

Report to: Council

Date: 24 February 2020

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 Council's approval 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 2019/20 Local Council Tax Reduction Scheme is adopted as the 2020/21 scheme.
- (2) 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.
- (4) To delegate to the Director of Service Delivery authority to end the Council Tax Class C Discount from 1 April 2020.
- (5) To delegate to the Director of Service Delivery authority to establish a pilot scheme in 2020/21 to provide additional relief to the self-employed on a very low income.

Reasons for recommendations:

Ending the Class C discount will encourage property owners 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 takes into account the financial pressures on the Council and the major preceptors.

2 Proposal

- 2.1 Cabinet, in October 2019, recommended that:
- the 2019/20 Local Council Tax Reduction scheme (LCTR) is adopted for 2020/21. The 2020/21 scheme rules are at Appendix 1;
 - 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; and
 - a pilot scheme is established in 2020/21 to provide additional relief to the self-employed on a very low income.
- 2.2 The Council Tax Class C discount 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. 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 or if they are derelict. These discounts and exemptions 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.
- 2.4 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 A benefit to removing the discount is that it would reduce the burden of administration on staff and would simplify the scheme. The process of requesting supporting evidence and subsequent arguments over eligibility are time consuming. On the reverse side it is likely to result in a high volume of customer contact initially and mean that there is more council tax to collect.

3.5 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.

3.6 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. This data has been supplied to Cabinet on a monthly basis since November 2019.

3.7 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.

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 was carried out between 30 October 2019 and 31 December 2019 on the proposal to end the Class C Discount. The Consultation report is at Appendix 2.

4.3 There were 177 responses to the consultation. 60% (103) of respondents agreed or strongly agreed with the proposal. 37.5% (65) of respondents disagreed or strongly disagreed with the proposal.

4.4 When asked 'Do you have any comments on how the proposal would affect you

either positively or negatively?, the comments included the following:

- The proposals would not affect me – 42 comments
- Unfair to pay council tax when a property is empty – 15 comments
- Need to have a month to repair/refurbish a property and find new tenants – 15 comments
- I am supportive of the proposals – 15 comments
- Good to get properties back on the market – 8 comments

When asked if respondents have any other comments these were the most common themes:

- Agreement with the proposals – 32 comments
- The proposal is unfair – 22 comments
- Will help prevent properties sitting empty – 13 comments
- Exemptions should still be in place in the case of a bereavement/probate circumstances – 11 comments

It should be noted that there is an exemption (Class F) from Council Tax where a property is empty due to the occupier passing away. This exemption applies where the property remains empty and until probate is granted.

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. The estimated additional Council Tax that would be raised is £163,666. The Council's share of this would be £24,550, with £117,840 going to County and £21,276 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 paragraph 5 of Schedule 1A to 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. It is open to the Council to decide to make no changes to the scheme from one financial year to the next.
- 6.2 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.

- 6.3 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 04.02.20

Legal ref: 008944-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 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 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

Appendix 1 – Local Council Tax Reduction Scheme 2020/21 **(Circulated as a separate document)**

Appendix 2 - Class C Discount Consultation Report

11 Background papers

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

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