- 8.2 An Equality analysis has been undertaken on the proposal to remove the Class C discount. This has concluded that;
- 8.3 Generally a neutral impact is anticipated for groups protected under the Equality Act, however the Council has a general power under legislation to reduce council tax for an individual or group should it consider it necessary and after taking into account the impact on all council tax payers.
- 8.4 If an individual or organisation is particularly adversely impacted by this change the Council could mitigate the impact by using the general power.
- 8.5 There are other discounts and exemptions available to tax payers depending on the reasons why the property is unoccupied. For example, if the taxpayer is in hospital or a care home, in prison or the property is unable to be occupied by law, for example if it is derelict.

9 Sustainability Implications

9.1 Nothing arising from this report has any detrimental Environmental impact.

10 Appendices

None

11 Background papers

The background papers used in compiling this report were as follows:

[Local Council Tax Reduction Scheme 2019/20](#)